



SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 29 October 2010 under the laws of the Republic of Singapore)

PROPOSED ACQUISITION OF 107 EUNOS AVENUE 3, SINGAPORE 409837

1. INTRODUCTION

The Board of Directors of Sabana Real Estate Investment Management Pte. Ltd., as manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("**Sabana REIT**" and the manager of Sabana REIT, the "**Manager**"), wishes to announce that HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Sabana REIT (the "**Trustee**"), has on 14 December 2016 entered into a conditional put and call option agreement (the "**Option Agreement**") with General Cars Fleet Management Pte Ltd (the "**Vendor**") in relation to the proposed acquisition (the "**Acquisition**") of the property located at 107 Eunos Avenue 3, Singapore 409837 (the "**Property**") on the principal terms set out in paragraph 3 below and which is subject to certain conditions precedent set out in paragraph 4 below.

Under the Option Agreement, the Trustee has been granted the right to require the Vendor to sell the Property to the Trustee (the "**Call Option**") and the Vendor has been granted the right to require the Trustee to purchase the Property (the "**Put Option**"). Pursuant to the terms of the Option Agreement, the Vendor and the Trustee are deemed to have entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") on the day the Call Option is exercised by the Trustee, or on the day the Put Option is exercised by the Vendor (as the case may be). The Call Option and the Put Option may only be exercised after, amongst other conditions precedent set out in paragraph 4 below, the Housing Development Board ("**HDB**") approves the sale of the Property to the Trustee pursuant to the terms of the Sale and Purchase Agreement, and the HDB approval conditions are accepted by the Trustee.

2. INFORMATION ON THE PROPERTY

The Property is a six-storey light industrial building with a basement carpark. It has a gross floor area ("**GFA**") of approximately 133,946 square feet ("**sq ft**"). The land area of the site on which the Property is located is approximately 53,601 sq ft. The Property is a HDB leasehold estate of 30 years tenure commencing from 1 January 2011, with a remaining tenure of approximately 24 years.

The Property was independently valued by Savills Valuation And Professional Services (S) Pte Ltd ("**Savills**") at S\$34.5 million as at 5 December 2016, using the income capitalisation approach and the discounted cash flow analysis valuation method. The valuation on the Property was commissioned by the Trustee and coordinated by the Manager and takes into account the pre-arranged lease arrangement as set out in the Lease Agreement (as defined below).

3. DETAILS OF THE ACQUISITION AND LEASE (COLLECTIVELY, THE "TRANSACTION")

On completion of the Acquisition, the Vendor and the Trustee will also enter into:

- a. A lease agreement ("**Lease Agreement**") pursuant to which the Vendor will lease back approximately 34 per cent of the total GFA of the Property (the "**Premises**") for a term of five years, with an option to renew for three more years. The Vendor's lease is expected to commence in the first half of 2017.
- b. The Vendor will provide rental income support for the Property to Sabana REIT for the initial term of five years, commencing from and including the date of the completion of Acquisition.).
- c. A service agreement ("**Service Agreement**") pursuant to which the Vendor will be appointed by Sabana REIT and paid a fixed sum per annum for outgoings and operating expenses of the Property and is inclusive of a moderate gratuity of S\$ 1,000 per month (subject to Goods and Services Tax ("**GST**")) to provide ancillary lease, property management and maintenance services in respect of managing the direct subtenants.

Upon completion of the Acquisition, the leases to the other direct subtenants (which occupy 40 per cent of the total GFA of the Property) will be assigned to Sabana REIT.

The purchase consideration for the Property, which shall be paid in cash, is S\$34.5 million (the "**Purchase Consideration**"), and was arrived at on a willing-buyer and willing-seller basis, taking into consideration the independent valuation conducted on the Property. An acquisition fee of S\$345,000 (which is 1.0% of the Purchase Consideration) is payable by Sabana REIT in cash to the Manager for the Acquisition.

The total cost of the Acquisition is approximately S\$36.1 million (the "**Total Acquisition Cost**"), comprising the Purchase Consideration, the 3% stamp duty payable to the Inland Revenue Authority of Singapore ("**IRAS**"), the acquisition fee payable to the Manager and the professional and other fees and expenses payable in connection with the Acquisition. There is no upfront land premium payable by Sabana REIT to HDB in respect of the Acquisition.

The Trustee has, on this day, paid an option fee comprising 1.0% of the Purchase Consideration (the "**Option Fee**") together with the GST thereon, amounting to S\$369,150, to the Vendor's solicitors (the "**Stakeholder**") who is authorised to acknowledge receipt and to hold the Option Fee as the Stakeholder on the terms of the Option Agreement. On exercise of either the Call Option or the Put Option, the Option Fee shall be applied and held by the Stakeholder as the deposit payable by the Trustee under the Sale and Purchase Agreement.

Under the Sale and Purchase Agreement, if the net property income is less than the guaranteed net property income of approximately S\$3.1 million per annum, the Vendor shall pay to Sabana REIT a sum equal to the difference (the "**Top-up Payment**"). The GST payable by the Trustee on the Top-up Payment shall be borne by the Vendor. Upon completion of the Acquisition, the Trustee shall deduct a sum of approximately S\$6.3 million and the GST thereon ("**Retention Sum**") from the Purchase Consideration, for the purpose of the rental income support which the Vendor is providing. If the Lease Agreement is terminated as a result of the Vendor's breach, the rental income support arrangement shall continue to apply for the term of five years. If the Lease Agreement is terminated for any other reason, the Trustee shall retain the Retention Sum wholly and shall not be required to refund any part thereof to the Vendor. Any unutilised balance in respect of the Retention Sum and the accrued income thereon after expiry of the five-year period shall be returned to the Vendor. The valuation of the Property takes into account the rental income support to be provided by the Vendor under the Lease Agreement.

Savills is of the opinion that the rental support is not unreasonable and is in line with general market practice for similar kinds of arrangement where rental support is given to compensate for lower passing rents (as compared to current market when vacant units and/or expiring leases are expected to be renewed or re-let at the prevailing market rents).

On the basis of the above, the Board of Directors of the Manager is of the view that the rental income support is on normal commercial terms and is not prejudicial to the interests of Sabana REIT and the holders of units in Sabana REIT (“Unitholders”).

4. CONDITIONS PRECEDENT UNDER THE OPTION AGREEMENT

The right of the Trustee to issue and serve on the Vendor the notice for the exercise of the Call Option and the right of the Vendor to issue and serve on the Purchaser the notice for the exercise of the Put Option under the Option Agreement are subject to certain conditions precedent including, but not limited to, the following:

- a. the Vendor and the Trustee having received, amongst other things, HDB’s approval for the Acquisition and the Trustee’s lease to the Vendor of the Premises;
- b. the Vendor not being in breach of any provisions of the HDB head lease or failing to perform and comply in all respects with any of the covenants and agreements contained therein;
- c. there being no compulsory acquisition or notice of compulsory acquisition or intended acquisition affecting the Property in whole or in part; and
- d. successful equity fund raising by the Purchaser, where applicable.

The Manager will make a further announcement when completion of the Acquisition has taken place, which is expected to be in the first half of FY 2017.

5. RATIONALE FOR THE TRANSACTION

The Manager believes that the Transaction will bring the following benefits to the Unitholders:

a. The Transaction is in line with the Manager’s Strategy

The Transaction is in line with the Manager’s aim to acquire income-producing real estate and real estate-related assets used for industrial purposes which provide stable cash flows and yield-accretion so as to generate stable and growing returns for the Unitholders.

Under the Lease Agreement to be entered into between Sabana REIT and the Vendor on completion of the Acquisition, three years of rental income amounting to approximately S\$4.0 million will be collected upfront from the Vendor on the commencement date of the Vendor’s lease. Income accrued on the upfront rental income collected will be returned to the Vendor.

b. Strategically located Property with good transportation links

The Property is a newly completed building located within the commercial hub of Paya Lebar Central and is in close proximity to Paya Lebar and Eunos MRT stations.

c. Enhanced tenant diversification

The proposed acquisition of the Property on a long leaseback term is expected to benefit Unitholders by improving asset and tenant diversification with the addition of a quality industrial building.

6. METHOD OF FINANCING AND FINANCIAL EFFECTS OF THE ACQUISITION

a. Method of Financing

The Acquisition may be funded by equity, borrowings or a combination of both, as the Manager may decide in its discretion, having regard to factors such as market conditions and the aggregate leverage of Sabana REIT.

b. Disclosure under Rule 1010(13) of the Listing Manual

The relative figures for the Acquisition computed based on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST ("**Listing Manual**") are set out below:

	Percentage
Rule 1006 (a): Net asset value of the asset to be disposed of compared with the net asset value of Sabana REIT and its subsidiaries (the " Group ").	Not applicable
Rule 1006 (b): Net profits attributable to the asset acquired compared to the Group's net profits.	4.1% ⁽¹⁾
Rule 1006 (c): Purchase consideration against market capitalisation of Sabana REIT.	9.0 % ⁽²⁾
Rule 1006 (d): Number of equity securities issued by Sabana REIT as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
Rule 1006 (e): Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) Based on net property income which is a proxy to net profits for real estate investment trusts. The net property income in respect of the Property is based on an assumed annual gross rental income of approximately S\$2.8 million from the leases of the Property, income support of approximately S\$0.8 million and less estimated property expenses (including property and lease management fees of approximately S\$0.1 million that is not part of the net property income for the purpose of the income support computation) of approximately S\$0.6 million. The net property income of the Group based on its last audited financial statements for the financial year ended 31 December 2015 is S\$71.6 million.

- (2) This figure is based on Sabana REIT's volume weighted average price of S\$0.5166 per Unit on 13 December 2016, being the market date preceding the date of this announcement.

The Manager is of the view that the Acquisition is in the ordinary course of Sabana REIT's business as it is within the investment policy of Sabana REIT and does not change Sabana REIT's risk profile. As such, the Acquisition should therefore not be subject to Chapter 10 of the Listing Manual. However, for purposes of disclosures, as the applicable relative figures computed under Rule 1010 exceed 5%, the Manager has announced the Acquisition in accordance with Rule 1010 (as applicable to a disclosable transaction).

c. Pro Forma Financial Effects of the Acquisition

The pro forma financial effects of the Acquisition on the distribution per Unit ("DPU") and the net asset value ("NAV") per Unit, and the pro forma capitalisation of Sabana REIT presented below are **strictly for illustrative purposes only**, and were prepared based on the audited consolidated financial statements of Sabana REIT for FY 2015, taking into account the Total Acquisition Cost and assuming that:

- (i) Scenario 1: the Total Acquisition Cost had been fully funded by equity;
- (ii) Scenario 2: the Total Acquisition Cost had been funded using Sabana REIT's target gearing level of 40% borrowings and 60% equity; and
- (iii) for FY 2015, the Manager had elected to receive 80.0% of its base management fee in Units and the remaining 20.0% in cash.

The pro forma financial effects are purely for illustrative purposes only and do not represent the actual financial position and performance of Sabana REIT after completion of the Acquisition.

Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the Acquisition on the Group's DPU for FY 2015, as if the Acquisition was completed on 1 January 2015 and Sabana REIT held and operated the Property through to 31 December 2015 are as follows:

	FY 2015		
	Before the Acquisition	After the Acquisition	
		Scenario 1	Scenario 2
Distributable income (S\$'000)	50,135	53,034	52,476 ⁴
Units issued and to be issued ('000)	734,027 ¹	804,082 ²	776,167 ³
DPU (cents)	6.85	6.62	6.79 ⁴

Notes:

- (1) Number of Units issued and to be issued as at 31 December 2015.
- (2) **Purely for illustrative purposes only:** Includes approximately 70.1 million Units issued at an illustrative issue price of S\$0.5166 per new Unit under an equity fund-raising exercise to fully fund the Total Acquisition Cost and 80% of the base management fees for FY 2015 is payable to the Manager in Units.

- (3) **Purely for illustrative purposes only:** Includes approximately 42.1 million Units issued at an illustrative issue price of S\$0.5166 per new Unit under an equity fund-raising exercise to fund 60% of the Total Acquisition Cost and 80% of the base management fees for FY 2015 is payable to the Manager in Units.
- (4) **Purely for illustrative purposes only:** assuming all-in cost of new borrowings to fund 40% of the Total Acquisition Cost was 4.2%, being the average all-in cost of borrowings as at 31 December 2015.

Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the Acquisition on the Group's NAV per Unit as at 31 December 2015 as if the Acquisition was completed on 31 December 2015 are as follows:

	31 December 2015		
	Before the Acquisition	After the Acquisition	
		Scenario 1	Scenario 2
NAV (S\$'000)	653,741	688,241	673,820
Units issued and to be issued ('000)	734,027 ¹	803,815 ²	775,900 ³
NAV per unit (S\$)	0.89	0.86	0.87

Notes:

- (1) Number of Units issued and to be issued as at 31 December 2015.
- (2) **Purely for illustrative purposes only:** Includes approximately 69.8 million Units issued at an illustrative issue price of S\$0.5166 per new Unit under an equity fund-raising exercise to fund 60% of the Total Acquisition Cost.
- (3) **Purely for illustrative purposes only:** Includes approximately 41.9 million Units issued at an illustrative issue price of S\$0.5166 per new Unit under an equity fund-raising exercise to fund 60% of the Total Acquisition Cost.

Pro Forma Capitalisation

FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma capitalisation of the Group as at 31 December 2015, as if the Acquisition was completed on 31 December 2015, is as follows:

	31 December 2015		
	Before the Acquisition	After the Acquisition	
		Scenario 1	Scenario 2
Current			
Secured borrowings (S\$'000)	147,288	147,288	147,288
Non-Current			
Unsecured borrowings (S\$'000)	230,696	230,696	230,696
Secured borrowings (S\$'000)	103,100	103,100	117,521 ¹
Total borrowings (S\$'000)	481,084	481,084	495,505
Unitholders' funds (S\$'000)	653,741	688,241 ²	673,820 ³
Total capitalisation (S\$'000)	1,134,825	1,169,325	1,169,325

Notes:

- (1) **Purely for illustrative purposes only:** Includes S\$14.4 million of secured borrowings drawn to fund 40% of the Total Acquisition Cost.
- (2) **Purely for illustrative purposes only:** Includes S\$36.1 million of additional Unitholders' fund (or approximately 69.8 million new Units issuable at an illustrative price of S\$0.5166 per new Unit) issued to fund 100% of the Total Acquisition Cost.
- (3) **Purely for illustrative purposes only:** Includes S\$21.6 million of additional Unitholders' fund (or approximately 41.9 million new Units issuable at an illustrative price of S\$0.5166 per new Unit) issued to fund 60% of the Total Acquisition Cost.

7. INTEREST OF DIRECTORS AND CONTROLLING UNITHOLDERS

As at the date of this announcement, certain directors of the Manager collectively hold an aggregate direct and indirect interest in 28,277,112 Units.

Saved as disclosed above and based on the information available to the Manager as at the date of this announcement, none of the directors of the Manager has any interest, direct or indirect, in the Transaction. As at the date of this announcement, Sabana REIT does not have any controlling Unitholders.

8. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Manager in connection with the Transaction or any other transaction contemplated in relation to the Transaction.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the valuation report issued by Savills and the Option Agreement are available for inspection, with prior appointment, during normal business hours at the registered office of the Manager at 151 Lorong Chuan, #02-03 New Tech Park, Singapore 556741, for a period of three months commencing from the date of this Announcement.

By Order of the Board
Sabana Real Estate Investment Management Pte. Ltd.
(Company registration number 201005493K)
As Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

Kevin Xayaraj
Chief Executive Officer and Executive Director
14 December 2016

ABOUT SABANA REIT

Sabana REIT was listed on Singapore Exchange Securities Trading Limited on 26 November 2010. It was established principally to invest in income-producing real estate used for industrial purposes, as well as real estate-related assets, in line with Shari'ah investment principles. Sabana REIT currently has a diversified portfolio of 21 quality properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors. Its total assets amount to approximately S\$1.1 billion.

Sabana REIT is listed in several indices within the SGX S-REIT Index, Morgan Stanley Capital International, Inc (MSCI) Index, the Global Property Research (GPR) index, FTSE index and S&P Dow Jones Indices.

Sabana REIT is managed by Sabana Real Estate Investment Management Pte. Ltd., (in its capacity as the Manager of Sabana REIT) in accordance with the terms of the trust deed dated 29 October 2010 (as amended). Sabana REIT is a real estate investment trust constituted on 29 October 2010 under the laws of Singapore.

For further information on Sabana REIT, please visit <http://www.sabana-reit.com>.

Important Notice

This announcement is for information only and does not constitute an offer, invitation or solicitation of securities in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

The value of units in Sabana REIT ("Units") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, HSBC Institutional Trust Services (Singapore) Limited, as trustee of Sabana REIT, or any of their respective affiliates.

An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement is not an offer of any Units in the United States. The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States absent registration except pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act.

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