



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)

ANNOUNCEMENT

RESPONSE TO SGX QUERY

The Board of Directors (the “**Board**”) of Sabana Real Estate Investment Management Pte Ltd (the “**Manager**”) refers to the query from Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 28 July 2020 and sets out its responses as follows:

Question 1:

On page 3 of the REIT’s 1H 2020 financial statements, the REIT disclosed that “Net change in fair value of the investment properties” amounted to S\$54.7 million. For the material items in the S\$54.7 million, please disclose which were the properties which made up these fair value losses and explain for the significant assumptions used to derive the fair values and elaborate on the significant factors which caused the decrease in the fair values of these industrial assets.

Manager’s response:

The weakened near-term leasing demand and market uncertainty in view of the COVID-19 pandemic is the key driver causing the decline in the fair values for the investment properties. Assumptions on market rent and market rent growth rate are generally lower, and vacancy assumptions are generally higher for most properties.

No.	Key reasons for significant decrease in fair value of properties	Related properties with significant decrease in fair value	Fair value loss (\$ mil)
1	Assumed lower market rent and market rent growth rate and higher vacancy.	<ul style="list-style-type: none"> 3A Joo Koon Circle 10 Changi South Street 2 	17.0
2	Conversion from single tenancy to multi-tenancy structure for certain properties. Lower market rent and market rent growth rate, and higher vacancy assumed for the new leases after the expiry of the master leases in 4Q 2020.	<ul style="list-style-type: none"> 33 & 35 Penjuru Lane 51 Penjuru Road 30 & 32 Tuas Avenue 8 	15.5
3	Lower occupancy rate, short tenure (for 34 Penjuru Lane). Assumed lower	<ul style="list-style-type: none"> 34 Penjuru Lane 151 Lorong Chuan 	13.4

	market rent and market rent growth rate, and higher vacancy.	<ul style="list-style-type: none"> 23 Serangoon North Avenue 5 	
--	--	---	--

Question 2:

On page 4 of the REIT's 1H 2020 financial statements, the REIT disclosed that "Net change in fair value of financial derivatives mainly relates to the change in the fair value of the profit rate swaps based on broker quotes recognised between the current and last reporting date."

Please elaborate on the nature of the "profit rate swaps" and what are the profits swapped into. Please disclose when were these profit rates swapped and when do they expire. Please also disclose who are these brokers and how are their quotes readily available for fair value determination.

Manager's response:

As Sabana REIT is a Shari'ah compliant REIT, profit rate swaps are the Shari'ah compliant equivalent of interest rate swaps for conventional hedging instruments. (Please refer to Annual Report FY 2019 Section 12.6 for more details). The Group enters into profit rate swaps to manage and limit the Group's exposure to adverse changes in profit rates, relating primarily to profit-bearing financial liabilities on an on-going basis, by swapping the profit rates on its borrowings from a floating rate basis to a fixed-rate basis.

The fair valuation change of the profit rate swaps are determined based on fair valuation reports from the banks on a monthly basis. The fair value changes are recognised in the Statement of total return and are non-tax deductible and have no impact on distributable income.

The details of the profit rate swaps are summarised as follow:

S/N	Counterparties	Notional Amount (S\$ mil)	Effective Date	Expiry Date
1	CIMB Bank Berhad	50.0	April 2018	September 2020
		50.0		
2	United Overseas Bank Limited	22.5	March 2019	June 2021
		7.5	March 2019	December 2020
		30.0		
3	Malayan Banking Berhad, Singapore Branch	30.0	February 2020	November 2022
		70.0	February 2020	November 2022
		20.0	February 2020	November 2023
		120.0		
	Total	200.0		

Question 3:

On page 5 of the REIT's 1H 2020 financial statements, the REIT disclosed that "In view of the still-evolving COVID-19 situation, the Manager made the decision to temporarily retain 55.0% of its 1H 2020 distributable income to conserve capital, which will be paid out at a later date."

Please elaborate on:

- (i) the reasons why the Manager has decided to temporarily retain the 55% of its distributable income;
- (ii) if major tenants have failed to make payments to the REIT or any adverse developments relating to the decision to retain distributable income;
- (iii) whether it is intended for these distributable income to be paid out solely to Sabana REIT unitholders before the completion of the proposed scheme of arrangement or post merger, assuming the scheme of arrangement is completed?

Manager's response:

The Manager retained 55.0% of its distributable income (approximately S\$6.1 million) to provide for rental waivers to tenants and to provide for working capital purposes to cater for unforeseen circumstances that may arise during the current COVID-19 pandemic and global uncertainties.

It is intended that the 1H 2020 distributable income retained and unutilised will be paid to existing unitholders of Sabana REIT as at a record date which will be before the date on which the proposed scheme of arrangement becomes effective, assuming the completion of the scheme of arrangement.

In the meantime, Unitholders are advised to exercise caution when dealing in the units of Sabana REIT. Unitholders are further advised to read this announcement and any subsequent announcements by the Manager carefully.

RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this announcement (other than any information relating to or opinions expressed by ESR-REIT and/or the manager of ESR-REIT ("**ESR-REIT Manager**")) are fair and accurate and that there are no other material facts not contained in this announcement, the omission of which would make any statement in this announcement misleading. The Directors jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from ESR-REIT and/or the ESR-REIT Manager, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement. The Directors do not accept any responsibility for any information relating to ESR-REIT and/or the ESR-REIT Manager or any opinion expressed by ESR-REIT and/or the ESR-REIT Manager.

By Order of the Board
Sabana Real Estate Investment Management Pte. Ltd.
(Company registration number no: 201005493K, Capital markets services licence no: CMS100169)
As Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

Han Yong Lee (Donald)
Chief Executive Officer
30 July 2020

For enquiries, please contact:

Dianne Tan
Investor Relations
Sabana Real Estate Investment Management Pte. Ltd.
DID: +65 6580 7857
Email: dianne.tan@sabana.com.sg

Sabana REIT

Sabana REIT was listed on the SGX-ST 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. As at 30 June 2020, Sabana REIT has a diversified portfolio of 18 properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors. The total assets of the Group amount to approximately S\$0.9 billion as at 30 June 2020.

Sabana REIT is listed in several indices within the SGX S-REIT Index, Morgan Stanley Capital International, Inc (MSCI) Index and FTSE index. Sabana REIT is one of the constituents of the FTSE ST Singapore Shariah Index.

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 www.sabana-reit.com.

Important Notice

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 of Sabana REIT 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.