



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

**EXTRAORDINARY GENERAL MEETING AND SCHEME MEETING TO BE HELD ON
4 DECEMBER 2020**

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SABANA UNITHOLDERS

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 "**Sabana Manager**", would like to thank unitholders of Sabana REIT ("**Sabana Unitholders**") for submitting their questions in advance of the extraordinary general meeting ("**EGM**") and the scheme meeting ("**Scheme Meeting**") in respect of the proposed merger (the "**Merger**") of ESR-REIT and Sabana REIT by way of a trust scheme of arrangement (the "**Scheme**"), which will be held via electronic means on Friday, 4 December 2020 at 2.00 p.m. and 2.30 p.m. respectively. The Sabana Manager's responses to the substantial and relevant questions received from the Sabana Unitholders are set out in the Appendix to this Announcement.

*Unless otherwise defined, all capitalised terms in this Announcement shall bear the same meaning as set out in the scheme document dated 12 November 2020 ("**Scheme Document**").*

Sabana Unitholders are encouraged to participate in the SIAS-Sabana REIT virtual dialogue session to be held on Wednesday, 25 November 2020 at 7:00 p.m. (Singapore time). The Chief Executive Officer ("**CEO**") of the Sabana Manager will deliver a presentation on the Merger during the SIAS-Sabana REIT virtual dialogue session. There will be a live Q&A session following the presentation, during which the CEO of the Sabana Manager will be joined by the CEO and Executive Director of the manager of ESR-REIT ("**ESR-REIT Manager**"), to address Sabana Unitholders' questions ahead of EGM and the Scheme Meeting scheduled to be held on 4 December 2020.

If you wish to attend the SIAS-Sabana REIT virtual dialogue session, kindly RSVP via <https://sias.org.sg/sabanareit> by Monday, 23 November 2020, 12.00 p.m. (Singapore time).

By Order of the Board

Sabana Real Estate Investment Management Pte. Ltd.
(Company registration 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
20 November 2020

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Appendix

Question 1:

I am a retiree and relying on dividend income and have therefore invested in Sabana Trust. I am very concerned with the vigorous objections to the merger with ESR raised by some major shareholders. Frankly I don't know what best for me and my wife and would greatly appreciate if the directors and management be upfront with us and similar shareholders and inform accordingly as the best course of action for us. Thank you.

- Sabana REIT's independent financial adviser has said that the terms of the Merger are **fair and reasonable** and has advised the Board to recommend that Unitholders vote in favour of the merger. The reasons for their recommendation are set out in the IFA letter contained in the Scheme Document (Appendix C). Please review the IFA letter carefully.
- The Sabana Manager's Board and management team support the Merger as we believe it is an offer that has a compelling strategic rationale, as detailed in Section 2.4 of the Scheme Document dated 12 November 2020.
- Essentially, the Merger will lead to a larger market capitalisation and free float, making it more likely for Sabana Reit to be included in key stock market indices. The benefits of being included in indices are higher trading liquidity and a potential re-rating.
- If Sabana Reit is merged with ESR Reit, the enlarged REIT will have greater financial flexibility, and better access to wider pools of capital and lower cost of funds to drive organic growth. Financing is needed if we want to upgrade our buildings, tear down old buildings and redevelop and we will be able to do so with lower execution risks and limited financial effect on the distribution to unitholders with larger portfolio base while pursuing value-accretive acquisitions. In addition, the increased scale and diversity of the enlarged REIT will make it more resilient against economic uncertainties. Growth prospects can also be improved by leveraging on the ESR Group's network and pipeline of assets.
- The Merger is DPU accretive to Sabana Unitholders on a historical pro forma basis, at an accretion of 12.9%. The DPU accretion stems mainly from interest cost savings arising from the Enlarged REIT's ability to refinance Sabana REIT's existing borrowings at a lower cost of funds.
- If Sabana Unitholders reject the Merger, the only offer currently on the table, the ESR-REIT Manager will not be able to make another offer within the next 12 months, under the Singapore Code on Take-overs and Mergers
- Sabana Unitholders are invited to participate in the SIAS-Sabana REIT virtual dialogue session to be held on Wednesday, 25 November 2020 at 7:00 p.m. (Singapore time), during which you will be able to hear more about the Merger and raise relevant questions, which will be addressed by the Sabana Manager's CEO and/or the ESR-REIT Manager's CEO.
 - If you wish to attend the SIAS-Sabana REIT virtual dialogue session, kindly RSVP via <https://sias.org.sg/sabanareit> by Monday, 23 November 2020, 12.00 p.m. (Singapore time).
- Each and every independent Sabana Unitholder's vote counts and we strongly encourage independent Sabana Unitholders to exercise their voting rights and vote at the EGM and the Scheme Meeting. The outcome of the Merger is in independent Sabana Unitholders' hands, given that the concert parties of ESR-REIT and common substantial unitholders of ESR-REIT and Sabana REIT, including ESR, will be abstaining from voting on the Scheme.

- Sabana Unitholders can vote by completing and signing Proxy Form A (EGM) and Proxy Form B (Scheme Meeting), and submitting them so that the duly completed proxy forms reach the Unit Registrar no later than 1 December 2020 at 2.00 p.m. and 2.30 p.m. respectively.

Question 2:

If Scheme is approved, what is the estimated distributions per unit (both retained and clean-up) the manager is going to give out to Sabana unitholders before the merger?

- All Sabana Unitholders shall have the right to receive clean-up distributions declared and made by the Sabana Manager up to the day immediately before the date the Scheme becomes effective. Such clean-up distributions are **in addition** to the Scheme Consideration.
- Assuming the completion of the Scheme, the Sabana Manager intends to make the clean-up distribution in respect of the period from the day following the latest completed financial half-year of Sabana REIT for which a distribution has been made, up to the day immediately before the Scheme becomes effective. This includes the S\$6.1 million, to the extent unutilised, which was previously retained in 1H2020 for prudent cash flow management in view of uncertainties arising from the COVID-19 pandemic.
- The exact amount of clean-up distributions will be announced in due course.

Question 3:

Who are the Sabana shareholders who managed to sell their shares to ESR @ \$0.48? Can they swap my shares with me with the same amount and merge with ESR?

- We are unable to comment on this.
- Please note that **the offer is not based on a fixed offer price; it is based on an agreed fixed gross exchange ratio of 0.940 ESR-REIT Units for every 1 Sabana Unit** and the ratio takes into account:
 - The prevailing and historical relative market prices of the Sabana Units and the ESR-REIT Units,
 - The respective net asset values (NAVs) of Sabana REIT and ESR-REIT, prevailing and historical prices to NAV per unit, distribution yield, market capitalisation, trading liquidity, capital structure, debt costs and debt tenor of each of Sabana REIT and ESR-REIT,
 - The market conditions and market value of the respective property portfolios,
 - Relevant precedent trust scheme transactions in Singapore, and
 - The resulting pro forma financial impact of the Merger on Sabana REIT and ESR-REIT

Can we expect Mr Donald Han to resign once merger with ESR failed to materialize?

- Regardless of the outcome of the Merger, the Sabana Manager's management team remain committed to managing Sabana REIT with a view to creating value in the interest of all unitholders.

Question 4:

How will the share price and my number of Sabana shares be affected after the merger?

- We are unable to provide comment or speculate on the possible post-merger trading price of the Enlarged REIT's Units. This will be a function of market forces.
- Kindly note that the Scheme Consideration payable to Sabana Unitholders will be satisfied in full by the issuance of new ESR-REIT Units, based on a fixed gross exchange ratio of 0.940x.
 - By way of illustration, if the Scheme becomes effective in accordance with its terms, a Sabana Unitholder will receive 94 new ESR-REIT Units for every 100 Sabana Units held as at the Books Closure Date.
 - If the Merger is not approved, Sabana Unitholders will not receive any ESR-REIT Units and Sabana REIT will remain listed on the SGX-ST as a standalone entity.
- The Enlarged REIT is expected to have a larger free float market capitalisation following the Merger.
 - This would increase the probability of inclusion in key indices which offers the benefits of higher trading liquidity, a wider investor base, and broader research coverage, eventually leading to a potential re-rating of the Enlarged REIT.

Question 5:

Why is the Manager abandoning its Refreshed Strategy which has been gaining some traction and promises to really take off when its crown jewel the New Tech Park is ready? Is the Manager conveniently throwing in the towel to save its own skin in these hard economic times?

- The Sabana Manager remains committed to creating value for Sabana Unitholders and believes that the Merger will better facilitate this.
 - The Merger is not a sale of assets, but instead allows Sabana Unitholders to stay invested in a bigger, stronger, more resilient Enlarged REIT.
 - Undertaking asset enhancement and redevelopment initiatives, as well as exploring acquisition opportunities, which are core components of the current Refreshed Strategy, are part of the plans for the Enlarged REIT, which will be better positioned to pursue such activities given its enhanced financial flexibility, as well as better access to wider pools of capital and lower cost of funds. With increased scale and diversity, the Enlarged REIT will also be able to do so with lower execution risks. In addition, it will be more resilient, which is timely, given the current challenging operating environment and macroeconomic uncertainties.
 - **Sabana REIT will face more difficulties and constraints due to its small asset base as a small REIT. These constraints existed even before COVID-19 led to economic recessions around the world, including Singapore.** They have only been further exacerbated by the pandemic. Therefore, a better option is to consider the only offer proposed to Sabana REIT – to merge with ESR-REIT to create a more sizeable, more liquid and more resilient platform with long-term synergies in order to improve the position of Sabana Unitholders and come out of the COVID-19 pandemic stronger.
- On the New Tech Park refurbishment, it is important for Sabana Unitholders to note that even after the Merger, Sabana Unitholders will still be able to benefit from the additional NPI from the retail component after its completion, as part of the Enlarged REIT, and this is in addition to the 12.9% historical pro forma DPU accretion from the Merger.
 - Under the Enlarged REIT, Sabana REIT's other properties can be evaluated and prioritised for potential repositioning sooner rather than later. By contrast, without the Merger and as a smaller standalone REIT, Sabana REIT has a greater need to keep an

eye on cash conservation efforts and prudent capital management, and hence, AEs for other properties may have take a backseat while waiting for the pandemic to subside.

Question 6:

I am Sabana REIT holder. May I know if I do not perform any action, what is the default choice for the coming merger?

- There is no default choice.
- The outcome of the Merger is in the hands of independent Sabana Unitholders as the concert parties of ESR-REIT and common substantial unitholders of ESR-REIT and Sabana REIT, including ESR, will be abstaining from voting on the Scheme. Each and every independent Sabana Unitholder's vote counts and it is important that you cast your vote at the EGM and Scheme Meeting.
- Sabana Unitholders should carefully review the Scheme Document dated 12 November 2020 (which includes the opinion of the independent financial adviser) and consider the merits of the Merger in order to make an informed decision.

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 September 2020, Sabana REIT has a diversified portfolio of 18 quality 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 September 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.

Directors' Responsibility Statement

The directors of the Manager (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 those relating to ESR-REIT and/or the 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 of the Manager jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from a named source (including ESR-REIT and the ESR-REIT Manager), the sole responsibility of the directors of the Manager 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 of the Manager do not accept any responsibility for any information relating to ESR-REIT and/or the ESR-REIT Manager.

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.