



## **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)

### **Response to Requisition Notice from Quarz Capital Management and Black Crane Capital**

#### **1. BACKGROUND**

The Board of Directors (the "**Board**") 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 "**Sabana Manager**"), refers to:

- (a) the joint announcement dated 16 July 2020 (the "**Joint Announcement**") issued by the ESR-REIT Manager and the Sabana Manager in relation to the proposed merger (the "**Merger**") of ESR-REIT and Sabana REIT through the acquisition by the ESR-REIT Trustee of all the Sabana Units by way of a trust scheme of arrangement (the "**Scheme**") in accordance with the Singapore Code on Take-overs and Mergers (the "**Take-over Code**");
- (b) the announcement dated 11 November 2020 in relation to the receipt of a letter dated 10 November 2020 (the "**Requisition Notice**") from Quarz Capital Management and Black Crane Capital (the "**Requisitionists**") requesting the Sabana Manager to convene an extraordinary general meeting ("**Requisitioned EGM**") to consider the resolutions set out within the Requisition Notice; and
- (c) the scheme document (the "**Scheme Document**") despatched electronically to the unitholders of Sabana REIT ("**Sabana Unitholders**") on 12 November 2020 in relation to the Sabana Trust Deed Amendments and the Merger.

Unless otherwise defined, all capitalised terms in this Announcement shall bear the same meaning as set out in the Scheme Document.

#### **2. RESPONSE TO REQUISITION NOTICE**

The Sabana Manager has carefully considered the Requisition Notice and wishes to inform the Sabana Unitholders that the Sabana Manager will not be convening the Requisitioned EGM and sets out its comments to each of the resolutions proposed in the Requisition Notice as follows:

*Resolution 1 - Resolution 1 seeks to direct the Board to "clarify and disclose to unitholders the basis and reasons" for which the Board assessed Ms Ng Shin Ein to be independent, and to make further "full disclosure" and clarifications relating to the issue of independence.*

The Sabana Manager wishes to highlight that the "*basis and reasons*" behind the Board's assessment of Ms Ng Shin Ein's ("**Ms Ng**") independence have already been disclosed by the Board by way of, amongst various disclosures, the Addendum to the Annual Report 2019 of

Sabana REIT. In addition, the grounds for the assessment of the Board of Ms Ng's independence for purposes of the Scheme under the Takeover-Code, are set out in the Scheme Document. Sabana Unitholders should also note paragraph 4 of this announcement, which sets out details of the Board's assessment of Ms Ng's independence for the purposes of the Scheme under the Take-over Code.

The Sabana Manager wishes to note that resolution 1 relates to one of the Sabana Manager's Directors. The appointment, and the determination of independence, of a director fall within the purview and discretion of the Sabana Manager. Please refer to paragraph 3(a) of this announcement for further information.

*Resolution 2 - Resolution 2 seeks to direct the Board to clarify and disclose the rationale behind the hiring of 3 ex-ESR employees by the REIT Manager.*

The Sabana Manager wishes to note that resolution 2 relates to the staffing of the Sabana Manager and refers to specified employees, namely the Relevant Persons (as defined in paragraph 3(b) of this announcement). The Sabana Manager wishes to point out that none of the Relevant Persons are decision-makers in the context of the Merger, and as such there is no "serious conflict of interests" as alleged in the Requisition Notice. Hiring of operational staff in order to ensure the smooth running, management and execution of strategies for Sabana REIT falls within the purview and discretion of the Sabana Manager. Please refer to paragraph 3(b) of this announcement.

*Resolution 3 - Resolution 3 seeks to direct the Board to "clarify and disclose to unitholders the basis and reasons for recommending the proposed merger" and the disclosure of the "full board meeting minutes" relating to the proposed merger.*

The Sabana Manager wishes to point out that the Notice of Scheme Meeting and the Scheme Document, which sets out all material information relating to the Merger and the Scheme, including the advice of the independent financial adviser appointed in relation to the Scheme to advise the Sabana Independent Directors, the Audit and Risk Committee of the Sabana Manager and the Sabana Trustee on the Scheme ("**Sabana IFA**"), and the recommendation of the Sabana Independent Directors, have since been issued to the Sabana Unitholders on 12 November 2020. The Sabana Unitholders will have the opportunity to submit questions relating to the Merger and the Scheme, and the Sabana Manager will be furnishing responses to any substantial and relevant questions, in accordance with the manner set out in the Notice of Scheme Meeting.

*Resolution 4 – Resolution 4 seeks to direct the Board to take certain actions in relation to the proposed merger, including to "make further study and investigations of the merits of the proposed merger" and to "suspend all actions relating to the proposed merger with a view to termination of the proposed merger, where appropriate".*

Under the Trust Deed, the Sabana Manager has the overall responsibility and discretion to manage the business of Sabana REIT, and it is correspondingly the responsibility and discretion of the Sabana Manager to recommend proposed business transactions to the Sabana Trustee and, in the case of the Merger and the Scheme, to Sabana Unitholders.

As stated above, the terms and conditions of the Merger and the Scheme, as well as the recommendation of the Sabana Independent Directors and the opinion from the Sabana IFA,

have been set out in the Scheme Document issued on 12 November 2020. Sabana Unitholders should note that the ESR-REIT Manager has, on 6 August 2020, announced that it does not intend to increase the Scheme Consideration and accordingly, the exchange ratio of 0.940x is final, except that the ESR-REIT Manager reserves the right to do so in a competitive situation. Therefore, under the Take-over Code, the ESR-REIT Manager will not be allowed to subsequently increase the Scheme Consideration, in any way, save that the ESR-REIT Manager reserves its right to do so in a competitive situation. As at the date of this announcement, the Sabana Manager has not received any alternative and/or competing proposals or offers.

The Merger as referred to in resolution 4 is a matter which the Sabana Unitholders will have to decide and vote on at the scheme meeting ("**Scheme Meeting**"), as per the implementation agreement dated 16 July 2020 entered into between the Sabana Trustee, the Sabana Manager, the ESR-REIT Trustee and the ESR-REIT Manager ("**Implementation Agreement**"), and in accordance with the Take-over Code. Accordingly, the Scheme Meeting has been convened to be held on 4 December 2020, pursuant to the court order obtained by the Sabana Manager. The Sabana Unitholders will have the right to consider whether to accept the recommendation of the Sabana Manager (or the Sabana Independent Directors) and whether to approve the Merger and the Scheme at the Scheme Meeting.

If the Scheme is not approved by the Sabana Unitholders at the Scheme Meeting and the Merger is withdrawn or lapses as a consequence, neither the ESR-REIT Manager, any persons who acted in concert with the ESR-REIT Manager in the course of the Merger and the Scheme nor any person who is subsequently acting in concert with any of them may within 12 months from the date on which the Merger is withdrawn or lapses (i) announce an offer or possible offer for Sabana REIT or (ii) acquire any voting rights of Sabana REIT if the ESR-REIT Manager or persons acting in concert with it would thereby become obliged under Rule 14 of the Take-over Code to make a mandatory general offer.

*Resolution 5 – Resolution 5 seeks to direct the directors to immediately distribute 50% of the previously withheld distribution amount for first half of 2020 of 0.58 cents per unit; and the distributable income from July to Sept 2020 distribution.*

The Sabana Manager wishes to highlight that as disclosed in the Scheme Document, on completion of the Scheme (in the event that it is approved and becomes effective in accordance with its terms), the Sabana Manager intends to declare and pay to Sabana Unitholders a clean-up distribution in respect of the period from the day following the latest completed financial half-year of Sabana REIT preceding the Effective Date for which a distribution has been made, up to the day immediately before the Effective Date (including the retained S\$6.1 million<sup>1</sup>, to the extent unutilised, withheld in 1H2020) to existing Sabana Unitholders as at the Books Closure Date. If the Scheme does not go through, the Sabana Manager will endeavour to make distribution in the ordinary course of business, taking into consideration various factors including market outlook and cash flow required for working capital for the business of Sabana REIT.

In any case, the Sabana Manager would like to reiterate that all material information in respect of the matters in the proposed resolutions has been set out in the Scheme Document as well as in announcements that have been made by the Sabana Manager in relation to the Merger and the Scheme

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<sup>1</sup> The S\$6.1 million has been retained by Sabana REIT out of the total distributable income of S\$11.1 million for 1H2020 for prudent cash flow management in view of the COVID-19 uncertainties. See note 2 to the table in Paragraph 2.2(a) of the Letter to Sabana Unitholders contained in the Scheme Document for further details.

and would urge Sabana Unitholders to review the Scheme Document and the announcements carefully. The Scheme Meeting, which will be held on 4 December 2020, will offer the Sabana Unitholders the opportunity to decide if they approve the Merger and the Scheme.

Should Sabana Unitholders still have any questions concerning the matters in the proposed resolutions set out in the Requisition Notice to the extent relevant to the Merger, the Scheme and/or the Scheme Meeting, Sabana Unitholders are invited to submit such relevant questions in advance of the Scheme Meeting in accordance with the manner set out in the Notice of Scheme Meeting. The Sabana Manager will respond to all substantial and relevant questions submitted in advance of the Scheme Meeting in the manner as set out in the Notice of Scheme Meeting by publishing the responses to the substantial and relevant questions on Sabana REIT's website and on SGXNET prior to the Scheme Meeting or by addressing such substantial and relevant questions during the Scheme Meeting. Further and/or alternatively, 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) where they will have the opportunity to raise relevant questions pertaining to the Merger and the Scheme.

**The Sabana Manager and the Board would strongly urge the Sabana Unitholders to focus on the merits of the Merger and the Scheme and, in this respect, to carefully review the Scheme Document (including the opinion from the Sabana IFA) so as to consider and evaluate the merits of the Merger and the Scheme and vote accordingly at the Scheme Meeting.**

### 3. CLARIFICATIONS RELATING TO THE REQUISITION NOTICE

The Sabana Manager wishes to also clarify the following statements in the Requisition Notice:

	Statement	Clarification
(a)	It was mentioned in <u>Resolution 1</u> of the Requisition Notice that <i>"the Board of Directors, in particular the Nomination and Remuneration Committee ("NRC") which comprises Mr Tan Cheong Hin and Mr Wong Heng Tew [had] assessed Ms Ng Shin Ein ("Ms Ng") to be independent"</i> .	As disclosed in the Addendum to Annual Report 2019 of Sabana REIT dated 21 September 2020, at the time of Ms Ng Shin Ein's re-designation to an Independent Director, the then Board comprised Mr Yong Kok Hoon, Mr Kelvin Tan Wee Peng, Mr Tan Cheong Hin, Mr Wong Heng Tew and Ms Ng, and the NRC comprised Mr Yong Kok Hoon, Mr Kelvin Tan Wee Peng and Ms Ng. Ms Ng had recused from all deliberations and voting by the NRC and the Board in respect of her re-designation as Independent Director. Mr Yong Kok Hoon, the then Chairman of the Board and the NRC, retired from the Board on 31 October 2019 while Mr Kelvin Tan Wee Peng resigned from the Board on 11 June 2020.
(b)	It was mentioned in <u>Resolution 2</u> of the Requisition Notice that the Sabana Manager had hired Ms Amy Low, Mr Lim Wei Huang and Ms Pamela Siow <i>"notwithstanding the serious conflict of interests potentially arising</i>	The Sabana Manager wishes to emphasise that the recruitment of Ms Amy Low, Mr Lim Wei Huang and Ms Pamela Siow (the <b>"Relevant Persons"</b> ) was duly carried out in accordance with the Sabana Manager's recruitment

	Statement	Clarification
	<p><i>due to the said ex-ESR employees' long-standing relationship with ESR Cayman".</i></p>	<p>procedures and process which is in line with market practice. The Sabana Manager recognises the importance of attracting talent with the right skill pool and experience and has assessed candidates based on the respective candidate's experience and expertise. The Board and the NRC were aware of the Relevant Persons' employment history and, having assessed the competency and relevant experience of all prospective candidates, had acted in accordance with the Sabana Manager's hiring process and well within their powers to recruit the Relevant Persons, who possess suitable qualifications and highly relevant industry experience.</p> <p>Furthermore, the Sabana Manager wishes to point out that none of the Relevant Persons are decision-makers in the context of the Merger, and as such there is no "serious conflict of interests" as alleged in the Requisition Notice.</p>
(c)	<p>It was mentioned in <u>Resolution 3</u> of the Requisition Notice that "<i>certain members of the Board of Directors and the majority of the senior management team have prior substantial and long-term relationship with ESR REIT (the bidder of the proposed merger), its sponsor and also the current CEO of ESR REIT</i>".</p>	<p>The only member of the Board who has a deemed business relationship with the ESR Group<sup>2</sup> for purpose of the Securities and Futures (Licensing and Conduct of Business) Regulations is Ms Ng, who had received payments from InfinitySub Pte. Ltd. ("<b>InfinitySub</b>") for the divestment of her entire interests in Blackwood Investment Pte. Ltd. ("<b>Blackwood</b>", and such divestment, the "<b>Divestment</b>"). Such payment was terminal in nature and solely for purposes of the Divestment. Following the receipt of payment on 30 August 2019, there was no further payment from InfinitySub to Ms Ng, and after the Divestment, Ms Ng does not have any agreement or understanding with the ESR Group in relation to Sabana REIT and/or the Sabana Units.</p> <p>The Sabana Manager wishes to also clarify that, the other two Independent Directors, namely Mr Tan Cheong Hin and Mr Wong Heng Tew, and the Chief Executive Officer ("<b>CEO</b>") of the</p>

<sup>2</sup> "**ESR Group**" means the ESR group of companies of which ESR Cayman Limited is the holding company.

	Statement	Clarification
		<p>Sabana Manager, Mr Donald Han, have no relationship whatsoever with the ESR Group. Apart from the receipt of payments by Ms Ng for the Divestment which is terminal in nature, none of the directors and the CEO has any prior substantial and long-term relationship with ESR-REIT, its sponsor and the current CEO of the ESR-REIT Manager as alleged in the Requisition Notice.</p> <p>Similarly, the Relevant Persons do not have any existing relationship or arrangement with the ESR Group after they have left the ESR Group. In the case of Ms Pamela Siow, she had left the employment of Cambridge Industrial Trust Management Limited (“CITM”) even before the ESR Group acquired a substantial stake in CITM in 2017.</p>

#### 4. ASSESSMENT OF MS NG’S INDEPENDENCE FOR PURPOSES OF THE SCHEME

Ms Ng, being one of the Sabana Independent Directors, had sold to the ESR Group her entire interests in the issued and paid-up share capital in Blackwood pursuant to sale and purchase agreements with InfinitySub (the “**Divestment Agreements**”). Ms Ng’s interest in Blackwood amounted to 40% of the issued and paid-up share capital in Blackwood (of which a 35% stake was divested in 2018 and the remaining 5% stake was divested on 30 August 2019). This in turn represented an 18% effective interest in the Sabana Manager as Blackwood held a 45% indirect interest in the Sabana Manager. The Divestment was fully completed by 30 August 2019.

As a matter of background, there were four shareholders of Blackwood (the “**Blackwood Shareholders**”) prior to any sale of interests in Blackwood to the ESR Group, comprising Ms Ng (who had a 10% interest in Blackwood) and three other individuals (each of whom had a 30% interest in Blackwood). The directors of Blackwood at such time were the three other Blackwood Shareholders.

One of the Blackwood Shareholders (the “**Relevant Blackwood Shareholder**”) had given notice to Ms Ng and the other two Blackwood Shareholders (the “**Other Blackwood Shareholders**”) of his intention to sell his shares in Blackwood, representing 30% of the entire issued share capital of Blackwood (“**Sale Shares**”), to Vibrant Group Limited (“**VGL**”). The Other Blackwood Shareholders had declined to exercise their rights of first refusal over the Sale Shares and waived their rights under the shareholders agreement between the Blackwood Shareholders (the “**Blackwood Shareholders Agreement**”) in relation to any dealings in Blackwood shares by Ms Ng. Ms Ng exercised her right of first refusal over the Sale Shares pursuant to the Blackwood Shareholders Agreement and acquired the whole of the Relevant Blackwood Shareholder’s shares in Blackwood through such exercise.

Following the exit of the Relevant Blackwood Shareholder as a shareholder of Blackwood, he ceased to be a director of Blackwood and Ms Ng became a director in his place. The Other Blackwood

Shareholders ceased to be directors of Blackwood after they exited as shareholders of Blackwood, with Ms Ng becoming the sole director thereafter. Following the Divestment, Ms Ng ceased to be a director of Blackwood on 25 October 2019, after an appropriate replacement director was found for Ms Ng.

The assessment of Ms Ng's independence for the purposes of the Scheme in accordance with the Take-over Code was carried out by the other two directors of the current Board of the Sabana Manager, namely Mr Tan Cheong Hin, Chairman and Independent Non-Executive Director, and Mr Wong Heng Tew, Independent Non-Executive Director (together, the "**Relevant Independent Directors**"). In arriving at their assessment, the following process was undertaken:

- (a) the Relevant Independent Directors reviewed the terms of the Divestment, based on information provided by Ms Ng. In this respect, Ms Ng informed the Relevant Independent Directors that the terms of the Divestment had been negotiated and agreed with the ESR Group on a willing buyer willing seller basis and Ms Ng provided copies of the Divestment Agreements to the Relevant Independent Directors;
- (b) in evaluating the Divestment, the Relevant Independent Directors had instructed the legal adviser to the Sabana Manager (the "**Legal Adviser**") and one of the financial advisers to the Sabana Manager (the "**Financial Adviser**") to assist them. The Legal Adviser reviewed the Divestment Agreements provided by Ms Ng (including the amount of the consideration payable to Ms Ng, as set out in the Divestment Agreements), while the Financial Adviser assisted the Board in determining if the payment received by Ms Ng for her shares in Blackwood was in line with market precedents;
- (c) based on the review of the Divestment Agreements, the findings were as follows:
  - (i) the Financial Adviser had compared the maximum consideration (subject to any downward adjustments provided in the Divestment Agreements) payable to Ms Ng under the Divestment Agreements against the consideration received by VGL, in respect of VGL's disposal of its effective stake in the Sabana Manager to the ESR Group as disclosed in VGL's SGXNET announcement dated 22 May 2019 titled "*Disposal of Shares in Sabana Investment Partners Pte. Ltd., and Units in Sabana Shari'ah Compliant Industrial Real Estate Investment Trust*". The consideration received by Ms Ng for the Divestment was at a valuation in line with and marginally lower than the consideration received by VGL for VGL's disposal of its effective stake in the Sabana Manager based on the public announcement made by VGL; and
  - (ii) the Divestment Agreements set out the terms of the Divestment, such as the consideration, completion and payment mechanics. Based on the Legal Adviser's review of the Divestment Agreements provided by Ms Ng, there were no terms or provisions in the Divestment Agreements which required Ms Ng to act or conduct herself in a particular manner in relation to Sabana REIT and the Sabana Group after completion of the Divestment, and there were no provisions in the Divestment Agreements which provided for any payment, bonus or other benefit to be made or given to Ms Ng, other than as consideration for the Divestment;
- (d) based on information and the Divestment Agreements provided by Ms Ng, the Relevant Independent Directors noted that Ms Ng had acquired the Sale Shares through the exercise of her right of first refusal under the Blackwood Shareholders Agreement and had sold the Sale

Shares to the ESR Group pursuant to the Divestment Agreements, all of which transactions relating to the Sale Shares took place in 2018 and were terminal in nature; and

- (e) Ms Ng informed the Relevant Independent Directors that after the Divestment, she does not have any agreement, arrangement or understanding with the ESR Group in relation to Sabana REIT and/or the Sabana Units.

Based on the above process, the Relevant Independent Directors assessed Ms Ng to be independent for the purposes of the Scheme in accordance with the Take-over Code, taking into account various factors, including:

- (1) the Merger was first explored between the ESR-REIT Manager and the Sabana Manager in late April 2020 (being at least six months after the Divestment and after Ms Ng has ceased to be a director of Blackwood);
- (2) Ms Ng had disclosed to the Relevant Independent Directors the terms of the Divestment, which were determined on a willing buyer willing seller basis;
- (3) Ms Ng informed the Relevant Independent Directors that after the Divestment, she does not have any agreement, arrangement or understanding with the ESR Group in relation to Sabana REIT and/or the Sabana Units; and
- (4) as set out in paragraph (c)(i) above, the Board noted that the consideration received by Ms Ng for the Divestment was at a valuation in line with the consideration received by VGL for the divestment of its effective stake in the Sabana Manager.

Further to the assessment set out above, Ms Ng has separately executed a statutory declaration confirming that:

- (A) other than the Divestment Agreements, there is no agreement, arrangement or understanding (whether formal or informal, written or oral) in relation to Sabana REIT and/or Sabana Units between Ms Ng and ESR Cayman Limited or any of its subsidiaries or associated companies; and
- (B) other than the consideration for the divestments as set out in the Divestment Agreements, Ms Ng has not received any payments or other consideration from ESR Cayman Limited or any of its subsidiaries or associated companies.

## **5. DIRECTORS' RESPONSIBILITY STATEMENT**

The directors of the Sabana 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 Sabana 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 Sabana 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 Sabana Manager 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: 201005493K, Capital markets services licence number: CMS100169)  
As Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

Han Yong Lee (Donald)  
Chief Executive Officer  
22 November 2020

For enquiries, please contact:

**The Sabana Manager**

Dianne Tan  
Investor Relations  
Telephone: +65 6580 7857

**Primary Investor Contact**

Credit Suisse (Singapore) Limited  
Investment Banking & Capital Markets  
Telephone: +65 6212 2000

**Important Notice**

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

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