



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)

**REMOVAL OF THE SHARI'AH COMPLIANCE REQUIREMENT OF
SABANA REIT**

1. Removal of the Shari'ah Compliance Requirement of Sabana REIT

The Board of Directors and the Management of Sabana Real Estate Investment Management Pte. Ltd., as the Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("**Sabana REIT**", and the Manager of Sabana REIT, the "**Manager**"), wish to announce that it will be removing the Shari'ah compliance requirement of Sabana REIT and the requirement for Sabana REIT's business to be managed in compliance with Shari'ah investment principles and procedures (including investing in Shari'ah compliant real estate and real estate-related assets) (the "**Change**"). The Change is subject to the amendment to Sabana REIT's investment mandate, the change of name of Sabana REIT and the termination of the Shari'ah Consultancy Agreement (as defined herein) and the effective date of the Change (the "**Effective Date**") is currently intended to take place on or around 21 October 2021.

2. Amendment to Investment Mandate

As at the date of this Announcement, Sabana REIT's investment mandate is to principally invest in income-producing real estate used for industrial purposes in Asia, as well as real estate-related assets, in line with Shari'ah investment principles.

In connection with the Change, pursuant to Clause 10.2.4 of the trust deed entered into between the Manager and HSBC Institutional Trust Services (Singapore) Limited, as trustee of Sabana REIT (the "**Trustee**"), constituting Sabana REIT dated 29 October 2010 (as amended, varied or supplemented from time to time) (the "**Trust Deed**"), the Manager hereby notifies that the investment mandate of Sabana REIT will be amended such that **Sabana REIT's revised investment mandate will be to principally invest in income-producing real estate used for industrial purposes in Asia, as well as real estate-related assets.**

For the avoidance of doubt, the only amendment to Sabana REIT's current investment mandate is the removal of the requirement for the investments of Sabana REIT to be in compliance with Shari'ah investment principles.

Under Clause 10.2.4 of the Trust Deed, the Manager may from time to time change Sabana REIT's investment policies subject to compliance with the Listing Manual of Singapore Exchange Securities Trading Limited (the "**SGX-ST**", and the Listing Manual of the SGX-ST, the "**Listing Manual**"), so long as it has given not less than 30 days' prior notice of the change to the Trustee and unitholders of Sabana REIT

("Unitholders") by way of an announcement to the SGX-ST. As Sabana REIT has been listed for more than three years, Unitholders' approval is not required under the Listing Manual and the Trust Deed.

The change of investment mandate will take effect from the Effective Date. Having said this, we are exploring options to remain a viable investment for Shari'ah investors and to potentially remain on relevant indices.

The Manager is grateful to its Shari'ah investors and appreciates their strong support for the REIT. Unitholders with any queries on the removal of Shari'ah compliance may email us at Enquiry_Shariah@sabana.com.sg.

3. **Change of Name of Sabana REIT**

As part of the Change, it is intended that Sabana Shari'ah Compliant Industrial Real Estate Investment Trust will be renamed as **Sabana Industrial Real Estate Investment Trust** and the change of name will take place upon the Change becoming effective on the Effective Date.

4. **Rationale for the Change**

The Board of Directors ("**Board**") and the Management team of the Manager recognise that being Shari'ah compliant has served Sabana REIT well over the past decade. Being Shari'ah compliant has been invaluable and a differentiating factor for Sabana REIT within Singapore and the international real estate investment trust ("**REIT**") space, as Sabana REIT is one of the largest Shari'ah compliant REITs in the world in terms of total asset size since IPO as at the date of this Announcement.

That considered, the Manager actively reviews its strategies and positioning on an ongoing basis in view of creating long-term value for Unitholders, including but not limited to assessing the continued relevance of maintaining Sabana REIT's Shari'ah compliance status. The Manager has also, over the past few years, received consistent feedback from Unitholders to consider whether Sabana REIT should retain its Shari'ah compliance requirement.

Taking into account Unitholders' feedback and as part of the Manager's ongoing review, the Manager had commissioned further feasibility studies on Sabana REIT's Shari'ah compliance requirement. After careful deliberation and consideration of the results from the feasibility studies, Sabana REIT's strategic objectives, assessment of the macroeconomic landscape in consideration of the changing profile of our tenants, the Manager concluded that the Change will be beneficial to Sabana REIT and Unitholders in the following ways:

- enhanced balance sheet resilience;
- diversification of Sabana REIT's investor base;

- greater flexibility in capturing growth opportunities and delivering on Refreshed Strategy; and
- potential cost savings in the long run.

4.1 Enhanced Balance Sheet Resilience

With the Change, Sabana REIT will have access to more diversified funding sources. This can provide further resilience for its balance sheet and financial flexibility to better position Sabana REIT to drive value-accretive acquisitions and organic growth for Unitholders.

While removing Shari'ah compliance may not immediately reduce the financing costs of Sabana REIT, the Change will expand the network of available banks and lenders from which Sabana REIT can obtain financing, thereby enhancing its ability to obtain more competitive loans.

4.2 Diversification of Sabana REIT's Investor Base

The Change also factors in the evolving investor base of Sabana REIT since Sabana REIT's inception. The total percentage of units in Sabana REIT ("**Units**") held by Shari'ah investors decreased from approximately 12.3% as at 31 December 2011 to approximately 2.0% as at 31 March 2021, based on the information available to the Manager as at the date of this Announcement.

With the Change, Sabana REIT can have more flexibility in its investments beyond Shari'ah compliant industrial properties. This can enable Sabana REIT to appeal to a wider pool of investors.

4.3 Greater Flexibility in Capturing Growth Opportunities and Delivering on Refreshed Strategy

The Change can facilitate the execution of the Manager's Refreshed Strategy through exposure to a larger pool of diversified and potentially higher-rental paying tenants for Sabana REIT's properties.

As announced on 25 July 2019, the Manager had embarked on the second phase of its Refreshed Strategy, which entails undertaking asset enhancement initiatives (the "**AEIs**") and rejuvenating selected Sabana REIT's assets. For the third phase of its Refreshed Strategy, the Manager will look to evaluate yield-accretive acquisitions.

To comply with Shari'ah principles, the Manager currently has to ensure that the total rental income from lessees, tenants and/or sub-tenants engaging in activities prohibited under Shari'ah guidelines would not exceed 5.0% per annum of Sabana REIT's gross revenue.

With the Change, the Manager can potentially attract more tenants in the food and beverage industry (such as chill-out lounges) and in the banking, finance and insurance industries, which it may not otherwise be permitted to lease pursuant to

Shari'ah principles. These tenants could potentially pay better rents and thus improve Sabana REIT's performance. For instance, the new NTP+ lifestyle mall has already attracted a new, diverse tenant mix including from the F&B and retail sectors and will continue to do so.

By enhancing Sabana REIT's capital management, the Manager can also consider and evaluate more AEs and rejuvenation exercises within Sabana REIT's portfolio. This is important given that the average building age of Sabana REIT's properties is approximately 18 years as at 31 March 2021. The Manager may undertake various AEs and rejuvenation exercises on Sabana REIT's properties to retain existing tenants and attract new tenants including those from the financial services sector.

The Manager had completed AEs at its flagship property, New Tech Park at 151 Lorong Chuan, including the addition of the new NTP+ lifestyle mall. Additionally, the Manager had embarked on rejuvenations at other Sabana REIT's properties, including 23 Serangoon North Avenue 5, 10 Changi South Street 2 and 8 Commonwealth Lane (first phase of rejuvenation). In connection with the Change and subject to feasibility considerations and tenants' requirements, the Manager may identify more properties for AEs and rejuvenation, including but not limited to 8 Commonwealth Lane (where a second phase of rejuvenation exercise is underway), 1 Tuas Avenue 4, 10 Changi South Street 2 and New Tech Park (Phase 3 of AEI). The Manager will make further announcements in due course in the event of any material developments.

In addition, the Change would enable the Manager to acquire yield-accretive properties even if they are not in compliance with Shari'ah principles. This helps to position Sabana REIT to capitalise on further expansion opportunities and participate in the continued growth of the industrial sector as the global economy recovers from the COVID-19 pandemic, especially for Phase 3 of its Refreshed Strategy.

4.4 Potential Cost Savings in the Long Run

Additionally, the Change may result in cost savings for Sabana REIT as Shari'ah-related compliance costs will no longer be incurred. This may improve the overall financial position of Sabana REIT.

5. Shari'ah Consultancy Agreement

Currently, Five Pillars Pte. Ltd. serves as the Shari'ah adviser of Sabana REIT (the "**Shari'ah Adviser**").

The Manager has issued a notice of intention to terminate the Shari'ah Consultancy Agreement (the "**Termination Notice**") to the Shari'ah Adviser with effect from the Effective Date. Under the Shari'ah Consultancy Agreement dated 8 November 2010 (as amended) entered into between the Manager and the Shari'ah Adviser (the "**Shari'ah Consultancy Agreement**"), the Manager is entitled to terminate the Shari'ah Consultancy Agreement by giving at least three months' prior notice to the Shari'ah Adviser.

The Manager will make further announcement(s) in compliance with the Listing Manual should there be any material development with regard the Change. Unitholders are advised to refer to such announcements for any update on the Change.

By Order of the Board

Sabana Real Estate Investment Management Pte. Ltd.

(Company registration number 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

22 July 2021

Sabana REIT

Sabana REIT was listed on the SGX-ST on 26 November 2010. As at 31 December 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 more than S\$0.9 billion as at 30 June 2021.

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 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.