



**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**

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**RESPONSES TO QUESTIONS FROM UNITHOLDERS**

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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**"), would like to thank Unitholders of Sabana REIT ("**Unitholders**") for submitting their questions in advance of the Annual General Meeting ("**AGM**") for the financial year ended 31 December 2020, which will be held via electronic means on Tuesday 27 April 2021 at 10.00 a.m. The Manager's responses to the questions can be found in Appendix A to this announcement.

For Unitholders' easy reference, as several questions are overlapping in nature, we have grouped and summarised similar questions under relevant topic headers.

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 April 2021

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## Appendix A

### Distribution per unit (“DPU”)

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1. **What good plans do you have to increase the value in Sabana?**
2. **What steps are being taken to improve the financial performance of the unit trust? Why are shareholders being made to pay for cost of the failed merger? What steps are being taken to look for other suitors for Sabana?**
3. **What specific steps has the Board taken to enhance unitholder value in the last six months. No vague boilerplate statements please.**
  - As the Manager, we are committed to maximising long-term value for our Unitholders and all our stakeholders. There is no reason why we would do otherwise.
  - We recorded an improved set of results in 2H 2020 over 1H 2020. However, the outlook for the industrial sector remains uncertain in 2021. While the sector is expected to improve gradually, this recovery will be uneven across different segments.
  - On your behalf, we will continue driving our Refreshed Strategy. We are excited about the opening of our new lifestyle mall NTP+ and will continue to explore all viable options for the REIT.
  - In relation to the merger cost, please refer to Q12 to Q15 below.

### Financials

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4. **As per Note 6, there was an impairment of trade receivables of S\$1.871 million for the year 2020. Can you provide more details as to why that amount had to be impaired? Furthermore, if they are amounts due from tenants, are those still existing tenants of the REIT or former tenants.**
  - Trade receivables are individually assessed for impairment. This assessment is generally triggered when the amount owing by a tenant has exceeded its security deposits with the REIT and impairment is taken in accordance with the relevant accounting standards.
  - The majority of affected tenants are existing tenants of the REIT and the management is continuing to assess and take steps to minimise the risk of delayed payments.

### Operations

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5. **Of the tenancies due for renewal in 2021, can you summarise the progress made in the renewal process till date and can you summarise how the renewed rental rates have been as compared to the prior matured rental rates?**
  - We will provide further updates on this during our Interim Business Update due out on 23 April 2021.

## Shari'ah Compliant Status

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6. **Is there still a need for this REIT to maintain its Shari'ah compliance? What are the costs of re-certification and what are the benefits derived from being Shari'ah compliant?**
7. **During merger with ESR, you push for removal of Shari'ah compliance to benefit the reit. Why are you not doing it now?**
8. **With the enhancement of NTP and Phase 3's intention of "Acquisitions including Overseas", will this Shari'ah compliant issue become restrictive or a hindrance to the future plan of this REIT?**
- We continue to review whether to maintain Shari'ah compliant status for the REIT. The Board and management are fully focused on executing its Refreshed Strategy to deliver long-term value for Unitholders and navigate near-term volatility.
  - For background, in the event the proposed merger had completed, ESR-REIT would have been the enlarged REIT and the entity that would remain listed on Singapore Exchange Securities Trading Limited post-merger. ESR-REIT is not a Shari'ah compliant REIT and its intention was not to retain the Shari'ah compliant status of Sabana REIT post-Merger.
  - We will continue to provide further updates in due course.

## Resolutions

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9. **Why is there a need to issue new units and for what purpose? How does this benefit unitholders?**
- This mandate – which is common for REITs and listcos – is to give the Board and management the agility and ability to act on value accretive opportunities for Unitholders should they arise.
  - As background, the Manager has had this general mandate since 2018, but has never issued any new units. The 20% that is being sought is also well lower than the 50% we sought and received approval for in 2019, and is at the same level that we sought and received approval for in 2020. We are seeking to maintain the same 20% for 2021.

An approval given to issue new units will provide the Manager with the flexibility and resilience to make opportunistic moves for the growth of the REIT without the time lag to convene an Extraordinary General Meeting to approve the issuance of new units. That said, we hear the concerns of Unitholders and would like to assure them that any form of capital raising would be for the purpose of pursuing compelling yield-accretive opportunities that are beneficial to Unitholders.

## Outlook

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10. **How does Management see the outlook for business going forward in 2022 to 2024? With COVID-19 still in play?**
- The macroeconomic landscape remains challenging. COVID-19 and its effects will continue to impact all segments of the real estate market in the year ahead.
  - The Manager will continue all efforts to remain resilient, with positive catalysts including the launch of NTP+ in 2Q 2021.

- It will remain focused on executing its Refreshed Strategy through proactive lease and asset management, as well as AEI and rejuvenation of select assets, underpinned by continued financial prudence.
- Overall, Sabana REIT continues to explore all viable options for growth to create sustainable value for Unitholders.

### **Cessation of merger in 2020**

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**11. Although it is proper to present any offers to the unitholders regardless of the merit of the offer, why did the REIT manager actively campaign for the ESR/Sabana merger instead of adopting an objective stance?**

- As we have communicated previously, against the backdrop of continued macro uncertainty and weighing the compelling strategic rationale to be part of a larger combined entity, the Board and management believe that they had the responsibility to put the offer to all Unitholders.
- As to the merits and terms of the proposal, it had been independently assessed by the independent financial adviser which opined that the financial terms of the merger were fair and reasonable.
- We respect Unitholders' decision on the merger; we remain committed to maximising long-term value for our Unitholders.

**12. Did the manager use unitholders' funds to pursue the failed merger? Can the manager make restitution to unitholders for those funds used for the failed merger?**

**13. Why do unitholders need to foot the bill \$2.7 million for the failed bid?**

**14. Why should unitholder shoulder the huge \$2.7M fee spent on the failed merger initiated by ESR which favour ESR?**

**15. With the recent failed merger and acquisitions, will there be any further implications on the value of our investment?**

**16. Are the unitholders paying for the fees/payment to organisation like SIAS who also actively promoted the merger?**

- All fees and costs related to the merger are payable by the REIT because they are directly related to the REIT's business and affairs.
- The Board's fiduciary duty is to ensure that transactions that could be of importance to Unitholders from a strategic perspective be put forth to all Unitholders of the REIT for Unitholders' consideration – as was the case for the proposed merger.
- Doing so involves some costs payable to advisers such as the independent financial adviser to opine on the fairness and reasonableness of the financial terms of the merger.
- Nonetheless, the Manager had proactively negotiated a significant reduction in the total fees relating to the merger, which are significantly below the \$2.7 million mentioned earlier.
- The finalised amount will be disclosed during the REIT's AGM on 27 April 2021.

**17. Why you did not call an open tender for potential buyer (local or international) to bid to get the best offer price?**

- The Board would like to assure Unitholders that it had acted in their best interests in negotiations over the merger. However, the merger consideration was the outcome of extensive negotiations between Sabana REIT and ESR-REIT.
- The transaction was not a sale of assets but a merger where Unitholders would continue to have a stake in the merged entity. The Manager did not call for an open tender since the proposed merger was the only offer that the Sabana Manager had received since 2017, when an independent strategic review was conducted by the previous management team of the Manager, and the Manager had sought proposals from prospective strategic partners to further strengthen Sabana REIT. The proposed merger was the only “firm” offer that we have received.
- We believe that the proposal from ESR-REIT had a compelling strategic rationale for Sabana REIT. The independent financial adviser opined that the financial terms of the proposed merger were fair and reasonable. In addition, Glass Lewis and ISS, which are independent third party proxy advisers that advise institutional investors in relation to voting at meetings, also issued voting recommendations in favour of the proposed merger.
- Ultimately, the proposed merger was subject to Unitholders’ approval and we respect their decision.
- As a standalone REIT, we remain committed to creating long-term, sustainable value for our Unitholders.