



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

RESPONSES TO QUESTIONS FROM 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 "**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 wishes to address the third set of questions received as at 24 April 2021 from Sabana Unitholders in Appendix A to this announcement. This follows the first announced set dated 20 April 2021, and second announced set dated 23 April 2021.

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
26 April 2021

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

Appendix A

- 1. Why did Sabana REIT's financing rate increased from 3.1% in 4Q2020 to 3.4% in 1Q2021 given that all other REITs who have higher leverage level have lowered their financing cost when they refinanced recently?**

While interest rates are a function of the market which we have no control over, we are proactive and disciplined in managing our financial position.

We are not in a position to comment on other REITs' financial positions. In the case of Sabana REIT, our recent refinancing through a new, upsized \$148.9 million loan was obtained at a competitive rate. The REIT has no further debt due until November 2021.

- 2. How did borrowings increase from \$271m in 2Q2019 to \$305m in 2Q2021 (\$34m) given that the REIT manager stated that the Asset Enhancement Initiative ("AEI") for 151 Lorong Chuan cost ~\$20m and there has been minimal AEI (besides refreshing some lobbies/lifts) in the other assets? Please provide a cost breakdown of how you have spent Unitholders' monies.**

The REIT wishes to clarify that the borrowings of \$305.9 million was as at 31 March 2021 as updated in its recent 1Q 2021 Interim Business Update ("1Q 2021 IBU"). The REIT Manager has not yet announced 1H 2021 financial results, which will be disclosed in due course.

Borrowings taken by the REIT were not solely used to finance our AEI at New Tech Park and rejuvenation works at select properties as part of our Refreshed Strategy, but also for general working capital to upkeep our properties. The REIT continues to target distributing 100.0% of its distributable income.

- 3. When is 30 & 32 Tuas Avenue 8 going to be leased out, it has been four months since the REIT Manager told Unitholders that it is in discussion with prospective tenants?**

As mentioned in Sabana REIT's 1Q 2021 IBU on 23 April 2021, we continue to explore viable options for 30 & 32 Tuas Avenue 8 through divestment, lease or build-to-suit ("BTS") and are in discussions on potential opportunities with prospective tenants. As and when there are material developments, we will provide updates accordingly.

- 4. Why are the two current directors not resigning, are they not embarrassed that the value destructive merger they recommended at low implied offer price of \$0.377 failed and cost Unitholders \$2.7m?**

Against the backdrop of continued macroeconomic uncertainty and having considered the strategic rationale of being part of a larger combined entity, the Board and management believed that they had the responsibility to put the merger offer to all Unitholders so that the Unitholders can decide on the future of Sabana REIT.

We fully respect Unitholders' decision to not proceed with the proposed merger. The Manager has also negotiated the fees down from the initial \$2.7 million, as we will disclose during AGM.

Our directors remain committed to create sustainable value for Unitholders. This will continue to be the Manager's focus as we continue to drive our Refreshed Strategy to achieve this aim.

5. **Shouldn't the two new directors be proposed by independent Unitholders given that MAS has stipulated that it is independent Unitholders who needs to endorse them? Are the current directors resisting this because they want to nominate parties who are aligned to their's and ESR Cayman's interest?**

In appointing any new director of the Manager, the Manager will comply with the requirements under the SGX Listing Manual and the Securities and Futures (Licensing and Conduct of Business) Regulations (SFLCBB).

The Board of the Manager is currently looking to appoint the replacement Independent Directors as soon as practicable. It reiterates that as always, this will be done without the involvement of ESR Cayman.

6. **It surprising why 1 Tuas Avenue 4 which is right next to Tuas Crescent MRT is only valued at \$9m (\$56/psf)? Recent JTC GLS at much more inaccessible areas in Tuas and substantially shorter land lease of 20 years have been transacted at \$30-40psf and even higher prices pre-COVID. Is Sabana REIT Manager trying to reduce Sabana's book value to facilitate another lowball offer?**

Please refer to response to Question 7.

7. **Why is there the urgency to sell 1 Tuas Avenue 4 given the clearly better option to wait for the moratorium on new data center to end and then execute on value accretive projects such as data centres, and BTS to increase its value substantially?**

As announced in Sabana REIT's Asset Valuation updates on 16 July 2020 and 22 January 2021 respectively titled "[Asset Valuation as at 30 June 2020](#)" and "[Asset Valuation as at 31 Dec 2020](#)", the valuation of 1 Tuas Avenue 4 has increased from \$8.5 million as at 30 Jun 2020 to \$9.0 million as at 31 Dec 2020.

Additionally, as mentioned in Sabana REIT's announcement titled "[Responses to Questions from Securities Investors Association \(Singapore\) \("SIAS"\) on FY2020 Annual Report](#)" dated 23 April 2021, works for 1 Tuas Avenue 4 by the previous master tenant were left uncompleted after they surrendered their lease and the independent valuer took the state of the property into consideration when conducting the valuation.

We have deferred our marketing efforts for the data centre users due to the moratorium period and are open to explore any other suitable opportunities. While we have the intention to wait for the moratorium to be lifted, as there is no clarity on when the current moratorium on all new data centre projects imposed by the Singapore Government will end, we are also concurrently exploring any other suitable opportunities, including divestment, BTS to lease etc.

8. **Is the Sabana REIT manager again selling assets (such as 1 Tuas Avenue 4) at rock bottom valuation and show that they can improve occupancy rate marginally?**

The Manager would like to point out that Sabana REIT's assets have not been divested at rock bottom valuation to improve occupancy rate. As a REIT, Sabana REIT may only undertake redevelopment activities within the regulatory limits stipulated by the MAS under the Property Fund Appendix. Moreover, careful and prudent deliberations are required as such redevelopment activities will incur significant capital expenditure, and occupancy rates of certain

assets, including 1 Tuas Avenue 4, may also be put at risk in view of the current 'over-capacity' situation within the Jurong West/Tuas locality. Instead of redeveloping speculatively which may not be a prudent use of resources, we are exploring opportunities that will give the REIT more certainty, including build-to-suit projects, where tenants are identified and leases committed in advance, and divestment options for 1 Tuas Avenue 4. We are open to any other suitable opportunities that may arise. For instance, the Manager was close to finalising a proposed build-to-suit opportunity last year but unfortunately the prospective tenant changed their business plan due to the pandemic and called off the project.

Another relevant consideration is that as a small, independent REIT, Sabana REIT does not have the scale to engage in multiple redevelopment projects without adversely impacting its financial performance over the shorter term. In making any decision, we seek to prudently maintain a balance between current and future returns for Unitholders, and as Sabana REIT has a considerably smaller portfolio than some of its peers, the REIT needs to limit how much development it can undertake concurrently and subject always to the regulatory development limits which Sabana REIT are bound by.

Please refer to the REIT's recent announcement titled ["Responses To Questions From Securities Investors Association \(Singapore\) \("SIAS"\) On FY 2020 Annual Report"](#) dated 23 April 2021 and our response to question 1(iv) therein for further information on 1 Tuas Avenue 4.

9. Why is the manager not developing 33 & 35 Penjuru Lane into a ramp-up logistic hub given the substantial amount of untapped GFA, sizeable land area and substantial market demand (this can be another key redevelopment project)? The short-term fall in rental income can be top up using capital distribution.

As the REIT needs to balance current and future returns for Unitholders, the REIT needs to limit how much development we can undertake concurrently especially as the REIT has a considerably smaller portfolio than some of our peers.

Having taken into account Unitholders' interests, we are unable to take on multiple redevelopments at the same time as every project will incur significant capital expenditure and impact our liquidity, distribution per unit ("DPU") and occupancy in the near term. The labour crunch and higher construction costs amid the pandemic will also subject the REIT to higher risks.

We believe that securing a master tenant amid the ongoing pandemic is a more prudent and financially viable approach that the REIT should take. To that end, we are pleased to have secured a new 5-year master lease for the property, subject to JTC's approval, as was disclosed during our 1Q 2021 IBU. This will provide rental stability.

- End -

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 31 March 2021, 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 \$0.9 billion as at 31 March 2021.

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.