



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'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

For enquiries, please contact:

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Appendix A

Distribution per unit (“DPU”)

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

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

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

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

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

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

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.



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

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23 April 2021

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Appendix A

Strategy

- 1. Since the appointment of current CEO in 2018, DPU and occupancy has continued to decline vs market, acquisitions appear increasingly out-of-reach, AEI's have been slow, "refreshed strategy" has been the same since appointment and shareholder complaints prior to 2018 still persist. Please comment on the KPIs needed to further deteriorate before the Board recommends a "refreshed" team.**

We have continued to deliver on its Refreshed Strategy since introducing it in 2018, to deliver long-term value to Unitholders.

To re-cap, the focus for us in Phase 1 was on the proactive lease management of our portfolio and to divest non-core or underperforming assets – we had made good progress on that and continue to explore the best options for some of our assets. For example, we have been negotiating lease expiries well ahead of time. Of the 2021 lease expiries, 57.0% have either been renewed or signed new leases. There are no master lease expiries for the remaining of 2021 and 2022.

As a recap, we had divested 6 Woodlands Loop for \$13.8 million in early 2018 and in 2019, we divested 9 Tai Seng Drive for \$99.6 million, \$60 million more or 2.5x higher than its book value. Net proceeds went towards repaying outstanding loans, a one-off distribution to Unitholders and funding capital expenditures including for the Asset Enhancement Initiatives (AEI) at New Tech Park.

We are currently exploring divestment options for 1 Tuas Avenue 4 as well as divestment, lease or build-to-suit opportunities for 30 and 32 Tuas Avenue 8. For 30 and 32 Tuas Avenue 8, we are currently in discussions with prospective tenants to explore leasing opportunities.

Our focus for Phase 2, which is ongoing, has been to conduct AEI and select rejuvenation of our portfolio.

In addition to the new NTP+ mall at New Tech Park, which we completed and secured very strong take-up for even amid the pandemic, we have completed refurbishment and rejuvenation works over the past 18 months across 23 Serangoon North Avenue 5, 10 Changi South Street 2 and 8 Commonwealth Lane, such as upgrading building amenities, toilets and lobby areas. These contribute positively to the performance and prospects of the properties.

Moving ahead, we have progressively kickstarted upgrading works for the rest of the New Tech Park space, including electrical infrastructure, passenger lifts and common areas. This will help to future-proof our asset to attract better tenants in expansionary sectors and ramp up occupancy. We are also exploring options to maximise New Tech Park's plot ratio and are engaging with authorities to increase this to the maximum allowable 2.50 from 2.02 currently.

In totality, since the new Board and Management came on board in 2018, we have steadily executed on Phase 1 of our strategy of divesting non-core and underperforming assets, from the previous 20 to the current 18 properties that we have at hand. While our net property income at that time was impacted on the back of those divestments, the sale proceeds enabled us to prepare for the future and secure our growth plans. As Unitholders may have noted, our unit price outperformed the broader market in 2018 and 2019.

We understand that Unitholders have concerns, but we have and will continue to drive performance, as evidenced in our improved performance during Q1 2021.

Management Fee

- 2. In 2018, the Board was very supportive of fee cut to the Manager and implementation of Strategic Review Committee. Pls comment on reversal in Board rationale and behaviour then vs now, especially given recent developments.**

The interests of the Board and Manager have always been aligned with that of Unitholders.

As explained before, the Board would like to assure Unitholders that it had acted in their best interests and the merger terms were arrived at only after extensive negotiations between the Manager and the ESR-REIT manager to secure the best possible terms for Sabana Unitholders. Against the backdrop of continued macro uncertainty and weighing the strategic rationale in being part of a larger combined entity, the Board and management believed that it had the responsibility to put the offer to all Unitholders. All fees and costs related to the merger do not have any impact on DPU and they were directly related to the REIT's business and affairs.

The circumstances surrounding the cut in Manager's fees in 2018 are not the same as our current situation.

The Manager has made strong progress since 2018 to deliver on its Refreshed Strategy through divestments to support Sabana REIT's longer-term growth considerations. We have divested non-core or underperforming assets including 6 Woodlands Loop for \$13.8 million and 9 Tai Seng Drive for \$99.6 million, \$60 million more or 2.5x higher than its book value. Net proceeds went towards repaying outstanding loans, a one-off distribution to Unitholders and funding capital expenditures including for the AEI at New Tech Park. We are currently exploring divestment options for 1 Tuas Avenue 4 as well as divestment, lease or build-to-suit opportunities for 30 and 32 Tuas Avenue 8. For 30 and 32 Tuas Avenue 8, we are currently in discussions with prospective tenants to explore leasing opportunities.

Furthermore, we are implementing Phase 2, to conduct AEI and select rejuvenation of our portfolio. In addition to the new NTP+ mall at New Tech Park, which we completed and secured very strong takeup for even amid the pandemic, we have completed refurbishment and rejuvenation works over the past 18 months across 23 Serangoon North Avenue 5, 10 Changi South Street 2 and 8 Commonwealth Lane, such as upgrading building amenities, toilets and lobby areas. These contribute positively to the performance and prospects of the properties.

The Manager is constantly exploring various ways to improve the financial position and performance of the REIT amidst an increasingly challenging and difficult market environment.

Financials

- 3. Can the Board comment on optimum leverage it is willing to undertake given the current outlook and need for further AEI?**

We have not constrained ourselves to any particular fixed level to ensure we remain adaptive to market conditions and the needs of the REIT. We will be prudent in our capital deployment and keep our gearing in line with the S-REIT market and regulatory requirements.

- 4. Sabana's Shari'ah compliance limits non-Islamic bank funding to 33% of NAV vs MAS regulation of 50% of Total Assets. Optimisation allows additional approx. \$180mm of financing without breaching Shari'ah or MAS compliance. Which metric is the Board governing towards?**

These are two different sets of guidelines that are unconnected.

The 33% or 1/3 rule applies in governing the non-Islamic bank funding sources for our REIT. As at 31 December 2020, the REIT's total non-Islamic facilities (drawn and undrawn) is within this 1/3 requirement.

Separately, MAS' regulation of a 50% leverage ratio applies in governing the overall total borrowing for REITs. As at 31 December 2020, aggregated leverage ratio for our REIT was 33.5%, within the MAS limit of 50%.

The REIT observes both sets of requirements at all times.

- 5. Pls comment how the 33% limitation on non-Islamic bank financing adds diversity of funding as opposed to restricting financing sources as indicated by the Board in previous publication. It appears the number of bank sources for the REIT has declined over the years.**

Please refer to response to Q6 below.

- 6. Pls confirm if there is immaterial reliance on Shariah investor-base. Has this reliance materially affected financing sources? Do the financing restrictions outweigh the potential benefits? If no, pls provide rationale for not letting Shariah compliance lapse.**

The Manager wishes to highlight that being Shariah compliant has not materially affected the REIT's financing sources. The REIT's existing lenders (both Islamic and non-Islamic banks) have been supportive and have increased their lending exposure to Sabana REIT. This is evident by the successful completion of the recent refinancing by the REIT where the REIT managed to secure a new and upsized \$148.9 million Islamic facilities, as well as a \$30.0 million non-Islamic loan facility in April 2020, despite the COVID-19 situation.

As a Shari'ah-compliant REIT, we have the option of tapping on Islamic financing sources and the flexibility of drawing from non-Islamic bank funding options. The ability of the REIT in raising funds via borrowing is largely dependent on the size and quality of the deposited assets, rather than the limit on non-islamic bank financing for Shari'ah compliance purposes.

As to whether Sabana REIT will continue to maintain its Shari'ah compliance status, this will need to be assessed holistically. The manager will continue to evaluate and review this to see if it remains beneficial for the REIT. We will provide further updates as and when there is any material development on this.

- 7. Has the Board quantified the value of the leverage headroom to Unitholders vs value to a potential acquirer/merger candidate? Pls comment if this has constrained the growth strategy i.e. preserving headroom for an acquirer vs utilising it for AEI.**

As Sabana REIT's debt financing is mostly on a secured basis, the actual debt headroom is limited to the number of properties left to be secured for financing and the loan-to-value on the valuation of the secured properties.

The Board and management team are constantly exploring all options and actively engaging banks and lenders to maintain a resilient balance sheet that can position it to grow sustainably.

Operations

- 8. Pls provide reasons for failure of “new competitive commission scheme and agent loyalty program” implemented by CEO referenced in 1 March 2018 investor presentation given occupancy declined from 84.5% to 76.5% in the same time period. Has this program been revamped and what is current leasing model?**

We have used this scheme to successfully fill two vacant properties since introducing it in 2018. We continue to implement the scheme, albeit taking a more targeted approach to focus on properties converted from master-lease properties to multi-tenanted properties, and properties with lower occupancies.

The dip in occupancy was mainly due to a termination event at 10 Changi South Street 2 (“10CSS2”) as a result of default by the then master-tenant, as well as a non-renewal by the tenant at 3A Joo Koon Circle (“3AJKC”) due to its expansion plan that the property could not accommodate. The master lease properties were converted to multi-tenanted properties after.

We have since carried out refurbishment works at 10 Changi South Street 2 and have successfully repositioned 3A Joo Koon Circle as a healthcare cluster to attract tenants in expansionary tenants.

- 9. Current management team has avoided building or investing in ramp-up warehouses despite ESR, Soilbuild, ARA and AIMS actively doing so. Previous presentations have highlighted this as a demand from tenants. Can CEO comment on disconnect in execution or outlook?**

Having a considerably smaller portfolio than some of our peers limits how much development we can undertake concurrently if we want to balance current and future returns for Unitholders. Having taken into account Unitholders’ interest, we are unable to take on multiple redevelopments at the same time – with AEI at New Tech Park ongoing - as every project will incur significant capital expenditure and impact our DPU and occupancy in the near term, since we will need to move tenants out.

Further, ramp-up warehouses require a certain amount of land space, and most of our properties are smaller in size which poses the technical limitations.

- 10. Could management provide comment on how it is actively pursuing tenants in key sectors and AEI/repositioning needed to successfully secure higher value tenants?**

We are focusing on securing more tenants from key expansionary sectors in high-growth and high-value industries. Over the past year, we have secured many such tenants, such as a biomedical tenant at 3A Joo Koon Circle – which we have successfully repositioned as a healthcare cluster, a high-value electronics company at 23 Serangoon North Ave 5 and a data centre company at 151 Lorong Chuan.

We will continue with this strategy moving forward.

- 11. Please provide an assessment of 39 Ubi Road 1 condition and possible reasons for neighbouring properties securing rental psf of approx. 30-60% higher? This property has been neglected since 2011 with no indication of AEIs despite debt headroom.**

As we have outlined in our response to Question 9, as a smaller REIT, we need to carefully consider any AEI or redevelopment plans as any such plans may have an impact on the near term DPU. Still, the Manager is committed to rejuvenate our portfolio selectively and opportunistically in a prudent manner to future-proof our portfolio to attract better tenants in expansionary sectors and ramp up occupancy. We will assess the best course of action for 39 Ubi Road 1 and will provide the necessary updates to the market.

12. Pls comment on rationale for prolonged lack of AEI or progress on 1 Tuas Avenue 4 since vacancy in 2017 and deal withdrawal in 2019. Competitor AIMS APAC has optimised plot ratio and capital structure to build a ramp-up facility opposite. Where does Sabana mgmt. differ in outlook?

To provide some background, 1 Tuas Avenue 4 was previously being developed as a data centre by a former master tenant but remained uncompleted after they surrendered their lease.

A buyer was secured in late 2018 for the property but the divestment was called off in 2019 as the buyer was not able to obtain approval from JTC.

Our subsequent marketing efforts to data centre users are currently deferred due to the Singapore Government's imposition of a current moratorium on all new data centre projects.

The property consists of a former automated storage and retrieval system (ASRS) block adjoining a conventional 3-storey warehouse block. With the current proliferation of ramp-up warehouse properties, warehouses with conventional design are proving to be a harder sell.

While it is possible to redevelop the asset, this will incur significant capital expenditure. Instead of redeveloping speculatively, we are exploring choosing to explore build-to-suit ("BTS") and divestment opportunities for 1 Tuas Avenue 4 or other suitable opportunities that may arise. For instance, we were close to finalising a proposed BTS opportunity last year but unfortunately the prospective tenant changed their business plan due to the pandemic and called off the project.

Another consideration is that as a small, independent REIT, Sabana REIT does not have the scale to engage in multiple redevelopment projects – with the NTP+ AEI already ongoing - without adversely impacting its financial performance over the shorter term.

Cessation of merger in 2020

13. Today, Sabana's price is \$0.42 whilst ESR is \$0.40

Barely, 5 months ago, the Manager proposed and sold very hard to us that the deal put forward by ESR is fair and reasonable despite the very strong objections from us. A lot of our money is spent on this deal that was so short changing to us and it is now proven not by hindsight.

You all are professionals hired to look after our interest. How are you going to be accountable for this big amount of our money being expensed to promote a deal so short changing to us?

We are unable to comment on the Unit price as it is a function of the market, over which we have no control over.

The Manager wishes to highlight that against the backdrop of continued macro uncertainty and weighing the strategic rationale in being to be part of a larger combined entity, the Board and management believed that it had the responsibility to put the merger offer to all Unitholders. The Board had acted with Unitholders' interest in mind and the merger terms were arrived at only

after extensive negotiations between the Manager and the ESR-REIT manager to secure the best possible terms for Sabana Unitholders. As part of the merger process, various professional advisors were engaged to advise the Board and management. 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.

While putting forth the merger for Unitholders' approval involved some costs, these costs do not have any impact on DPU. Nonetheless, the Manager had proactively negotiated a reduction in the total fees relating to the merger to below the previously announced S\$2.7 million, as will be announced during AGM.

As a standalone REIT, we remain focused on driving our Refreshed Strategy to drive value for Unitholders, such as undertaking AElS and selectively rejuvenating its portfolio, amid a still challenging operating environment. For one, we are heartened by the strong take-up at our new NTP+ lifestyle mall at New Tech Park. We look forward to its opening in 2Q 2021 – the first few tenants have commenced business in April, and the majority expected to start operating from May. NTP+ will be a catalyst for us this year as it is expected to contribute to the performance of the REIT.

Share price

14. Why our share dropped so much, and compare to other Reit?

We are unable to comment on the Unit price as it is a function of the market which we have no control over. However, we continue to focus on delivering our Refreshed Strategy to drive value for Unitholders, and are encouraged that Sabana REIT's year-to-date unit price has performed well.

- End -



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By Order of the Board
Sabana Real Estate Investment Management Pte. Ltd.
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As Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

Han Yong Lee (Donald)
Chief Executive Officer
26 April 2021

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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 (SFLCBR).

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.