

25 July 2023

Sabana Real Estate Investment Management Pte. Ltd.

151 Lorong Chuan
#02-03 New Tech Park
Singapore 556741

Attention: Mr Tan Cheong Hin, Chairman
Mr Donald Han, Chief Executive Officer

Dear Sirs,

ESR'S RESPONSE TO QUARZ CAPITAL'S STATEMENTS DATED 19 JULY 2023 AND 20 JULY 2023

1. We have prepared a short open letter to Unitholders, to ensure that Unitholders continue to be made aware of all material facts in the lead up to the Extraordinary General Meeting on 7 August 2023.
2. We would be grateful if you could publish a copy of the enclosed letter as an announcement via SGXNET.

Yours faithfully



ESR GROUP LIMITED

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Dear Unitholders

QUARZ'S RESOLUTION 2 – NOT AN INTERNALISATION RESOLUTION

1. In its Circular dated 21 July 2023 for the upcoming EGM on 7 August 2023, the Sabana Manager has made it clear that the passing of Resolution 2 *"would not immediately and automatically result in the Internalisation"*.
2. This much was also said by the Trustee in their letter dated 21 July 2023, noting that *"an internalised management structure that does not currently exist will need to be identified, established and then approved by Unitholders"* (emphasis added). In fact, the Trustee expects to hold two or more Further EGMs to seek Unitholders' directions so as to carry out the resolutions. The Trustee has warned that in the event that these later resolutions do not pass or the necessary regulatory approvals are not obtained, which means that internalisation cannot be realised, the Trustee will *"assess all options ... including the options of an orderly winding-up of Sabana REIT"*.
3. It should now be clear to Unitholders that the passing of Resolution 2 only means that the Trustee is directed to take steps, including engaging advisers, on the process for internalisation. This is only logical where there is no clear proposal from Quarz on the way forward. There is no existing blueprint for an internalised management structure for S-REITs. Quarz's rally cry that passing Resolution 2 necessarily results in the internalisation of the management function of Sabana REIT wilfully ignores all the known and unknown hurdles that stand in the way of internalisation.
4. The Court has stated that if Resolution 2 is passed and if amendments to the Trust Deed are needed to effect the internalisation, the Trust Deed *"mandates an extraordinary resolution to sanction the proposed amendments"* in the event that the Trustee does not give a written certification that the proposed amendments do not materially prejudice the interests of Unitholders. By the Trustee's own words, they themselves expect Further EGMs to be required *"to approve the necessary and specific amendments to the Trust Deed by way of extraordinary resolution(s) of the Unitholders."*
5. All parties agree that the process of internalisation would be unprecedented in the history of S-REITs. The Trustee has said that this process will take 12 months – or *"potentially significantly longer"*. Nobody knows how long that would be.
6. The Manager's Chief Financial Officer, Mr Lim Wei Huang, had commented to *The Edge* on 21 July 2023 that a review event under the change of control provisions would only be triggered when the notice to remove the Manager is served. But the building may start to crumble well before then – the Manager has reiterated time and time again that there is no way to assure Unitholders that the existing staff of the Manager will remain in the interim if Resolution 1 is passed. This uncertainty is amplified in the face of the possibility that Unitholders may choose to pass Resolution 1 without Resolution 2.
7. This reality has already begun to plague Sabana REIT and Unitholders. In the Sabana Manager's 1H 2023 Financial Statement, the independent auditors included an emphasis of matter in respect of a material uncertainty depending on the outcome of the EGM, which may raise doubts about Sabana REIT's ability to continue as a going concern.
8. In the meantime, caught in the middle of a falsehood, Quarz has conjured up an enticing new figure of S\$40 million which they claim would be saved from having an Internal Manager. As ESR has

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pointed out in our open letter dated 21 July 2023, there is no basis for this. Quarz has also been deliberately vague in their statements by claiming that there would be “cost savings from removing the External Manager” and also they can “potentially save more than S\$40 million of fees they need to pay to the External Manager over the next 10 years”. It is entirely unclear what the “savings” are. Quarz’s constant vacillation only serves to confuse and not clarify.

9. The future of Sabana REIT has been thrown up in the air, at the instigation of requisitionists whose proposals are, in the words of the Sabana Manager, *“incomplete, lack clarity and fail to outline the many inherent risks”*. ESR urges Unitholders to restore certainty and stability to the Sabana REIT, by voting against both the resolutions at the EGM.
10. The court’s oral grounds was just released. It is to be noted that the events above and positions taken occurred after the court hearing on 19 July 2023.