



SABANA 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 SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

Sabana Real Estate Investment Management Pte. Ltd., as the Manager of Sabana Industrial Real Estate Investment Trust (“**Sabana Industrial REIT**”, and the manager of Sabana Industrial REIT, the “**Manager**”), would like to thank Unitholders of Sabana Industrial REIT (“**Unitholders**”) for submitting their questions by the announced deadline of 29 July 2023, 10.00 a.m. in advance of the Extraordinary General Meeting (“**EGM**”) to be held by way of a physical format at Hope@New Tech Park, 151 Lorong Chuan, #02-06 (Lobby F) Singapore 556741 on Monday, 7 August 2023 at 10.00 a.m. The Manager’s responses to the questions can be found in Appendix A to this announcement.

For Unitholders who were unable to meet the question submission deadline or have additional questions, you are invited to pose your questions at the EGM.

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 Industrial Real Estate Investment Trust

Han Yong Lee (Donald)
Chief Executive Officer
31 July 2023

For enquiries, please contact:

Low Hooi Hoon
Investor Relations and Corporate Communications
Sabana Real Estate Investment Management Pte. Ltd.
DID: +65 6580 7857
Email: hooihoon.low@sabana.com.sg

Appendix A

1. What are three key reasons why unitholders should reject internalisation? Please detail and elaborate.

(i) **The proposed internalisation of the REIT manager is a complex process that will take considerable amount of time and costs to implement, with considerable uncertainties and many inherent risks, and no certainty of success**

As highlighted in our Circular, if one or both resolutions are passed, the REIT could face considerable uncertainties and many inherent risks, with no certainty of success, including but not limited to the following:

- (a) Uncertainties and instability could disrupt operations;
- (b) Potential lack of funding;
- (c) Could lead to insolvency;
- (d) Interim management could be fraught with problems;
- (e) Inability to retain staff to maintain continuity;
- (f) Implementation expected to take at least 12 months, potentially significantly longer;
- (g) Costs will be significantly higher:
 - REIT (i.e. Unitholders) will continue to pay fees to Interim Manager;
 - Additionally, REIT (i.e. Unitholders) will bear all fees of Professional Advisors;
- (h) Additionally, REIT (i.e. Unitholders) will bear all costs of setting up new Internal Manager;
- (i) Real risk of Sabana Industrial REIT being wound up and its properties sold at significant discounts.

(ii) **There is a real risk of insolvency and potential liquidation as the REIT's bank lenders have advised that they are not prepared to grant a waiver of the standard loans review change of control clause.**

All the REIT's loans are unsecured. None of the REIT's properties are pledged to the banks as collaterals. Therefore, our bank lenders currently rank pari passu with all creditors.

As such, the credit worthiness of the REIT to the bank lenders, especially during the long interim period of at least 12 months or potentially significantly longer when there are anticipated major disruptions and uncertainties, is at real risk, potentially leading to the banks recalling their loans. If this happens, it could lead to insolvency and liquidation.

(iii) **Internalising the REIT management function will not result in immediate gains to Unitholders**

This is because:-

- (a) According to the Trustee statement to Unitholders¹, there are significant additional costs that the REIT (and therefore Unitholders) will have to bear, including the fees of Professional Advisors that the Trustee will have to appoint to advise it on the management of the REIT and to effect the internalisation. These costs will be in addition to the professional fees to be paid to the current Manager who will be required to stay on as Interim Manager, until the new replacement manager is appointed, for at least 12 months or potentially significantly longer.

¹ Source: "Receipt of Final Trustee Statement", 21 July 2023, <https://sabana.listedcompany.com/news.html/id/2448751>

(b) Whether Unitholders will subsequently enjoy higher DPU as compared to an external REIT manager would ultimately depend on how efficiently Sabana Industrial REIT will be managed by the Internal Manager.

2. Given the constant wrangling and animosity between the key substantial unitholders of the REIT, would it be better to just simply liquidate the REIT's properties and wind it down? Please provide your stand and elaborate/justify them.

The Manager is not in the position to mediate between the key substantial unitholders.

Notwithstanding the disruptions resulting from the activist fund's actions in the past few years, the current manager has provided strong total unitholder returns since coming onboard in 2018 and remains of the view that it will continue to deliver sustainable value and returns for all unitholders. To wind up operations and to liquidate the REIT's properties could potentially be at a significant discount, which is not beneficial to unitholders.

Since 2018, Sabana Industrial REIT has recorded total unitholder returns of 59.2%, and achieved total unitholder returns of 6.8% in 2018, 37.4% in 2021, 4.9% in 2022 and 3.4% in the first six months of 2023, thus outperforming the iEdge S-REIT Index for each of the above periods. Sabana Industrial REIT has also ranked among the top five in total unitholder returns among S-REITs in 2018, 2021 and 2022. (Source: Bloomberg, 30 June 2023)

Sabana Industrial REIT has received awards that attest to its performance.

For instance, The Edge Singapore Billion Dollar Club ("**BDC**") recognised Sabana Industrial REIT as the top performer in total unitholder returns in the REITs sector for the Centurion Club 2022. Based on metrics from BDC, which showcases excellence in issuers listed on the SGX-ST, Sabana Industrial REIT outperformed other REITs with a market capitalisation of under S\$1 billion in total unitholder returns to investors over the three years from 31 March 2019 to 31 March 2022.

3. Mr Donald Han, can you name three key accomplishments that you and your team have achieved since your appointment as CEO of Sabana REIT? Please detail and elaborate.

i) Stability and protection of valuation

When Chairman and I (with newly constituted Board and management) first came onboard in January 2018, the REIT then had 20 properties with high gearing ratio (almost 39%, and the regulatory limit at that time was 45%). One of our priorities then was to stabilise the REIT, where we came out with Refreshed Strategy going 'back to basics' looking within for stability and growth. We divested two portfolio properties in 2018 and early 2019. Net proceeds went towards repaying \$100 million Trust Certificates (bonds) due in April 2019, pay a one-off capital distribution to Unitholders and the remaining proceeds channelled to partially fund our first Asset Enhancement Initiative ("**AEI**") i.e. NTP+ mall at New Tech Park.

We managed to obtain commercial zoning for NTP+ mall, a rare concurrence for a leasehold private industrial property. NTP+ mall proved to be a game changer in 2021 when completed to an almost full occupancy – seeing growth in capital values, revenue and the REIT's unit price.

We completed the removal of the Shari'ah compliance requirement (which has never been done before) of the REIT in October 2021. This gave us access to increased funding sources and more competitive rates for the REIT.

Over the recent years, we continued with our push to carry out asset rejuvenations to create fresh value propositions for the market. To this end, we onboarded tenants in the expansionary/defensive sectors, enabling us to strengthen our portfolio.

Despite declining land tenure, our portfolio valuation has increased consistently. The key reason to this is our proactive tenant management and leasing strategy. Our strategic focus on rentals has enabled us to protect our valuation and NAV, which has remained at 53 cents (as at 30 June 2023), despite having declining land/short lease tenure.

ii) **Successful execution of Manager's vision**

We were the first in Singapore to obtain permission from relevant regulatory authorities to convert an industrial property into a commercial mall, which is the NTP+ mall today. NTP+ mall was the Manager's first major AEI project to extract value from its existing portfolio. The NTP+ mall AEI was executed under extremely challenging, unprecedented market conditions during the pandemic years. The project went on to achieve TOP in March 2021 to an almost full occupancy – which reflects the culmination of determination and excellent project execution by the Manager and the project team. The addition of NTP+ mall has translated into increased valuation for New Tech Park, contributed to the rental reversion for the office component of New Tech Park and enhanced its appeal as a business hub to expansionary tenants.

ii) **Unparalleled track record**

Since 2020, the performance of Sabana Industrial REIT has improved and we embarked on the GROW VALUE phase of our Refreshed Strategy in early 2022.

We believe that the REIT's performance and track record under the current management team and oversight of the current Board, is reflective of the hard work and successful execution of the Refreshed Strategy that was introduced in 2018.

In 2018 and 2019, we stabilised the REIT under Phase 1 of our Refreshed Strategy. Despite the disruptions during the peak pandemic year in 2020, we successfully executed our first AEI of NTP+ mall at New Tech Park which was completed in March 2021. This is a testament of our commitment to Phase 2 of our Refreshed Strategy, which relates to AEIs.

We have stayed focused and delivered a solid track record. In 1H 2023, we delivered another set of impeccable financial results that saw a multi-year high in portfolio occupancy rate of 93.9% and a record rental reversion of 27.1% in 2Q 2023. Our proactive tenant management and leasing strategy is what enabled us not only to achieve two consecutive years of positive double digit rental reversions in FY 2021 and FY 2022, but also rental reversions that are consistently among the highest in the industrial S-REIT sector.

In an elevated high interest rate environment, the REIT's gearing is at a low 32.5% with 82.2% of its total borrowings fixed, hence protected from high finance charge impact.

With our strong operational performance in 1H 2023, we achieved higher total distributable amount of \$17.8 million and a higher DPU of 1.61 cents.

Moving ahead, we are intensifying our GROW VALUE phase by being firmly focused on extracting value from our existing portfolio.

Sabana Industrial REIT, under the management of the Manager, has delivered strong total unitholder returns as set out below. Figures are extracted from Bloomberg as at 30 June 2023.

- i) Sabana Industrial REIT Total Unitholder Returns since 2018 = 59.2%
- ii) Sabana Industrial REIT Total Unitholder Returns since IPO on 22 November 2010 = 21.7%
- iii) Sabana Industrial REIT achieved total unitholder returns of 6.8% in 2018, 37.4% in 2021, 4.9% in 2022 and 3.4% in the first six months of 2023, thus outperforming the iEdge S-REIT Index for each of the above periods. Sabana Industrial REIT has also ranked among the top five in total unitholder returns among S-REITs in 2018, 2021 and 2022.

Additionally, the Edge Singapore Billion Dollar Club recognised Sabana Industrial REIT as the top performer in Total Unitholder Returns in the REITs sector for the Centurion Club 2022.

- Ends -

Sabana Industrial REIT

Sabana Industrial REIT was listed on the SGX-ST on 26 November 2010. As at 31 December 2022, Sabana Industrial 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 31 December 2022.

Sabana Industrial REIT is managed by Sabana Real Estate Investment Management Pte. Ltd. (in its capacity as the Manager of Sabana Industrial REIT) in accordance with the terms of the trust deed dated 29 October 2010 (as amended, varied or supplemented from time to time). Sabana Industrial REIT is a real estate investment trust constituted on 29 October 2010 under the laws of Singapore.

For further information on Sabana Industrial REIT, please visit www.sabana-reit.com.

Important Notice

The value of units in Sabana Industrial 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 Industrial 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 SGXST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.