



## **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**

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#### **RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS**

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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 3 April 2025, 10.30 a.m. in advance of the Annual General Meeting ("**AGM**") to be held by way of a physical format at Hope@New Tech Park, 151 Lorong Chuan, #02-06 (Lobby F) Singapore 556741 on Tuesday, 22 April 2025 at 10.30 a.m. The responses from the Manager, HSBC Institutional Services (Singapore) Limited (in its capacity as trustee of Sabana Industrial REIT) (the "**Trustee**") and Ernst & Young LLP (the "**External Auditors**") to the questions can be found in Appendices A, B and C 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 AGM.

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

17 April 2025

**For enquiries, please contact:**

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**Sabana Industrial REIT**

Sabana Industrial REIT was listed on the SGX-ST on 26 November 2010. As at 31 December 2024, 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\$1.0 billion as at 31 December 2024. Sabana Industrial REIT is a constituent of the SGX S-REIT Index and MSCI Singapore Micro Cap Index.

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.sg](http://www.sabana-reit.com.sg).

**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 SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

For further information on Sabana Industrial REIT, please visit [www.sabana-reit.com.sg](http://www.sabana-reit.com.sg).

**Appendix A**  
**Questions by Unitholders with Responses by Manager**

**1. Sabana REIT NAV is 50 cents, but the share price is only 37 cents. This represents a discount of more than 25% off the NAV. I note there is no resolution to do unit buyback. Instead, there is a resolution to issue shares. Please explain why there is no resolution proposed to buy back our heavily discounted shares? Please also explain why there is, counterintuitively, a resolution to issue shares when the company is trading at such cheap valuation relative to NAV?**

- Given the uncertainty surrounding the internalisation and the costs associated with this process, the Manager is of the view that channeling funds towards a unit buyback scheme to take advantage of the discounted NAV is not a strategic use of the REIT's capital at this juncture. Instead, the Manager remains focused on optimising the performance of the REIT and the overall strength of the REIT's capital structure, and will prioritise the use of capital for working capital and/or asset enhancement initiatives.
- With the tabling of Resolution 3 to authorise the Manager to issue Units and to make or grant convertible instruments at the upcoming annual general meeting of Sabana Industrial REIT ("**AGM**"),<sup>1</sup> the Manager seeks to have a fundraising option through the issuance of new Units. This avenue is essential and offers a sustainable source of capital and additional funding flexibility for the REIT, enabling the REIT to fund its working capital and/or asset enhancement initiatives, and to continue as a going concern.
- Given the foregoing, the Manager and its Board of Directors are of the view that it would be in the interest of Sabana Industrial REIT and the Unitholders to approve Resolution 3. All funds raised from the issuance of new Units under this general mandate will be utilised for working capital purposes. As stated in the REIT's pre-AGM presentation slides, the passing of Resolution 3 allows the Manager to raise funds in a more expeditious and efficient manner without the need to obtain a further unitholders' approval (unless specific approval is required by the listing rules and the Trust Deed or any applicable laws and regulations).<sup>1</sup>

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<sup>1</sup> Please refer to the REIT's pre-AGM presentation slides dated 13 March 2025 titled "Upcoming AGM: Key Resolutions and Highlights from Annual Report and Sustainability Report", available on SGXNet and the REIT's corporate website, for further details.

**Appendix B**  
**Questions by Unitholders with Responses by Trustee**

The information, statements or opinions contained in this Appendix B are provided by the Trustee in response to questions raised by Unitholders.

The Manager assumes no responsibility for any of the contents of Appendix B, including the accuracy, completeness or correctness of any of the information, statements or opinions contained in Appendix B.

**1. Please provide the latest updates on the internalisation process. What is the current progress of internalisation? What percentage of the internalisation process have been completed? What steps have been completed? What steps remain to be fulfilled? Please detail and elaborate.**

- Please refer to the Trustee's Statement dated 16 April 2025 for (a) an update on the progress made across the key internalisation workstreams, and (b) the updated indicative timeline for internalisation setting out the workplan for 2025 prepared based on information known to date.

**Appendix C**  
**Questions by Unitholders with Responses by External Auditors**

The information, statements or opinions contained in this Appendix C are provided by the External Auditors in response to questions raised by Unitholders.

The Manager assumes no responsibility for any of the contents of Appendix C, including the accuracy, completeness or correctness of any of the information, statements or opinions contained in Appendix C.

1. Ernst & Young said that there is a material uncertainty which may cast significant doubt on the ability of Sabana REIT to continue as a going concern.

I wish to point out the following:

- I. The Sabana REIT Manager was removed in Aug 2023. This inadvertently would have already triggered the removal of manager clause that constitutes a review event by the lenders. For the last 20 months, no lender had taken steps to recall any of the loans.
- II. MAS openly expressed that they are agnostic whether a REIT is internally or externally managed.
- III. Ernst and Young is satisfied with the valuation of all the properties and at 37.4%, we have one of the lowest debt ratio among all the S-REITS
- IV. If the lenders were to recall the loans solely because Sabana REIT is changing to an internally managed model, it is logical to assume they would have already done so by now.
- V. My opinion is the interim manager is overly cautious when they again highlighted the removal of manager clause in note 25 of the accounts in FY2024

**My question to the auditor is : Would Ernst & Young come to the same conclusion if the interim REIT manager had chosen not to state this removal of manager clause in the notes to account?**

- We wish to highlight that Ernst & Young LLP (“EY”) has issued an unqualified opinion dated 13 February 2025 for Sabana Industrial REIT’s financial statements for YE 31 December 2024.
- Note 2.5 and Note 25 of the financial statements disclosed material uncertainties arising from the internalisation exercise. It is disclosed in these notes that the removal of manager as a result of the internalisation exercise will trigger a review event under Sabana Industrial REIT’s existing financing arrangements. If triggered, this may result in mandatory prepayment of outstanding loans and interest under the Existing Facilities if no satisfactory agreement is reached with the lenders.
- Sabana Real Estate Investment Management Pte. Ltd., in its capacity as the Manager of Sabana Industrial REIT (the “**Manager**”), has sought to address these uncertainties by writing to the relevant lenders for the waiver of the review event clause to which the lenders have replied that they are unable to grant the relevant waiver at that juncture.
- Having considered these uncertainties, the complexity of the internalisation exercise, the current circumstances and the quality of the asset portfolio, the Manager is of the view that the going concern assumption is appropriate but there is a material uncertainty that may cast significant doubt on the ability of the Group and the Trust to continue as a going concern depending on the outcome of the internalisation of the Manager.
- EY is required by the relevant auditing standards to evaluate the Manager’s assessment of the going concern basis of preparation of the financial statements. This evaluation includes whether a material uncertainty exists about the REIT’s ability to continue as a going concern. Based on its evaluation, EY issued an unqualified audit opinion with a Material uncertainty related to going concern section in the auditors’ report to draw the readers’ attention to these uncertainties as disclosed in Note 2.5 and Note 25.
- As for the second question whether would EY come to the same conclusion if the interim manager had chosen not to state the removal of manager clause in the notes to the accounts – this is a question which EY is not able to consider as it is crucial to assess a range of factors

and risk. In evaluating the appropriateness of management's use of the going concern basis to prepare the financial statements, EY will need to consider a comprehensive range of factors, such as the contractual obligations, relevant facts and circumstances, the state of affairs and the business/market environment prevailing at that time.

- Ends -