



# UNITHOLDERS' CIRCULAR

DATED 12 NOVEMBER 2020



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This Circular has been made available on ESR-REIT's website at <https://merger.esr-reit.com.sg>, and on the SGX-ST's website at <https://www.sgx.com/securities/company-announcements>. Unless otherwise requested, no printed copies of this Circular will be despatched to ESR-REIT Unitholders.

## CIRCULAR TO UNITHOLDERS IN RELATION TO:

- (1) PROPOSED MERGER (THE "MERGER") WITH SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST ("SABANA REIT")
- (2) PROPOSED ISSUE OF ESR-REIT UNITS AS CONSIDERATION FOR THE MERGER



(A real estate investment trust constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

*Managed by*

**ESR Funds Management (S) Limited**

(Company Registration No.: 200512804G)  
(Capital Markets Services Licence No.: CMS 100132)

Financial Advisers in relation to the Merger



Independent Financial Adviser to the Audit, Risk Management and Compliance Committee of the ESR-REIT Manager and the ESR-REIT Recommending Directors



## IMPORTANT DATES AND TIMES

### Latest Date and Time to Pre-register Online to Attend the EGM

1 December 2020 (Tuesday), 10.00 a.m.

### Latest Date and Time for Lodgement of Proxy Form

1 December 2020 (Tuesday), 10.00 a.m.

### Date and Time of the EGM

4 December 2020 (Friday), 10.00 a.m.

The EGM will be held only by way of electronic means

## YOUR VOTE COUNTS



### Please vote by proxy only

Due to the current COVID-19 restriction orders in Singapore, ESR-REIT Unitholders will not be able to physically attend the EGM. Instead, alternative arrangements have been put in place to allow ESR-REIT Unitholders to participate in the EGM by (a) observing and/or listening to the EGM proceedings via the live audio-visual webcast/live audio-only stream; (b) submitting questions in advance of the EGM and/or (c) appointing the Chairman of the EGM as proxy to vote on their behalf at the EGM. Please refer to paragraph 21 of the Letter to ESR-REIT Unitholders, the Notice of EGM and the Proxy Form for further information, including the steps to be taken by ESR-REIT Unitholders to participate in the EGM.

All capitalised terms shall, if not otherwise defined, have the same meaning as ascribed to them in this Circular.

### IMPORTANT NOTICE

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all or any of your issued and fully paid-up units in ESR-REIT, you should immediately inform the purchaser or the agent through whom the sale was effected for onward notification to the purchaser that this Circular together with the Notice of EGM and the accompanying Proxy Form may be accessed via SGXNET.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

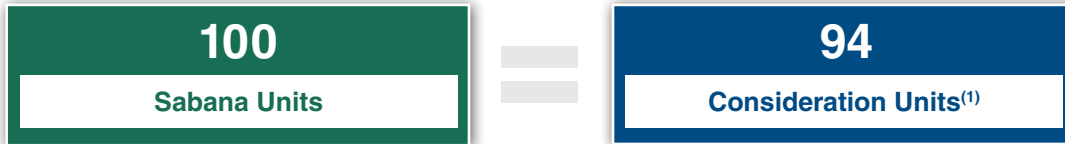


# What is the Background of the Merger?

## What Has Happened?

On 16 July 2020, the managers of ESR-REIT and Sabana REIT issued a joint announcement on the Merger by way of a trust scheme of arrangement

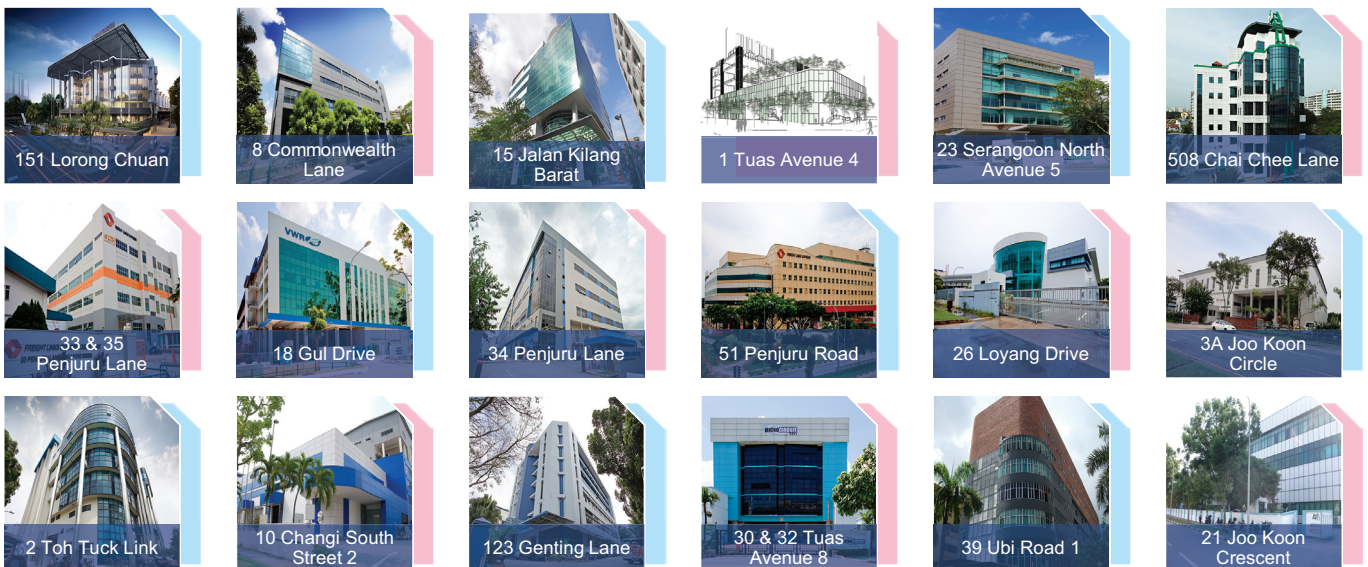
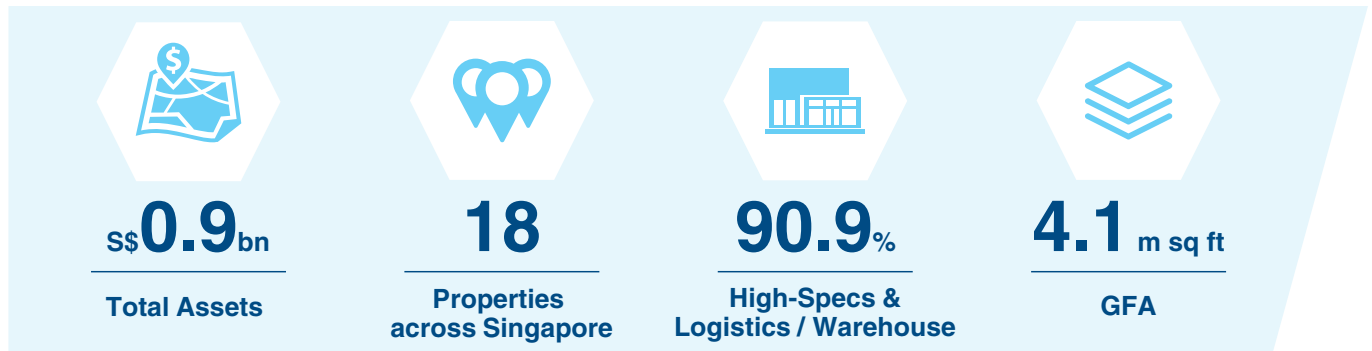
The Scheme Consideration payable to the Sabana Unitholders, which will be satisfied in full by way of issuance of new ESR-REIT Units (the “Consideration Units”), is based on a gross exchange ratio of 0.940x



Based on the illustrative issue price of **S\$0.401 per Consideration Unit<sup>(2)</sup>**, the implied aggregate **Scheme Consideration is approximately S\$396.9 million** (implied Scheme Consideration of **S\$0.377 per Sabana Unit** is derived from the **gross exchange ratio of 0.940x**)

## Who Is Sabana REIT?

As at 30 June 2020



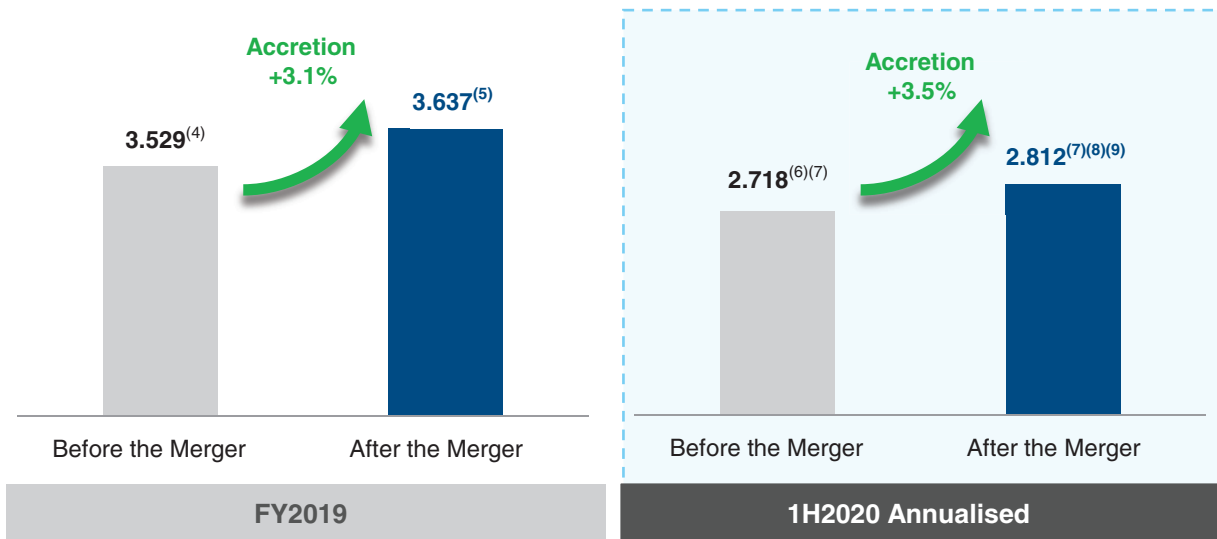


## Why Should ESR-REIT Merge With Sabana REIT?

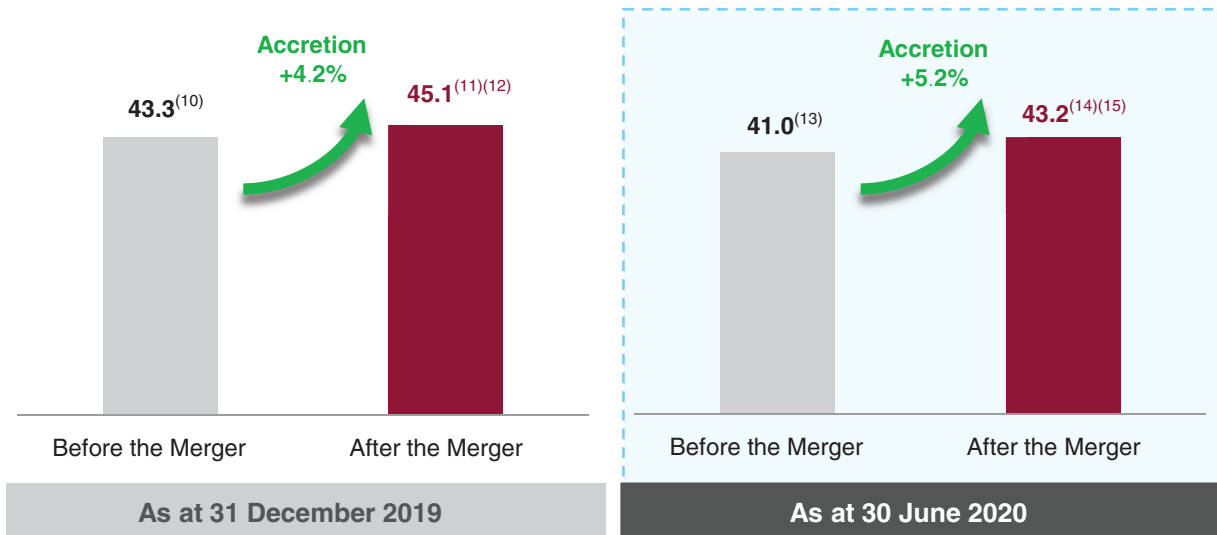
### 1 Value Accretive on a Historical *Pro Forma* Basis

The Merger is expected to be DPU and NAV accretive for ESR-REIT Unitholders on a historical *pro forma* basis

#### 1a Distribution per Unit (Cents)<sup>(3)</sup>



#### 1b NAV per Unit (Cents)



# 2

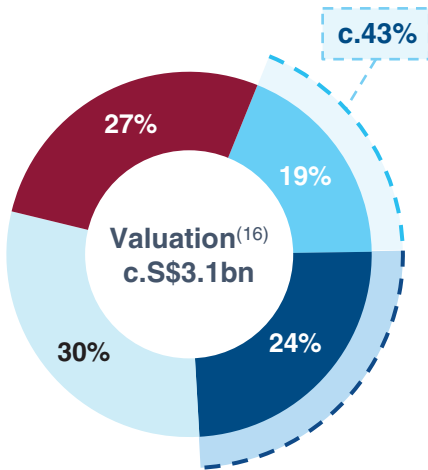
## Why Should ESR-REIT Merge With Sabana REIT?

### 2 Enhances Diversification and Resilience of the Enlarged REIT Platform

#### 2a Increase Exposure to the High-Specs and Logistics / Warehouse Segments

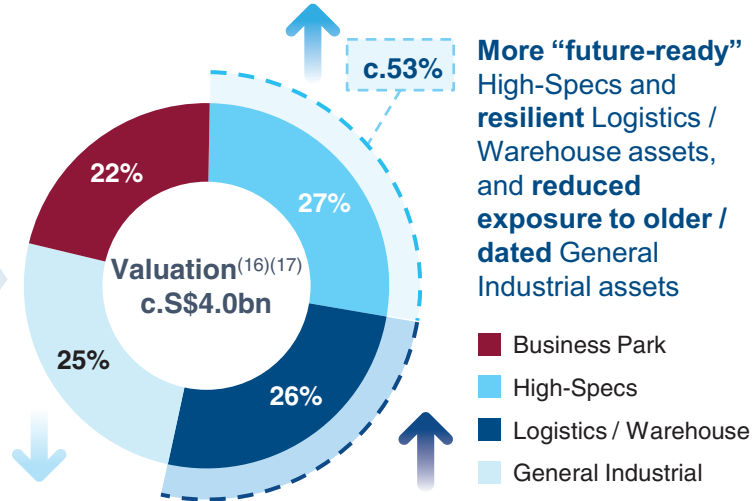
Before the Merger

High-Specs and Logistics / Warehouse:



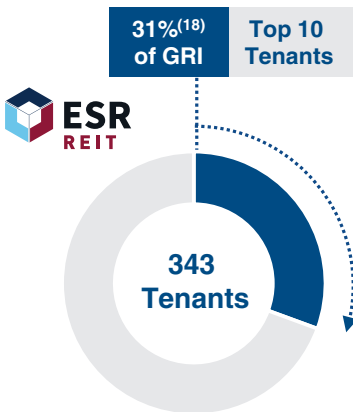
After the Merger

High-Specs and Logistics / Warehouse:

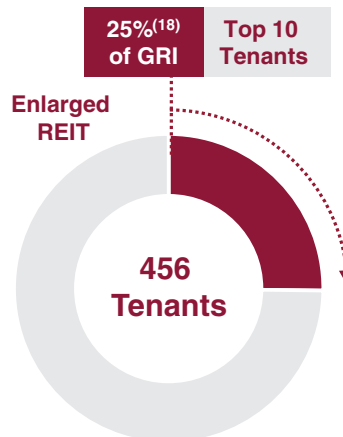


#### 2b Larger Tenant Base Reduces Concentration Risks

Before the Merger



After the Merger



Top 10 tenants' contribution to GRI reduces from approximately 31% to 25% on a *pro forma* basis as at 30 June 2020, with no single tenant accounting for more than 4.1% of the Enlarged REIT's GRI<sup>(18)</sup>

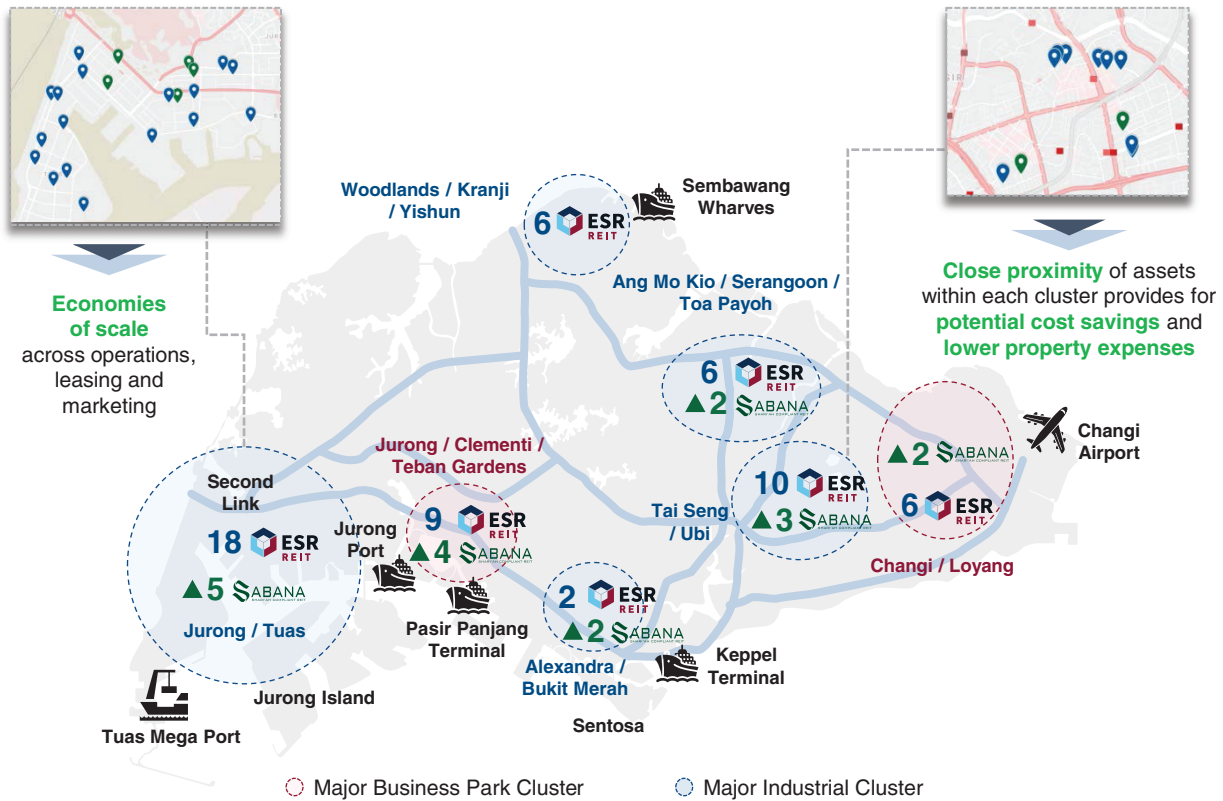


## 2

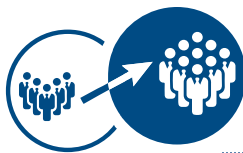
# Why Should ESR-REIT Merge With Sabana REIT?

## 3 100% Pure-Play Singapore REIT Post-Merger

### 3a Deepens Singapore Presence in Key Industrial Clusters



No. of properties will increase by **31.6%** from **57** in ESR-REIT to **75** in the Enlarged REIT



Total number of tenants will increase by **32.9%** from **343** in ESR-REIT to **456** tenants in the Enlarged REIT

### 3b Operational Synergies and Portfolio Optimisation Potential

- ✓ **Economies of scale** are expected to be extracted across operations
- ✓ Further potential **cost savings for tenants arising from the integration and optimisation of property management services arising from the close proximity of assets within each cluster**
- ✓ With a **bigger portfolio and tenant base**, the Enlarged REIT will also have **stronger bargaining power** with service providers and tenants



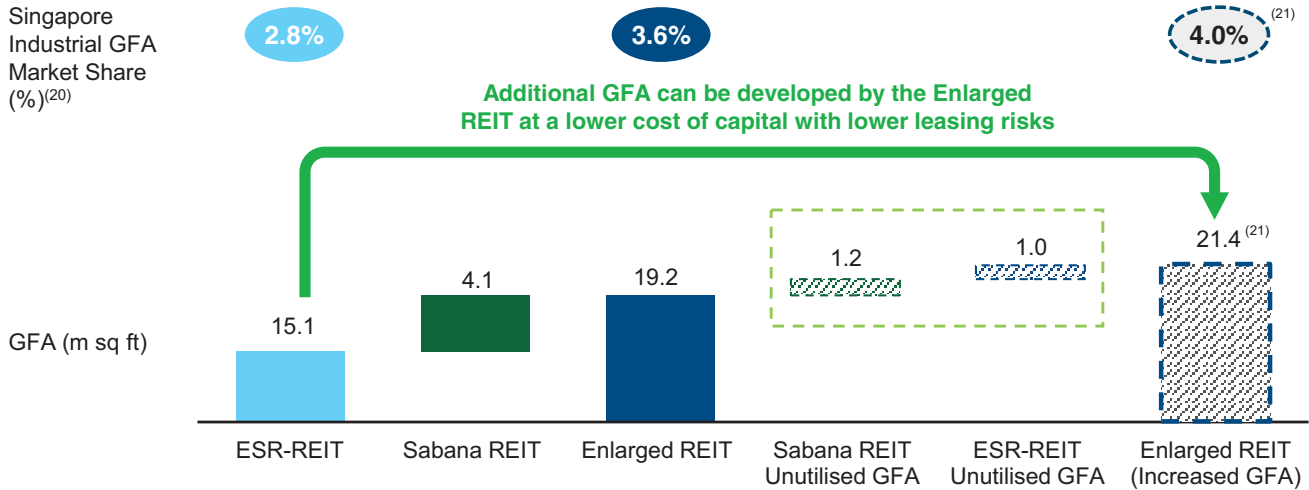
# 2

## Why Should ESR-REIT Merge With Sabana REIT?

### 3c Organic AEI<sup>(19)</sup> Growth Opportunities to Realise Unutilised GFA

Enhances potential returns and lowers portfolio risks of future growth strategies such as value-adding AEIs and/or redevelopments

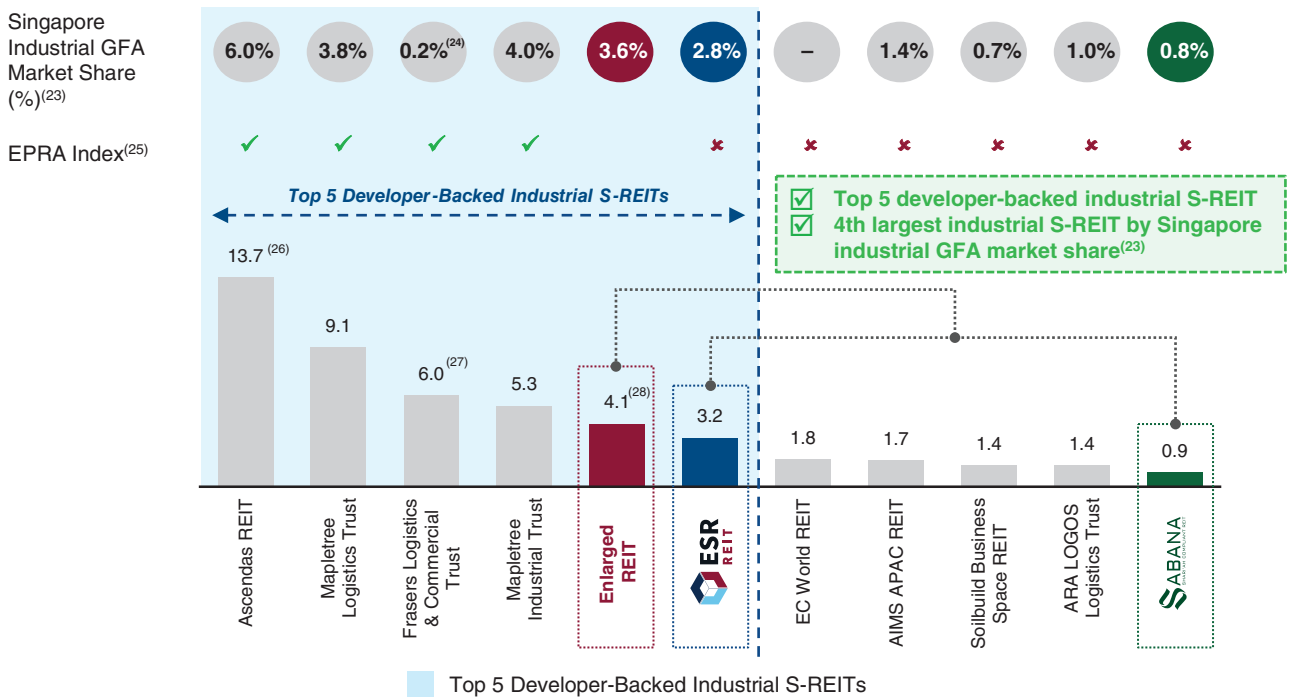
Up to 2.2m sq ft of Additional GFA in Enlarged REIT from Unutilised Plot Ratio



## 4 Size Does Matter

### 4a Solidifies Position Amongst Top 5 Industrial S-REITs

Total Asset Size (\$\$bn)<sup>(22)</sup>



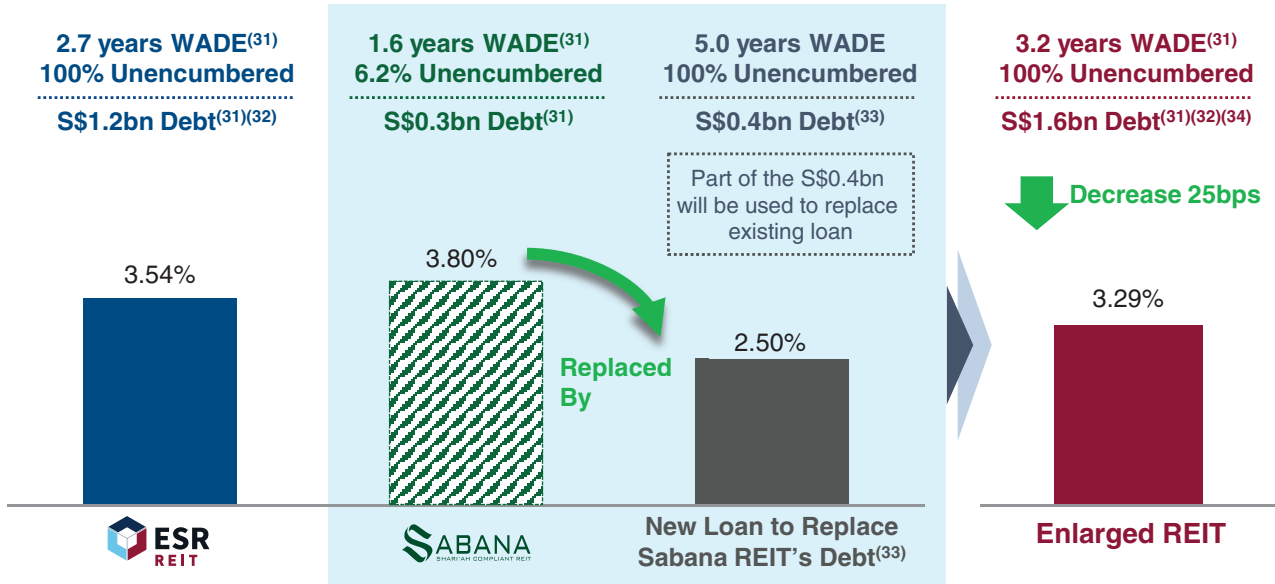
# 2

## Why Should ESR-REIT Merge With Sabana REIT?

### 4b Larger Size Leads to More Competitive Costs of Capital...

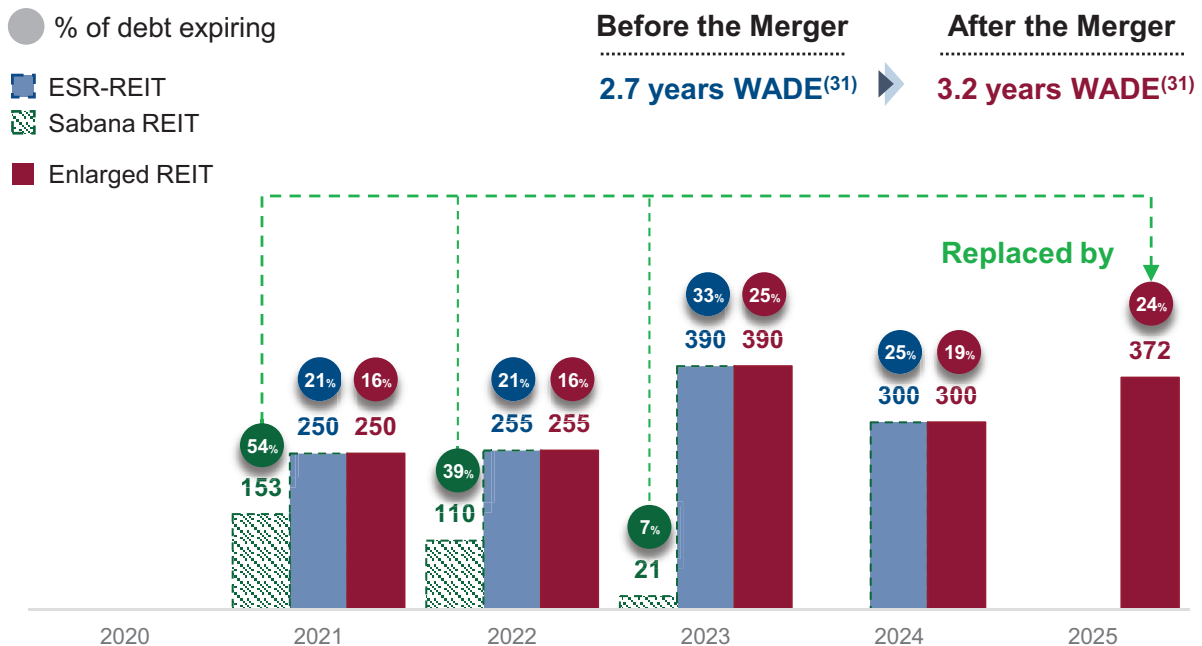
Enlarged REIT is expected to have a lower cost of debt, longer WADE<sup>(29)</sup> and access to wider pools of capital while retaining balance sheet flexibility with a fully unencumbered portfolio

Pro Forma Cost of Debt<sup>(30)</sup>



### 4c ...Underpinned by an Evenly-Distributed and Resilient Debt Maturity Profile

Pro Forma Debt Maturity Profile<sup>(31)</sup>

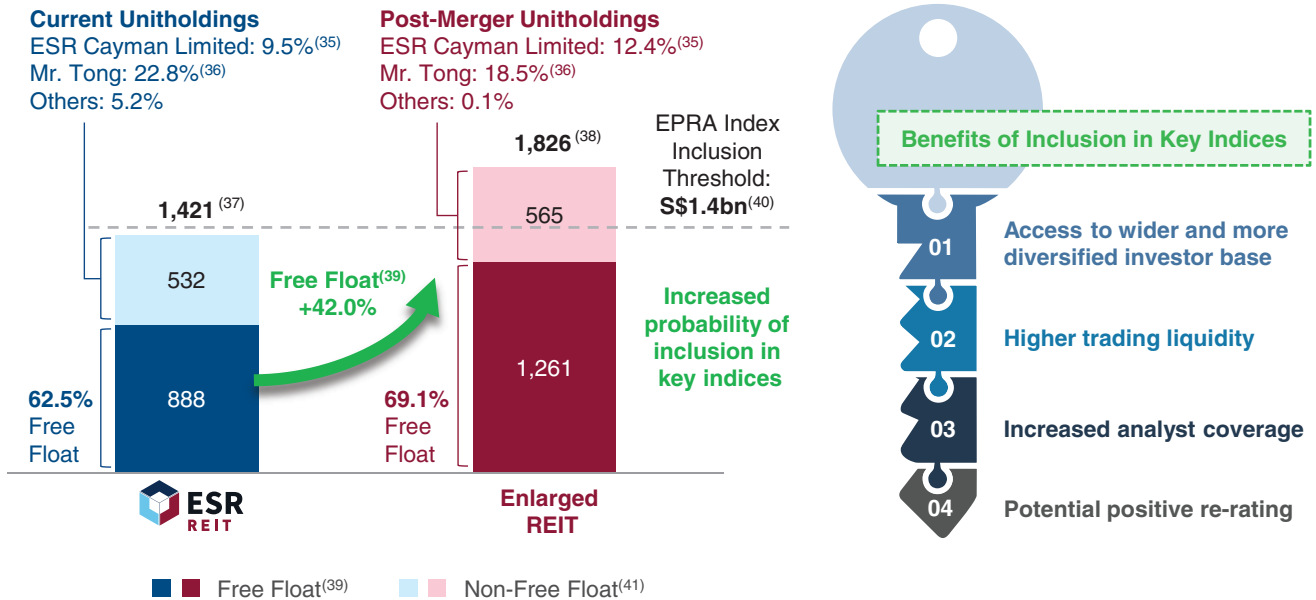


# 2

## Why Should ESR-REIT Merge With Sabana REIT?

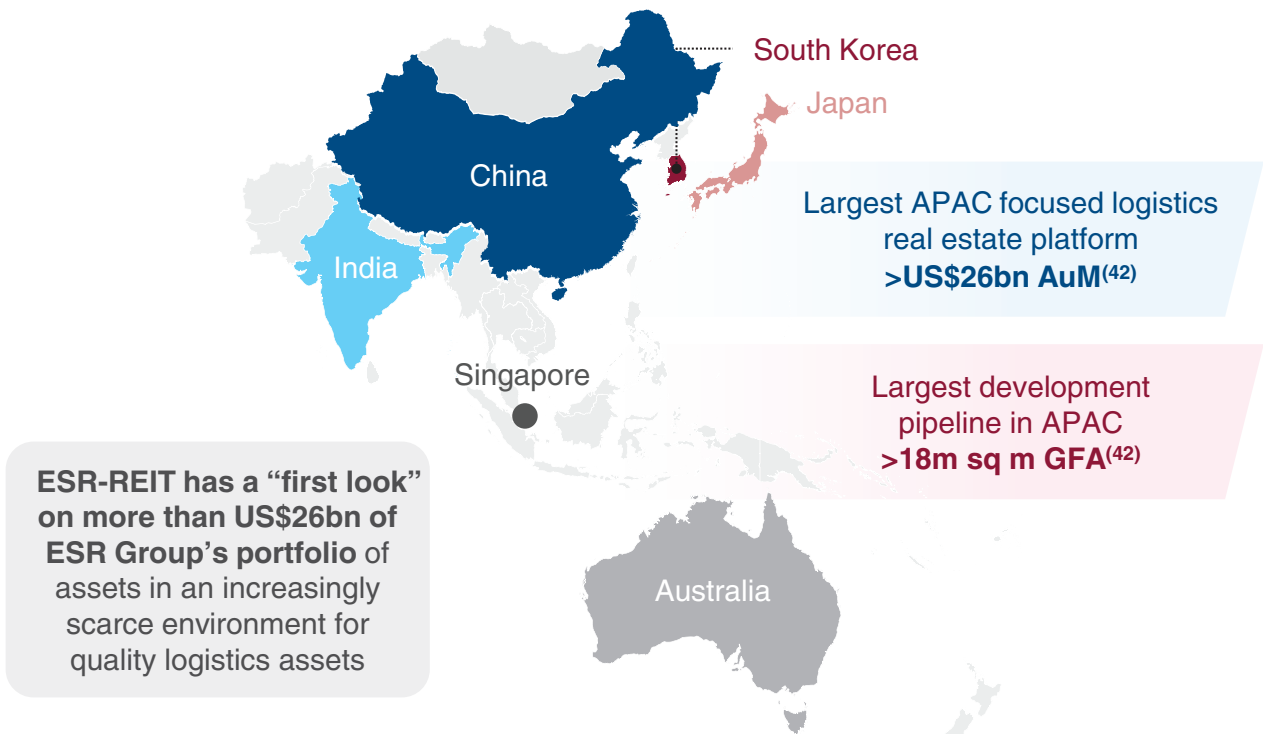
### 4d Potential Inclusion in Key Indices

Free Float and Market Capitalisation (\$m)



### 5 Leveraging ESR Group’s Operating Platform to Improve Growth Prospects

ESR Group’s Regional Presence





# 3

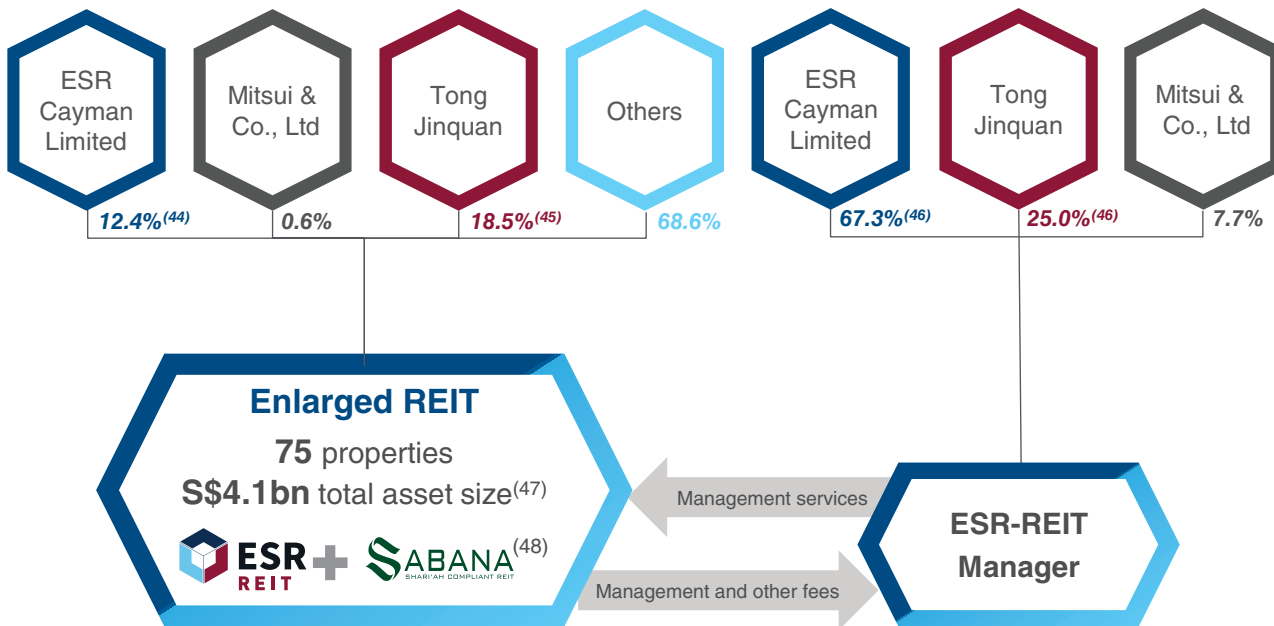
## How Will the Enlarged REIT Look Like?

### Enlarged REIT's Future Growth will be Well-Supported by ESR Group

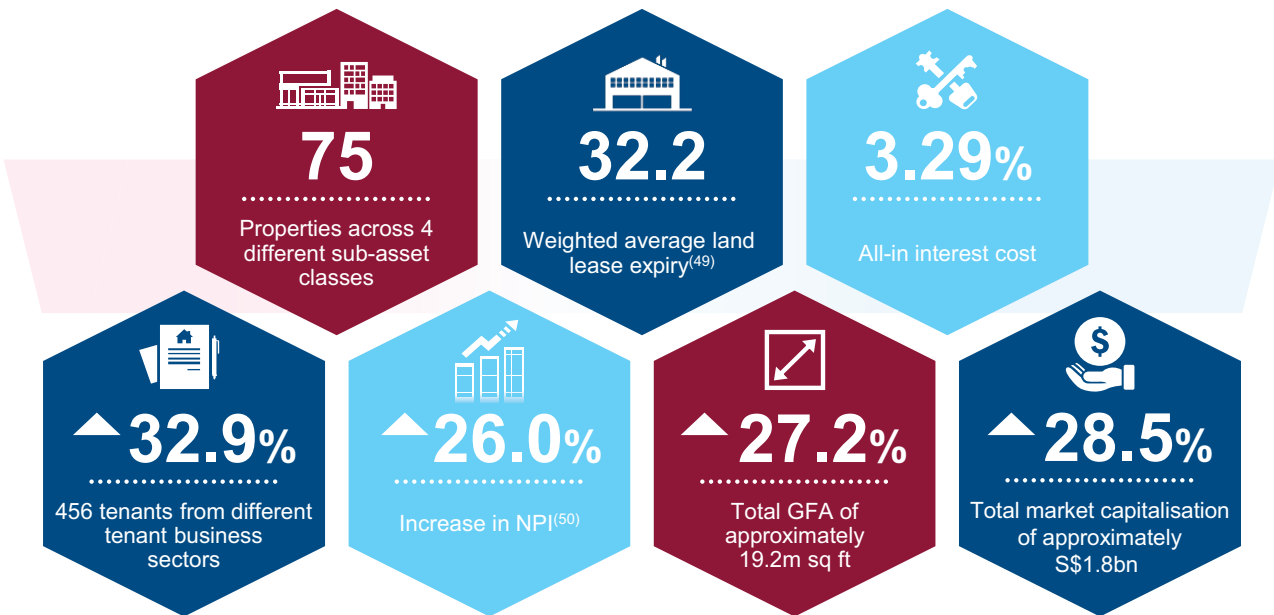
Enlarged REIT can better leverage ESR Group's operating platform, footprint and network to create a leading Pan-Asian industrial REIT

#### Enlarged 100% Pure-Play S-REIT REIT Manager Structure

Enlarged REIT Structure Post-Merger<sup>(43)</sup>



Based on information as at 30 June 2020





## 4 Opinion of the Independent Financial Adviser

An extract of the IFA Letter is reproduced below:

“After carefully considering [the matters set out in the IFA Letter], and subject to the assumptions and qualifications [set out in the IFA Letter] and taking into account the prevailing conditions as at the Latest Practicable Date, we are of the opinion that: The Merger is on **normal commercial terms** and **is not prejudicial** to the interests of ESR-REIT and its minority unitholders. Accordingly, we advise that the ARCC and the ESR-REIT Recommending Directors recommend that the ESR-REIT Unitholders **VOTE IN FAVOUR OF THE MERGER.**”



**INDEPENDENT FINANCIAL ADVISER TO THE AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE OF THE ESR-REIT MANAGER AND THE ESR-REIT RECOMMENDING DIRECTORS**



## 5 What Do the Directors Recommend?

The ESR-REIT Recommending Directors have considered the relevant factors, including the terms of the Merger and the rationale for the Merger, as well as the IFA's opinion as set out in the IFA Letter in **Appendix A** to this Circular, and recommend that the Independent ESR-REIT Unitholders **VOTE IN FAVOUR** of Resolution 1, the Ordinary Resolution relating to the Merger, and Resolution 2, the Ordinary Resolution relating to the issue of approximately 989.9 million Consideration Units at the Consideration Unit Issue Price pursuant to the Merger.



**ESR-REIT RECOMMENDING DIRECTORS**

**IT IS IMPORTANT THAT YOU READ THE ABOVE EXTRACTS TOGETHER WITH AND IN THE CONTEXT OF THIS CIRCULAR AND THE IFA LETTER, WHICH CAN BE FOUND IN APPENDIX A TO THIS CIRCULAR. YOU ARE ADVISED AGAINST RELYING SOLELY ON THESE EXTRACTS WHICH ARE ONLY MEANT TO DRAW ATTENTION TO THE OPINION OF THE IFA AND RECOMMENDATIONS OF THE ESR-REIT RECOMMENDING DIRECTORS.**





## What Must Happen for the Merger to Be Approved?

### Latest Date and Time for Lodgement of Proxy Form

1 December 2020 (Tuesday),  
10.00 a.m.

### YOUR VOTE COUNTS



Please vote by proxy only

#### RESOLUTION 1

The Merger

**Ordinary Resolution:**  
**>50%**

*of the total number of votes cast by  
ESR-REIT Unitholders voting by proxy  
at the EGM*

#### RESOLUTION 2

The proposed issue of  
approximately 989.9 million new  
ESR-REIT Units to  
Sabana Unitholders at the  
Consideration Unit Issue Price as  
consideration for the Merger

**Ordinary Resolution:**  
**>50%**

*of the total number of votes cast by  
ESR-REIT Unitholders voting by proxy  
at the EGM*



The resolutions are **inter-conditional** and are also conditional upon the Scheme becoming effective in accordance with its terms



ESR Cayman Limited, Mr. Tong, Mitsui and their respective associates are required to abstain from voting



In addition, the Merger is also subject to Sabana Unitholders' approval of the Scheme and the Court's approval for the Scheme



# 7

## What Do I Need to Do in Relation to the Merger?

### YOUR VOTE COUNTS

Please vote by proxy only



You now have this Circular<sup>(51)</sup>



Vote on the Merger by submitting a Proxy Form by 1 December 2020 (Tuesday), 10.00 a.m.

### Online EGM:

4 December 2020 (Friday), 10.00 a.m.



Pre-register for online EGM by 1 December 2020 (Tuesday), 10.00 a.m.

Pre-registration website: <http://www.smartagm.sg/esrreitegm2020> which is also accessible by scanning the QR code on the cover page of this Circular

### 2 possible outcomes for the Merger



#### Outcome 1:

ESR-REIT Unitholders vote **in favour** of **both** Resolutions 1 and 2

Subject to the Scheme becoming effective in accordance with its terms, the Merger **will** go through and ESR-REIT **will** acquire all the issued and paid-up units of Sabana REIT<sup>(52)</sup>



#### Outcome 2:

ESR-REIT Unitholders vote **against either** Resolutions 1 or 2

The Merger **will not** go through and ESR-REIT **will not** acquire all the issued and paid-up units of Sabana REIT





# How Do I Vote During the EGM?

In view of the elevated safe distancing measures imposed by the Singapore Government due to the current COVID-19 situation, ESR-REIT will be conducting the EGM only by way of electronic means.

As such, you will only be able to vote at the EGM by completing the Proxy Form to appoint the Chairman of the EGM as your proxy to vote on your behalf.

## STEP 1: LOCATE THE PROXY FORM

A printed copy of the Proxy Form has been despatched to you. It can be obtained from:

**Boardroom Corporate & Advisory Services Pte. Ltd.**

50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

Operating hours: Monday to Friday, 8:30 a.m. to 5:30 p.m.

*This Circular (including the Proxy Form) has been made available on ESR-REIT's website at <https://merger.esr-reit.com.sg>, and on the SGX-ST's website at <https://www.sgx.com/securities/company-announcements>.*

## STEP 2: COMPLETE THE PROXY FORM

**ESR-REIT**  
(A real estate investment trust constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

**PROXY FORM**

**A** Extraordinary General Meeting

This proxy form is available on ESR-REIT's website at <https://merger.esr-reit.com.sg> and on the SGX-ST's website at <https://www.sgx.com/securities/company-announcements>. Printed copies of this proxy form have also been despatched to the unitholders.

**B** I/We, \_\_\_\_\_ (Name and NRIC no./Passport no./ Company Registration no.) of \_\_\_\_\_ (Address) being a unitholder/unitholders of ESR-REIT, hereby appoint the Chairman of the Extraordinary General Meeting as my/our proxy to attend, to speak and to vote for me/us on my/our behalf at the Extraordinary General Meeting of ESR-REIT to be held on 4 December 2020 (Friday) at 10.00 a.m., and at any adjournment thereof. I/We direct my/our proxy to vote (i) for (ii) against or (iii) abstain from voting on, the resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder\*. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she may on any other matter arising at the Extraordinary General Meeting.

No.	Resolutions:	For*	Against*	Abstain*
1	<b>Resolution 1 (Ordinary Resolution):</b> To approve the Merger			
2	<b>Resolution 2 (Ordinary Resolution):</b> To approve the proposed issue of approximately 989.9 million new ESR-REIT Units to the Sabana Unitholders at the Consideration Unit Issue Price as consideration for the Merger			

\* You should specifically direct the proxy on how he/she is to vote for, vote against (or abstain from voting on) the resolutions.  
\* If you wish to exercise all your votes "For" or "Against" or to "Abstain" from the relevant resolution, please tick [x] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2020

Signature(s) of Unitholder(s)/Common Seal

**IMPORTANT: PLEASE READ THE NOTES TO THE PROXY FORM ON THE REVERSE PAGE**

**A** Kindly submit the completed Proxy Form either by post or electronic mail.

**B** Please fill in your personal details. The Chairman of the EGM will be the appointee under the Proxy Form.

I/We, \_\_\_\_\_ (Name and NRIC no./Passport no./ Company Registration no.) of \_\_\_\_\_ (Address) being a unitholder/unitholders of ESR-REIT, hereby appoint the Chairman of the Extraordinary General Meeting of ESR-REIT to be held on 4 December 2020 (Friday) at 10.00 a.m., and at any adjournment thereof. I/We direct my/our proxy to vote (i) for (ii) against or (iii) abstain from voting on, the resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder\*. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she may on any other matter arising at the Extraordinary General Meeting.

**C** Indicate your vote (or abstention thereof) in the relevant box labelled **FOR**, **AGAINST** or **ABSTAIN** for each of the resolutions.

No.	Resolutions:	For*	Against*	Abstain*
1	<b>Resolution 1 (Ordinary Resolution):</b> To approve the Merger			
2	<b>Resolution 2 (Ordinary Resolution):</b> To approve the proposed issue of approximately 989.9 million new ESR-REIT Units to the Sabana Unitholders at the Consideration Unit Issue Price as consideration for the Merger			



**ESR-REIT**  
(A real estate investment trust constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2020 (as amended))

**PROXY FORM**  
**Extraordinary General Meeting**

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I/We, \_\_\_\_\_ (Name and NRIC no./Passport no./Company Registration no.) of \_\_\_\_\_ (Address) being a unitholder/unitholders of ESR-REIT, hereby appoint the Chairman of the Extraordinary General Meeting as my/our proxy to attend, to speak and to vote for me/us on my/our behalf at the Extraordinary General Meeting of ESR-REIT to be held on 4 December 2020 (Friday) at 10.00 a.m., and at any adjournment thereof. I/We direct my/our proxy to vote (i) for (ii) against or (iii) abstain from voting on, the resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder\*. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she may on any other matter arising at the Extraordinary General Meeting.

No.	Resolutions:	For*	Against*	Abstain*
1	<b>Resolution 1 (Ordinary Resolution):</b> To approve the Merger			
2	<b>Resolution 2 (Ordinary Resolution):</b> To approve the proposed issue of approximately 989.9 million new ESR-REIT Units to the Sabana Unitholders at the Consideration Unit Issue Price as consideration for the Merger			

# You should specifically direct the proxy on how he/she is to vote for, vote against (or abstain from voting on) the resolutions.  
\* If you wish to exercise all your votes "For" or "Against" or to "Abstain" from the relevant resolution, please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020

Signature(s) of Unitholder(s)/Common Seal

**IMPORTANT: PLEASE READ THE NOTES TO THE PROXY FORM ON THE REVERSE PAGE**

**D** If you are an individual, you or your attorney **MUST SIGN** and indicate the date.

If you are a corporation, the Proxy Form must be executed under your common seal or signed by a duly authorised officer or attorney.

Where the Proxy Form is signed by an attorney or a duly authorised officer, the power of attorney or other authority under which it is signed must be lodged with the Proxy Form.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020

Signature(s) of Unitholder(s)/Common Seal

**E** Indicate the number of ESR-REIT Units you hold.

Total number of Units held (Note 2)

## STEP 3: RETURN THE COMPLETED PROXY FORM

The completed and signed Proxy Form can be returned via:

- Electronic Submission – Return the completed and signed Proxy Form via electronic mail to **SRS.TeamE@boardroomlimited.com** (e.g. enclosing a clear scanned completed and signed Proxy Form in PDF) by **NO LATER THAN 1 December 2020 (Tuesday), 10.00 a.m.**; or
- Physical Mail – Return the completed and signed Proxy Form by folding and sealing the form where indicated, and depositing by post so that it arrives at **Boardroom Corporate & Advisory Services Pte. Ltd.**, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, by **NO LATER THAN 1 December 2020 (Tuesday), 10.00 a.m.** Postage for the Proxy Form has been pre-paid for posting in Singapore only. Please affix sufficient postage if posting from outside of Singapore.

**ESR REIT**

BUSINESS REPLY SERVICE  
PERMIT NO. 08527

ESR Funds Management (S) Limited  
(as Manager of ESR-REIT)  
c/o Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

Postage will be paid by addressee. For posting in Singapore only.



## IMPORTANT DATES AND TIMES

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  - 1 December 2020 (Tuesday), 10.00 a.m.
- **Latest Date and Time for Lodgement of the Proxy Form:**
  - 1 December 2020 (Tuesday), 10.00 a.m.
- **Details of the EGM:**
  - 4 December 2020 (Friday), 10.00 a.m.
  - The EGM will be held only by way of electronic means. Kindly submit the completed Proxy Form either by post or electronic mail.

## INVESTOR CONTACTS

### **Financial Adviser in relation to the Merger**

**Citigroup Global Markets Singapore Pte. Ltd.**

Investment Banking

Telephone: +65 6657 1959

Opening hours: 8.30 a.m. to 5.30 p.m. (Singapore Time)

### **Public Relations Advisers**

**Newgate Communications**

Terence Foo / Bob Ong / Elizabeth Yeong

Email: [terence.foo@newgatecomms.com.sg](mailto:terence.foo@newgatecomms.com.sg) / [bob.ong@newgatecomms.com.sg](mailto:bob.ong@newgatecomms.com.sg) /

[elizabeth.yeong@newgatecomms.com.sg](mailto:elizabeth.yeong@newgatecomms.com.sg)

## IMPORTANT NOTICE

The information in this section should be read with the full information contained in the rest of this Circular. If there should be any inconsistency or conflict between this section and the rest of this Circular, the rest of this Circular shall prevail. Nothing in this section is intended to be, or shall be taken as, advice, a recommendation or a solicitation to the ESR-REIT Unitholders or any other party.

ESR-REIT Unitholders are advised to be cautious when dealing in their ESR-REIT Units and not to take any action in relation to their ESR-REIT Units which may not prove to be in their best interests.



## Footnotes

- (1) No fractions of a Consideration Unit shall be issued to any Sabana Unitholder and fractional entitlements shall be disregarded in the calculation of the Consideration Units to be issued to any Sabana Unitholder pursuant to the Scheme.
- (2) The Reference Price is determined based on the one-month volume weighted average price of the ESR-REIT Units ended on and including the last trading day one (1) week prior to the date of the Joint Announcement, being the 30 calendar day period from 10 June 2020 up to and including 9 July 2020. The one-month volume weighted average price calculation was agreed between the parties through commercial negotiations to be a better representation of the value of ESR-REIT Units given that it takes into account both trading volume and price over a period of time. The implied Scheme Consideration of S\$0.377 per Sabana Unit is derived by multiplying the gross exchange ratio of 0.940x by the Reference Price of S\$0.401.
- (3) Assumes that the Merger had been completed on 1 January 2019.
- (4) Based on approximately 3,300.3 million applicable number of ESR-REIT Units for the period from 1 January 2019 to 31 December 2019. Excludes capital gains paid as distribution to unitholders.
- (5) Based on approximately 4,316.8 million applicable number of ESR-REIT Units after the Merger for the period from 1 January 2019 to 31 December 2019. Excludes capital gains paid as distribution to unitholders.
- (6) Based on approximately 3,519.4 million applicable number of ESR-REIT Units for the period from 1 January 2020 to 30 June 2020.
- (7) Assumes ESR-REIT did not retain distributable income of S\$7.0 million and distributed 100% of its total distributable income of S\$47.8 million for 1H2020.
- (8) Based on approximately 4,533.3 million applicable number of ESR-REIT Units after the Merger for the period from 1 January 2020 to 30 June 2020.
- (9) Assumes Sabana REIT did not retain distributable income of S\$6.1 million and distributed 100% of its total distributable income of S\$11.1 million for 1H2020.
- (10) Based on approximately 3,487.3 million ESR-REIT Units in issue as at 31 December 2019.
- (11) Based on approximately 4,497.9 million ESR-REIT Units in issue after the Merger as at 31 December 2019.
- (12) Assumes that the Merger had been completed on 31 December 2019.
- (13) Based on approximately 3,530.9 million ESR-REIT Units in issue as at 30 June 2020.
- (14) Based on approximately 4,541.5 million ESR-REIT Units in issue after the Merger as at 30 June 2020.
- (15) Assumes that the Merger had been completed on 30 June 2020.
- (16) Based on ESR-REIT portfolio valuation as at 30 June 2020 and includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standards (FRS) 116 Leases which became effective on 1 January 2019.
- (17) Based on Sabana REIT portfolio valuation as at 30 June 2020.
- (18) Based on the GRI of ESR-REIT, or as the case may be, the *pro forma* GRI of the Enlarged REIT which is based on the sum of ESR-REIT's and Sabana REIT's respective GRI, in each case as at 30 June 2020.
- (19) Refers to asset enhancement initiative ("AEI").
- (20) Singapore industrial GFA market share calculated based on the respective REIT's GFA as at 30 June 2020 or latest available GFA from respective company information divided by total industrial space in Singapore as at 30 June 2020 from JTC quarterly market report on industrial properties.
- (21) Assume 100% realisation of Sabana REIT's and ESR-REIT's unutilised GFA.
- (22) Total assets as at 30 June 2020.
- (23) Singapore industrial GFA market share calculated based on the respective REIT's GFA as at 30 June 2020 or latest available GFA from respective company information divided by total industrial space in Singapore as at 30 June 2020 from JTC quarterly market report on industrial properties.
- (24) Based on Alexandra Technopark's net lettable area as at 30 September 2019.
- (25) Refers to the FTSE EPRA Nareit Developed Asia Index ("EPRA Index") as at 30 September 2020.
- (26) Excludes the effects of Financial Reporting Standards (FRS) 116 Leases and includes interests in joint ventures.
- (27) Represents *pro forma* total asset size from the scheme document dated 14 February 2020.
- (28) Represents the Enlarged REIT's *pro forma* total assets as at 30 June 2020.
- (29) Refers to weighted average debt expiry ("WADE").
- (30) Represents all-in interest cost.
- (31) As at 30 June 2020.
- (32) Excludes share of borrowings from joint ventures.
- (33) Estimated S\$372.2 million debt to be drawn from the New Facilities, at an expected all-in interest cost of 2.5% provided by Malayan Banking Berhad (Singapore Branch), RHB Singapore, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Bank Limited.
- (34) Includes the estimated S\$372.2 million debt to be drawn from the New Facilities for the refinancing of Sabana REIT's existing debt, upfront land premium and estimated professional and other fees and expenses relating to the Merger.
- (35) Including direct interests and/or deemed interests through holding entities.
- (36) Excludes deemed interest held through the ESR-REIT Manager.
- (37) Based on approximately 3,543.2 million ESR-REIT Units in issue as at the Latest Practicable Date and the Reference Price of S\$0.401.
- (38) Includes the issue of approximately 989.9 million new ESR-REIT Units as the aggregate Scheme Consideration and the issue of approximately 20.7 million new ESR-REIT Units as the Acquisition Fee for the Merger at the Reference Price of S\$0.401 per ESR-REIT Unit. For the avoidance of doubt, the actual number of ESR-REIT Units to be issued as payment for the Acquisition Fee will be determined based on the 10-day volume weighted average price of the ESR-REIT Units up to and including the last trading day immediately preceding the Effective Date.
- (39) Excludes ESR-REIT Units held by the Sponsor, Mr. Tong, the ESR-REIT Manager, the directors of the ESR-REIT Manager, other substantial unitholders, their respective associates, and in respect of the Enlarged REIT post-Merger, also excludes ESR-REIT Units that would be held by the Sabana Manager, its directors, and their respective associates.
- (40) EPRA Index refers to the FTSE EPRA Nareit Developed Asia index, which is a subset of the FTSE EPRA Nareit Developed Index and is designed to track the performance of listed real estate companies and REITs. As at September 2020, the regular entry threshold for EPRA Index is approximately US\$1.0 billion, equivalent to approximately S\$1.4 billion.
- (41) Includes ESR-REIT Units held by the Sponsor, Mr. Tong, the ESR-REIT Manager, the directors of the ESR-REIT Manager, other substantial unitholders, their respective associates, and in respect of the Enlarged REIT post-Merger, also includes ESR-REIT Units that would be held by the Sabana Manager, its directors, and their respective associates.
- (42) As at 30 June 2020. AuM refers to assets under management.
- (43) Illustrative *pro forma* unitholding structure based on latest available information as at the Latest Practicable Date and the gross exchange ratio of 0.940x.
- (44) Refers to ESR Cayman Limited's direct interests and/or deemed interests through holding entities.
- (45) Excludes approximately 44.7 million ESR-REIT Units held through the ESR-REIT Manager (including approximately 20.7 million new ESR-REIT Units as the Acquisition Fee for the Merger at the Reference Price of S\$0.401 per ESR-REIT Unit), representing approximately 0.98% of all ESR-REIT Units of the Enlarged REIT as at the Latest Practicable Date.
- (46) Through wholly owned subsidiaries.
- (47) Total assets as at 30 June 2020.
- (48) Post-Merger, it is intended that Sabana REIT's Shari'ah compliant status will be terminated.
- (49) Weighted by valuation as at 30 June 2020. For ESR-REIT, the valuations are adjusted to account for 80% of the valuation of 7000 Ang Mo Kio Avenue 5 which ESR-REIT holds 80% interest and 49% of the valuation of 48 Pandan Road in which ESR-REIT holds 49% interest.
- (50) Based on 1H2020 Net Property Income ("NPI").
- (51) This Circular has been made available on ESR-REIT's website at <https://merger.esr-reit.com.sg>, and on the SGX-ST's website at <https://www.sgx.com/securities/company-announcements>.
- (52) Conditional upon the Scheme coming into effect.





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## CORPORATE INFORMATION

Directors of ESR Funds Management (S) Limited (the "**ESR-REIT Manager**") : Mr. Ooi Eng Peng  
*(Independent Chairman, Chairman of the Executive Committee, Chairman of the Nominating and Remuneration Committee, Member of the Audit, Risk Management and Compliance Committee)*

Mr. Khor Un-Hun  
*(Independent Non-Executive Director, Chairman of the Audit, Risk Management and Compliance Committee)*

Dr. Leong Horn Kee  
*(Independent Non-Executive Director, Member of the Audit, Risk Management and Compliance Committee)*

Mr. Ronald Lim Cheng Aun  
*(Independent Non-Executive Director, Member of the Audit, Risk Management and Compliance Committee, Member of the Nominating and Remuneration Committee)*

Ms. Stefanie Yuen Thio  
*(Independent Non-Executive Director, Member of the Audit, Risk Management and Compliance Committee)*

Mr. Philip John Pearce  
*(Non-Executive Director, Member of the Executive Committee)*

Mr. Jeffrey David Perlman  
*(Non-Executive Director, Member of the Nominating and Remuneration Committee, Member of the Executive Committee)*

Mr. Tong Jinqun  
*(Non-Executive Director)*

Mr. Wilson Ang Poh Seong  
*(Non-Executive Director)*

Mr. Adrian Chui Wai Yin  
*(Chief Executive Officer and Executive Director)*

Registered Office of the ESR-REIT Manager : 138 Market Street  
#26-03/04 CapitaGreen  
Singapore 048946

Trustee of ESR-REIT (the "**ESR-REIT Trustee**") : RBC Investor Services Trust Singapore Limited  
8 Marina View #26-01  
Asia Square Tower 1

Singapore 018960

Financial Advisers in relation to the Merger : Citigroup Global Markets Singapore Pte. Ltd.  
8 Marina View #21-00  
Asia Square Tower 1  
Singapore 018960

Maybank Kim Eng Securities Pte. Ltd.  
50 North Canal Road #03-01  
Singapore 059304

RHB Bank Berhad, through its Singapore branch<sup>1</sup>  
90 Cecil Street #04-00  
RHB Bank Building  
Singapore 069531

United Overseas Bank Limited  
80 Raffles Place #03-01  
UOB Plaza 1  
Singapore 048624

Independent Financial Adviser to the Audit, Risk Management and Compliance Committee of the ESR-REIT Manager, the ESR-REIT Recommending Directors (as defined herein) and the ESR-REIT Trustee (the "IFA") : Rothschild & Co Singapore Limited  
1 Raffles Quay #10-02  
One Raffles Quay North Tower  
Singapore 048583

Legal Adviser to the ESR-REIT Manager : WongPartnership LLP  
12 Marina Boulevard Level 28  
Marina Bay Financial Centre Tower 3  
Singapore 018982

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<sup>1</sup> On 29 June 2020, RHB Bank Berhad ("**RHB Bank**") announced on Bursa Malaysia that it entered into a conditional share purchase agreement with Phillip Securities Pte. Ltd. to dispose of its entire equity interest in RHB Securities Singapore Pte. Ltd. ("**RHBSEC**"), an indirect wholly-owned subsidiary of RHB Bank (the "**Proposed Disposal**"). The Corporate Finance Department of RHBSEC which undertakes the engagement as joint financial adviser to the ESR-REIT Manager will be transferred to RHB Bank Berhad, through its Singapore branch ("**RHB Singapore**") prior to the completion of the Proposed Disposal (the "**Proposed Transfer**"). RHBSEC's engagement will be novated to RHB Singapore, and RHB Singapore will replace RHBSEC as a joint financial adviser to ESR-REIT Manager (the "**Replacement**") if the Proposed Transfer occurs during the offer period of the Merger. As announced on 1 September 2020, the Replacement has become effective on 31 August 2020.

Legal Adviser to the ESR-REIT Trustee	:	Dentons Rodyk & Davidson LLP 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624
Unit Registrar and Unit Transfer Office	:	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Independent Valuers of the Properties of ESR-REIT and Sabana REIT	:	CBRE Pte. Ltd. 6 Battery Road #32-01 Singapore 049909  Edmund Tie & Company (SEA) Pte. Ltd. 5 Shenton Way #13-05 UIC Building Singapore 068808  Knight Frank Pte Ltd 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315  Savills Valuation and Professional Services (S) Pte. Ltd. 30 Cecil Street #20-03 Prudential Tower Singapore 049712

## OVERVIEW

*The following is a summary of main points only, and is qualified in its entirety by and should be read in conjunction with the full text of this Circular. Please refer to the Definitions section of this Circular for the interpretation of words and expressions used in this Overview.*

### **RESOLUTION 1: THE MERGER**

### **RESOLUTION 2: THE PROPOSED ISSUE OF APPROXIMATELY 989.9 MILLION NEW ESR-REIT UNITS TO THE SABANA UNITHOLDERS AT THE CONSIDERATION UNIT ISSUE PRICE (AS DEFINED HEREIN) AS CONSIDERATION FOR THE MERGER**

### **ESR-REIT**

ESR-REIT is a Singapore-based real estate investment trust ("**REIT**") which invests in quality income-producing industrial properties and as at 30 June 2020 has a diversified portfolio of 57 properties located across Singapore, close to major transportation hubs and key industrial zones island-wide. The properties are in the following business sectors: Business Park, High-Specs (as defined herein) Industrial, Logistics / Warehouse and General Industrial. ESR-REIT is managed by ESR Funds Management (S) Limited (the "**ESR-REIT Manager**").

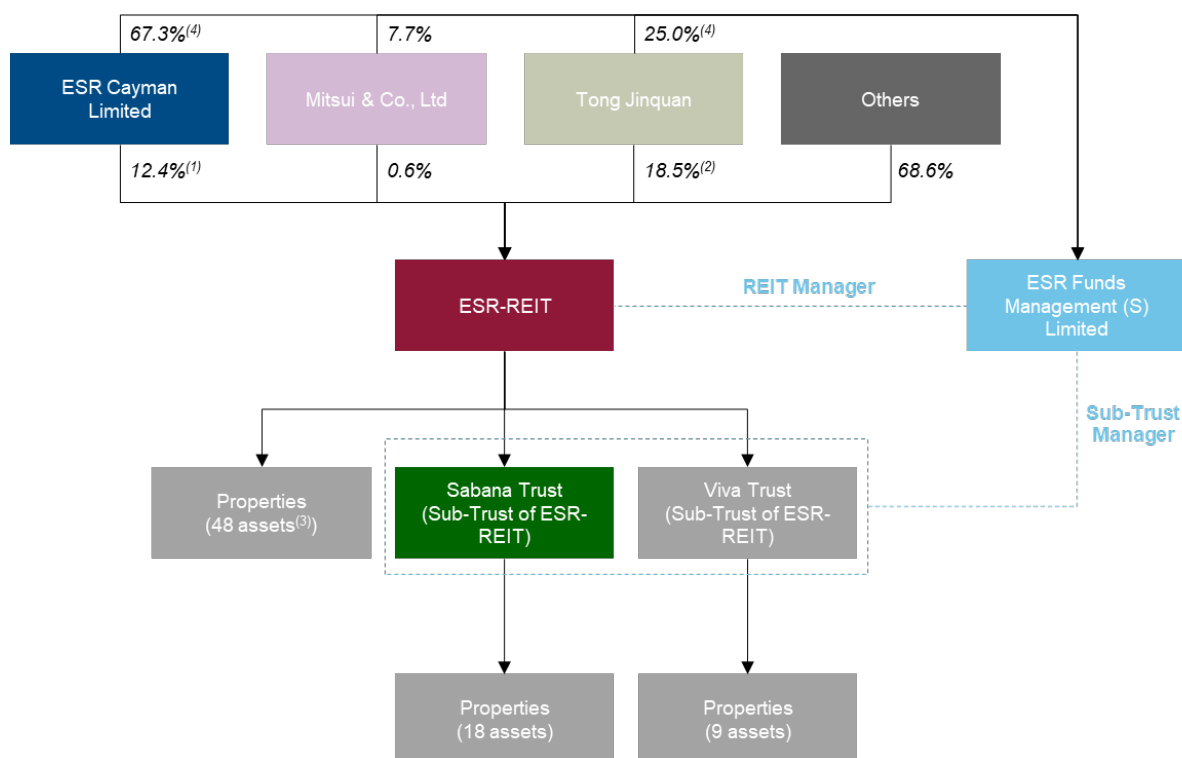
### **Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("**Sabana REIT**")**

Sabana REIT principally invests in income-producing real estate used for industrial purposes in Asia, as well as real-estate related assets, in line with Shari'ah investment principles. Sabana REIT is managed by Sabana Real Estate Investment Management Pte. Ltd. (the "**Sabana Manager**").

### **The Merger and the Scheme**

The proposed merger (the "**Merger**") will be effected through the acquisition by RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (the "**ESR-REIT Trustee**") of all the units of Sabana REIT (the "**Sabana Units**") held by the unitholders of Sabana REIT (the "**Sabana Unitholders**"), in exchange for units in ESR-REIT (the "**ESR-REIT Units**"), by way of a trust scheme of arrangement (the "**Scheme**") in compliance with the Singapore Code on Take-overs and Mergers (the "**Code**").

It is currently envisaged that the structure of the enlarged ESR-REIT (the "**Enlarged REIT**") immediately upon completion of the Merger will be as follows:



**Notes:**

- (1) Refers to ESR Cayman Limited's direct interests and/or deemed interests through holding entities.
- (2) Excludes approximately 44.7 million ESR-REIT Units held through the ESR-REIT Manager (including approximately 20.7 million new ESR-REIT Units as the Acquisition Fee for the Merger at the Reference Price of S\$0.401 per ESR-REIT Unit), representing approximately 0.98% of all ESR-REIT Units of the Enlarged REIT as at 3 November 2020, being the latest practicable date prior to the date of this Circular (the "**Latest Practicable Date**").
- (3) Includes (a) 80% ownership of 7000 AMK LLP (Ho Lee Properties Pte Ltd owns the remaining 20%); and (b) 49% ownership of PTC Logistics Hub LLP (Poh Tiong Choon Logistics Limited owns the remaining 51%).
- (4) Through wholly owned subsidiaries.

**Summary of Approvals Sought**

The Merger constitutes a major transaction under Rule 1014 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and accordingly requires the approval of the unitholders of ESR-REIT (the "**ESR-REIT Unitholders**") under Rule 1014(2) of the Listing Manual.

In addition, the issue of the Consideration Units (as defined herein) at the Consideration Unit Issue Price (as defined herein) as consideration for the Merger requires the approval of the ESR-REIT Unitholders by way of an Ordinary Resolution (as defined herein).

Further, the Merger, and the issue of Consideration Units as consideration for the Merger, constitutes an interested person transaction under Chapter 9 of the Listing Manual, as well as an interested party transaction under Appendix 6 of the Code on Collective Investment Schemes (the "**Property Funds Appendix**") requiring the approval of the Independent ESR-REIT Unitholders (as defined herein).

In light of the above, the ESR-REIT Manager is seeking approval from the ESR-REIT Unitholders on each of the following **inter-conditional** resolutions at an extraordinary general meeting of the ESR-REIT Unitholders (the "**EGM**"). These resolutions are also **conditional upon the Scheme becoming effective in accordance with its terms**:

- (a) Resolution 1: the Merger (Ordinary Resolution); and
- (b) Resolution 2: the proposed issue of approximately 989.9 million new ESR-REIT Units to the Sabana Unitholders at the Consideration Unit Issue Price (as defined herein) as consideration for the Merger (Ordinary Resolution).

### **Implementation Agreement**

In connection with the Merger, the ESR-REIT Manager, the ESR-REIT Trustee, the Sabana Manager and HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of Sabana REIT) (the "**Sabana Trustee**") (each, a "**Party**" and collectively the "**Parties**") have on 16 July 2020 entered into an implementation agreement (the "**Implementation Agreement**") setting out the terms and conditions on which the Parties will implement the Scheme.

### **Scheme Consideration**

Pursuant to the Implementation Agreement, each of the ESR-REIT Trustee and the ESR-REIT Manager will, following the Scheme becoming effective in accordance with its terms, pay or procure the payment of a consideration for each Sabana Unit held by each of the Sabana Unitholders (the "**Scheme Consideration**") as at the Books Closure Date (as defined herein) in accordance with the terms and conditions of the Implementation Agreement, which shall be satisfied by the allotment and issue of 0.940 new ESR-REIT Units (the "**Consideration Units**").

No fractions of a Consideration Unit shall be issued to any Sabana Unitholder and fractional entitlements shall be disregarded in the calculation of the Consideration Units to be issued to any Sabana Unitholder pursuant to the Scheme.

**By way of illustration, if the Scheme becomes effective in accordance with its terms, a Sabana Unitholder will receive 94 Consideration Units for every 100 Sabana Units held by it as at the Books Closure Date.**



Based on the illustrative issue price of S\$0.401 per Consideration Unit (the "**Reference Price**")<sup>2</sup>, the implied aggregate Scheme Consideration is approximately S\$396.9 million (derived by multiplying the aggregate of 1,053,083,530 Sabana Units in issue as at the date of the Joint Announcement (as defined herein) by the gross exchange ratio of 0.940x and by the Reference Price). For the avoidance of doubt, the Reference Price is for illustrative purposes only and the actual issue price of the Consideration Units is to be determined based on the volume weighted average price of the ESR-REIT Units for the one (1) month period ending on and including the last trading day prior to the Effective Date (as defined herein) (the "**Consideration Unit Issue Price**"). The Consideration Unit Issue Price may be above or below the Reference Price and there will not be any adjustment to the number of the Consideration Units to be issued for each Sabana Unit to reflect any such price differential. This means that the implied dollar value of each Consideration Unit will be determined based on ESR-REIT's unit price performance during the one-month period leading up to and including the last trading day prior to the Effective Date.

The Consideration Units shall:

- (a) when issued, be duly authorised, validly issued and credited as fully paid-up and shall rank *pari passu* in all respects with the existing ESR-REIT Units as at the date of their issue;
- (b) be issued at the Consideration Unit Issue Price (and, for the avoidance of doubt, not at the Reference Price);
- (c) be issued no later than seven (7) Business Days from the Effective Date; and
- (d) be issued free from all and any Encumbrances (as defined herein) and restrictions on transfers and no person has or shall have any rights of pre-emption over the Consideration Units.

As announced by the ESR-REIT Manager on 6 August 2020, the ESR-REIT Manager does not intend to increase the Scheme Consideration and accordingly, the exchange ratio of 0.940x is final, except that the ESR-REIT Manager reserves the right to do so in a competitive situation. Therefore, in accordance with Rule 20.2 of the Code, the ESR-REIT Manager will not be allowed to subsequently increase the Scheme Consideration, in any way, save that the ESR-REIT Manager reserves its right to do so in a competitive situation.

### **Permitted Distributions**

Subject to the terms and conditions of the Implementation Agreement:

- (a) the Sabana Manager is permitted to announce, declare, pay or make distributions to the Sabana Unitholders (the "**Sabana Permitted Distributions**") in the ordinary course of business, in respect of the period from 1 January 2020 up to the day immediately before the Effective Date

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<sup>2</sup> The Reference Price is determined based on the one-month volume weighted average price of the ESR-REIT Units ended on and including the last trading day one (1) week prior to the date of the Joint Announcement (as defined herein), being the 30 calendar day period from 10 June 2020 up to and including 9 July 2020. The one-month volume weighted average price calculation was agreed between the parties through commercial negotiations to be a better representation of the value of ESR-REIT Units as it takes into account both trading volume and price over a period of time. The implied Scheme Consideration of S\$0.377 per Sabana Unit is derived by multiplying the gross exchange ratio of 0.940x by the Reference Price of S\$0.401.

(including any clean-up distribution to the Sabana Unitholders in respect of the period from the day following the latest completed financial half year of Sabana REIT preceding the Effective Date for which a distribution has been made, up to the day immediately before the Effective Date); and

- (b) the ESR-REIT Manager is permitted to announce, declare, pay or make distributions to the ESR-REIT Unitholders (the "**ESR-REIT Permitted Distributions**") (i) in respect of the unpaid distribution income that has been announced and retained by the ESR-REIT Manager in respect of the period from 1 January 2020 to 31 March 2020; and (ii) in the ordinary course of business, in respect of the period from 1 April 2020 up to the day immediately before the Effective Date (including any clean-up distribution to the ESR-REIT Unitholders in respect of the period from the day following the latest completed financial quarter of ESR-REIT preceding the Effective Date for which a distribution has been made, up to the day immediately before the Effective Date).

The Sabana Permitted Distributions and the ESR-REIT Permitted Distributions shall not include distributions declared, paid or made by the Sabana Manager or the ESR-REIT Manager to the Sabana Unitholders or the ESR-REIT Unitholders respectively in respect of (A) proceeds received in connection with the sale of any real properties; and/or (B) gains arising from disposals of investment properties prior to the date of the Implementation Agreement and which have not been distributed to Sabana Unitholders or ESR-REIT Unitholders (as the case may be) prior to the date of the Implementation Agreement.

The Sabana Unitholders shall have the right to receive and retain the Sabana Permitted Distributions declared and made in addition to the Scheme Consideration. The Sabana Manager has declared and paid the Sabana Permitted Distributions for the period from 1 January 2020 to 30 June 2020, and will declare and pay the Sabana Permitted Distributions from 1 July 2020 up to the day immediately before the Effective Date in due course.

The ESR-REIT Manager reserves the right to reduce the Scheme Consideration, if and to the extent any distribution in excess of the Sabana Permitted Distributions is announced, declared, paid or made by the Sabana Manager on or after the date of the Implementation Agreement.

### **Scheme Conditions**

The Scheme is conditional upon the satisfaction (or, where applicable, the waiver) of certain conditions precedent which are set out in the Implementation Agreement and reproduced in **Appendix B** to this Circular (the "**Scheme Conditions**").

The status of each condition precedent as at the Latest Practicable Date is also set out in **Appendix B** to this Circular.

### **Termination**

The Implementation Agreement may be terminated with immediate effect by giving notice in writing at any time on or prior to the date falling on the Business Day (as defined herein) immediately preceding the Effective Date (subject to prior consultation with the Securities Industry Council (the "**SIC**"), and the

SIC giving its approval for, or stating that it has no objection to, such termination), in certain circumstances specified in the Implementation Agreement.

### **Rationale for the Merger**

- (a) ***DPU<sup>3</sup> and NAV<sup>4</sup> Accretive for ESR-REIT Unitholders on a Historical Pro Forma Basis***
- (b) ***Enhances Diversification and Resilience of the Enlarged REIT Platform***
- Increase Exposure to the High-Specs and Logistics / Warehouse Segments
  - Larger Tenant Base Reduces Concentration Risks
- (c) ***100% Pure-Play Singapore REIT ("S-REIT") Post-Merger***
- Deepens Singapore Presence in Key Industrial Clusters
  - Operational Synergies and Portfolio Optimisation Potential
  - Organic Asset Enhancement Initiative ("**AEI**") Growth Opportunities to Realise Unutilised Gross Floor Area
  - Lease-Up Opportunities for Organic Growth
- (d) ***Size Does Matter***
- Solidifies Position Amongst Top 5 Industrial S-REITs
  - Larger Size Leads to More Competitive Cost of Capital Underpinned by an Evenly-Distributed and Resilient Debt Maturity Profile
  - Potential Inclusion in Key Indices
- (e) ***Leveraging the ESR Group's<sup>5</sup> and ESR-REIT's Operating Platform to Improve Growth Prospects***

### **Future Intentions for the Enlarged REIT**

Assuming the completion of the Merger:

- (a) the ESR-REIT Manager will be the manager of the Enlarged REIT and Mr. Adrian Chui will continue to be the Chief Executive Officer ("**CEO**") of the ESR-REIT Manager. The ESR-REIT Manager intends to engage the current CEO of the Sabana Manager, Mr. Donald Han, as an advisor to the ESR-REIT Manager. The Nominating and Remuneration Committee of the ESR-REIT Manager is also in the process of reviewing, together with the Sponsor (as defined herein), the composition of the board of directors and management of the ESR-REIT Manager (including the feasibility of engaging certain existing employees of the Sabana Manager);
- (b) the fee structure of the Enlarged REIT will be based on the existing fee structure of ESR-REIT. The Sabana Manager will be entitled to the applicable manager's fee accruing up to the date of

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<sup>3</sup> "DPU" refers to distribution per unit.

<sup>4</sup> "NAV" refers to net asset value.

<sup>5</sup> "ESR Group" refers to the ESR group of companies of which ESR Cayman Limited is the holding company.

delisting of Sabana REIT in accordance with the existing trust deed of Sabana REIT. There will be no double counting of management fees to the Sabana Manager and the ESR-REIT Manager in respect of the Sabana REIT portfolio between the Effective Date and the date of delisting;

- (c) the ESR-REIT Manager does not intend to retain Sabana REIT's Shari'ah compliant status and accordingly, Sabana REIT will be renamed "Sabana Trust"; and
- (d) it is intended that the existing outstanding loan facilities granted to Sabana REIT will be refinanced.

### **Estimated Total Acquisition Cost**

The total cost of the Merger is estimated to be approximately S\$777.4 million comprising:

- (a) the implied aggregate Scheme Consideration of approximately S\$396.9 million, derived by multiplying the aggregate of 1,053,083,530 Sabana Units in issue as at the date of the Joint Announcement by the gross exchange ratio of 0.940x and by the Reference Price<sup>6</sup>;
- (b) estimated upfront land premium payable to JTC Corporation ("**JTC**") of approximately S\$58.6 million<sup>7</sup>;
- (c) the acquisition fee payable to the ESR-REIT Manager for the Merger (the "**Acquisition Fee**") which is estimated to be approximately S\$8.3 million;
- (d) the refinancing of Sabana REIT's total borrowings and related interest rate swaps of approximately S\$295.0 million; and
- (e) the estimated professional and other fees, prepayment penalties (being penalties payable in respect of the early repayment of Sabana REIT's existing loans), debt upfront fees and other expenses of approximately S\$18.6 million.

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<sup>6</sup> The implied Scheme Consideration of S\$0.377 per Sabana Unit is derived by multiplying the gross exchange ratio of 0.940x by the Reference Price of S\$0.401.

<sup>7</sup> Under JTC's prevailing terms and conditions, the existing land rental payment scheme will be converted to the upfront land premium scheme when JTC grants approval to the assignment of leases of JTC properties to third party facility providers. It is expected that upon JTC's approval to the Merger, upfront land premium would be payable to JTC for the remaining part of the lease terms of the JTC properties currently under the land rental payment scheme.

## Source of Funds for the Merger

As the Merger will constitute an interested party transaction under Paragraph 5 of the Property Funds Appendix, the Acquisition Fee is payable in ESR-REIT Units<sup>8</sup> to the ESR-REIT Manager for the Merger, and such ESR-REIT Units shall not be sold within one (1) year from the date of issue.

The Scheme Consideration for the Merger will be satisfied through the allotment and issue of approximately 989.9 million Consideration Units at the Consideration Unit Issue Price.

In connection with the Merger and the Scheme, the ESR-REIT Trustee has obtained unsecured banking facilities (the "**New Facilities**") of up to S\$460 million from Malayan Banking Berhad (Singapore Branch), RHB Singapore, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Bank Limited. The proceeds of the New Facilities will be applied towards the following purposes:

- (a) the refinancing in full of the indebtedness under existing loan facilities granted to the Sabana Trustee;
- (b) the payment of upfront land premium to JTC<sup>7</sup>;
- (c) the payment of costs, fees and expenses (including taxes) incurred by or on behalf of the ESR-REIT Trustee in connection with the Scheme; and
- (d) working capital purposes for ESR-REIT.

An amount of approximately S\$372.2 million of the New Facilities is expected to be utilised to part fund the total cost of the Merger.

## Value of Sabana Units

Based on the latest announced financial statements of Sabana REIT, being the unaudited consolidated financial statements of Sabana REIT for the financial half year ended 30 June 2020 ("**1H2020**") as announced on 16 July 2020 (the "**Sabana 1H2020 Financial Statements**"):

- (a) the net asset value and net tangible asset per Sabana Unit as at 30 June 2020 were S\$0.512; and
- (b) the total amount available for distribution to the Sabana Unitholders for 1H2020 was approximately S\$11.1 million.

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<sup>8</sup> Pursuant to the Merger, based on the Reference Price, approximately 20.7 million ESR-REIT Units will be allotted and issued to the ESR-REIT Manager in payment of the Acquisition Fee. For the avoidance of doubt, the actual number of ESR-REIT Units to be issued as payment for the Acquisition Fee will be determined based on the 10-day volume weighted average price of the ESR-REIT Units up to and including the last trading day immediately preceding the Effective Date.

Based on the volume weighted average price of S\$0.362 per Sabana Unit with reference to the 30 calendar day period from 10 June 2020 up to and including 9 July 2020 (being the last trading day one (1) week prior to the date of the Joint Announcement), the latest available open market value of all the Sabana Units on 9 July 2020 is approximately S\$381.2 million.

### **Property Valuation**

The ESR-REIT Manager has commissioned CBRE Pte. Ltd., Knight Frank Pte Ltd and Savills Valuation and Professional Services (S) Pte. Ltd. to conduct a full independent valuation of ESR-REIT's properties, as at 30 June 2020, for the purposes of the Merger. As stated in the ESR-REIT Independent Valuation Certificates (ESR-REIT Portfolio) (as defined herein), the aggregate open market value of ESR-REIT's properties as at 30 June 2020 is S\$3,117.1 million<sup>9</sup>.

The ESR-REIT Manager has also commissioned Edmund Tie & Company (SEA) Pte. Ltd. to conduct a full independent valuation of Sabana REIT's properties, as at 30 June 2020, for the purposes of the Merger. As stated in the ESR-REIT Independent Valuation Certificates (Sabana Portfolio) (as defined herein) set out in **Appendix C** to this Circular, the aggregate open market value of Sabana REIT's properties as at 30 June 2020 is S\$829.5 million.

The Sabana Manager has commissioned independent valuers to conduct a desktop independent valuation of Sabana REIT's properties, as at 30 June 2020 for the purposes of the Sabana 1H2020 Financial Statements and not specifically for the purposes of the Merger.

The Sabana Manager and the Sabana Trustee have also commissioned independent valuers to conduct a full independent valuation of ESR-REIT's properties, as at 30 June 2020, for the purposes of the Merger. For further details, please refer to the Scheme Document.

### **Appointment of Independent Financial Adviser**

The ESR-REIT Manager has appointed Rothschild & Co Singapore Limited (the "IFA") as the independent financial adviser to advise the ESR-REIT Manager's Audit, Risk Management and Compliance Committee, the ESR-REIT Recommending Directors (as defined herein), and the ESR-REIT Trustee, as to whether the Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders.

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<sup>9</sup> Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became effective on 1 January 2019.

Taking into consideration the factors set out in the IFA Letter (as defined herein) and subject to the assumptions and qualifications set out in the IFA Letter, and taking into account the information available to the IFA as at the Latest Practicable Date, the IFA has opined, *inter alia*, that **the Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders.**

ESR-REIT Unitholders should read the IFA Letter in its entirety as set out in **Appendix A** to this Circular.

### **Abstentions from Voting**

#### **ESR Cayman Limited to Abstain from Voting**

Pursuant to Paragraph 5.2(b) of the Property Funds Appendix and Rules 748(5) and 919 of the Listing Manual, ESR Cayman Limited and its associates will abstain from voting on Resolutions 1 and 2 at the EGM. Further, each of them shall decline to accept appointment as proxy to attend and vote at the EGM in respect of Resolutions 1 and 2 unless the ESR-REIT Unitholder concerned has given specific instructions in his proxy form as attached to this Circular ("**Proxy Form**") as to the manner in which his votes are to be cast.

#### **Mr. Tong Jinquan to Abstain from Voting**

Pursuant to Paragraph 5.2(b) of the Property Funds Appendix and Rules 748(5) and 919 of the Listing Manual, Mr. Tong Jinquan and his associates will abstain from voting on Resolutions 1 and 2 at the EGM. Further, each of them shall decline to accept appointment as proxy to attend and vote at the EGM in respect of Resolutions 1 and 2 unless the ESR-REIT Unitholder concerned has given specific instructions in his Proxy Form as to the manner in which his votes are to be cast.

#### **Mitsui & Co., Ltd to Abstain from Voting**

The Monetary Authority of Singapore and the SGX-ST have ruled respectively that Mitsui & Co., Ltd ("**Mitsui**"), which holds 7.7% of the issued shares of the ESR-REIT Manager, should abstain from voting on the resolutions relating to the Merger pursuant to Paragraph 5.2(b) of the Property Funds Appendix and Rule 748(5) of the Listing Manual. Accordingly, Mitsui will abstain from voting (either in person or by proxy) on Resolutions 1 and 2. Further, it shall decline to accept appointment as proxy to attend and vote at the EGM in respect of Resolutions 1 and 2 unless the ESR-REIT Unitholder concerned has given specific instructions in his Proxy Form as to the manner in which his votes are to be cast.

## INDICATIVE TIMETABLE

Key Event	Date and Time
<b>Last date and time for pre-registration<sup>(1)</sup></b>	<ul style="list-style-type: none"> <li>▪ 1 December 2020 at 10.00 a.m.</li> </ul>
<b>Last date and time for lodgement of Proxy Forms<sup>(2)</sup></b>	<ul style="list-style-type: none"> <li>▪ 1 December 2020 at 10.00 a.m.</li> </ul>
<b>Last date and time for submission of questions<sup>(3)</sup></b>	<ul style="list-style-type: none"> <li>▪ 1 December 2020 at 10.00 a.m.</li> </ul>
<b>Date and time of the EGM for the ESR-REIT Unitholders</b>	<ul style="list-style-type: none"> <li>▪ 4 December 2020 at 10.00 a.m.</li> </ul>
<b>Place of EGM for the ESR-REIT Unitholders</b>	<ul style="list-style-type: none"> <li>▪ To be convened and held by way of electronic means</li> </ul>
<b>Date and time of the extraordinary general meeting for the Sabana Unitholders</b>	<ul style="list-style-type: none"> <li>▪ 4 December 2020 at 2.00 p.m.</li> </ul>
<b>Date and time of the Scheme Meeting<sup>(4)</sup></b>	<ul style="list-style-type: none"> <li>▪ 4 December 2020 at 2.30 p.m., or as soon thereafter following the conclusion of the extraordinary general meeting for the Sabana Unitholders, whichever is later</li> </ul>
<b>Expected date of Court<sup>(5)</sup> hearing of the application to sanction the Scheme<sup>(6)</sup></b>	<ul style="list-style-type: none"> <li>▪ 21 December 2020</li> </ul>
<b>Expected last day of trading of the Sabana Units on the SGX-ST</b>	<ul style="list-style-type: none"> <li>▪ 28 December 2020</li> </ul>
<b>Expected Books Closure Date</b>	<ul style="list-style-type: none"> <li>▪ 30 December 2020</li> </ul>
<b>Expected Record Date<sup>(7)</sup></b>	<ul style="list-style-type: none"> <li>▪ 30 December 2020</li> </ul>
<b>Expected Effective Date of the Scheme<sup>(8)</sup></b>	<ul style="list-style-type: none"> <li>▪ 31 December 2020</li> </ul>



Key Event	Date and Time
Expected date for allotment and issue of Consideration Units to the Sabana Unitholders	▪ 5 January 2021
Expected date for commencement of trading of the Consideration Units on the SGX-ST	▪ 6 January 2021
Expected date for the delisting of Sabana REIT	▪ 8 January 2021

**Notes:**

- (1) In view of the COVID-19 situation, the EGM will be conducted only by way of electronic means and all ESR-REIT Unitholders who wish to follow the proceedings of the EGM through the live audio-visual webcast / live audio-only stream must pre-register online at [www.smartagm.sg/esrreitegm2020](http://www.smartagm.sg/esrreitegm2020) (the "**Pre-registration Page**") which is also accessible by scanning the QR code on the cover page of this Circular by 1 December 2020 (Tuesday), 10.00 a.m. (being 72 hours before the time appointed for the holding of the EGM) for verification purposes. Please refer to paragraph 21 of the letter from the ESR-REIT Manager to the ESR-REIT Unitholders as set out on pages 30 to 85 of this Circular (the "**Letter to ESR-REIT Unitholders**") and the notice of the EGM, as set out in **Appendix E** to this Circular (the "**Notice of EGM**") for more details.
- (2) ESR-REIT Unitholders will only be able to vote at the EGM by appointing the Chairman as proxy to vote on their behalf. ESR-REIT Unitholders are requested to submit the Proxy Form in accordance with the instructions contained therein not later than 1 December 2020 (Tuesday), 10.00 a.m. (being 72 hours before the time appointed for the holding of the EGM). Please refer to paragraph 21 of the Letter to ESR-REIT Unitholders, the Notice of EGM and the Proxy Form for more details.
- (3) All ESR-REIT Unitholders will not be able to ask questions "live" via the live audio-visual webcast / live audio-only stream of the EGM proceedings. All ESR-REIT Unitholders can submit questions relating to the business of the EGM up till 1 December 2020 (Tuesday), 10.00 a.m. (being 72 hours before the time appointed for the holding of the EGM) on the Pre-registration Page or via electronic mail to [ir@esr-reit.com.sg](mailto:ir@esr-reit.com.sg) or by post addressed to Investor Relations at 138 Market Street, #26-03/04 CapitaGreen, Singapore 048946. Please refer to paragraph 21 of the Letter to ESR-REIT Unitholders and the Notice of EGM for more details.
- (4) "**Scheme Meeting**" refers to the meeting of the Sabana Unitholders to be convened to approve the Scheme, and any adjournment thereof
- (5) "**Court**" refers to the High Court of the Republic of Singapore, or where applicable on appeal, the Court of Appeal of the Republic of Singapore.
- (6) The date of the Court hearing of the application to approve the Scheme will depend on the date that is allocated by the Court.
- (7) "**Record Date**" refers to the Business Day immediately preceding the Effective Date.
- (8) The Scheme will become effective on the date of the written notification to the Monetary Authority of Singapore of the grant of the order of the Court sanctioning the Scheme under Order 80 of the Rules of Court, Chapter 322, R 5 of Singapore, which shall be effected by or on behalf of the ESR-REIT Manager on a date to be mutually agreed in writing between the ESR-REIT Manager and the Sabana Manager, being a date within 25 Business Days from the date on which the last Scheme Condition set out in paragraphs (i), (ii), (iii), (iv) and (v) of **Appendix B** to this Circular is satisfied in accordance with the terms of the Implementation Agreement, provided that the rest of the Scheme Conditions are

satisfied or waived on the Record Date, as the case may be, in accordance with the terms of the Implementation Agreement.

All dates and times referred to above are to Singapore dates and times. Please note that the timetable for the events which are scheduled to take place after the EGM and the Scheme Meeting is indicative only and may be subject to change. Please refer to future SGXNET announcement(s) by the ESR-REIT Manager for the exact dates of these events.

## DEFINITIONS

The following definitions shall apply throughout this Circular unless the context otherwise requires or unless otherwise stated:

- "1H2020"** : The financial half year ended 30 June 2020
- "3PL"** : Third-party logistics
- "Acquisition Announcement"** : The announcement released on 16 July 2020 by the board of directors of the ESR-REIT Manager titled "Proposed Merger of ESR-REIT and Sabana Shari'ah Compliant Industrial Real Estate Investment Trust by way of a Trust Scheme of Arrangement", as amended by the corrigendum to the Acquisition Announcement released by the ESR-REIT Manager on 7 August 2020
- "Acquisition Fee"** : The acquisition fee payable to the ESR-REIT Manager for the Merger, which is estimated to be approximately S\$8.3 million
- "ADTV"** : Average daily trading volume
- "AEI"** : Asset enhancement initiative
- "Affiliates"** : Any of the related corporations and affiliates of the ESR-REIT Manager and the ESR-REIT Trustee
- "ARCC"** : The ESR-REIT Manager's Audit, Risk Management and Compliance Committee, comprising Mr. Khor Un-Hun as the chairman and Mr. Ooi Eng Peng, Dr. Leong Horn Kee, Mr. Ronald Lim Cheng Aun and Ms. Stefanie Yuen Thio as members
- "Books Closure Date"** : The books closure date to be announced by the Sabana Manager on which the register of Sabana Unitholders will be closed in order to determine the entitlements of the Sabana Unitholders in respect of the Scheme
- "Business Day"** : A day (excluding Saturdays, Sundays and gazetted public holidays) on which commercial banks are open for business in Singapore
- "CDP"** : The Central Depository (Pte) Limited
- "CEO"** : Chief Executive Officer
- "Circular"** : This circular to ESR-REIT Unitholders dated 12 November 2020
- "Code"** : The Singapore Code on Take-overs and Mergers

<b>"Companies Act"</b>	: The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
<b>"Confirmation Email"</b>	: The confirmation email which contains unique user credentials and instructions on how to access the live audio-visual webcast / live audio-only stream of the EGM proceedings, which will be sent to authenticated ESR-REIT Unitholders who have pre-registered for the EGM
<b>"Consideration Unit Issue Price"</b>	: The issue price of the Consideration Units, being the volume weighted average price of the ESR-REIT Units for the one (1) month period ending on and including the last trading day prior to the Effective Date
<b>"Consideration Units"</b>	: The new ESR-REIT Units to be issued to the Sabana Unitholders as consideration for the Merger
<b>"Court"</b>	: The High Court of the Republic of Singapore, or where applicable on appeal, the Court of Appeal of the Republic of Singapore
<b>"COVID-19"</b>	: The Coronavirus Disease 2019
<b>"Directors"</b>	: The directors of the ESR-REIT Manager
<b>"DPU"</b>	: Distribution per unit
<b>"Effective Date"</b>	: The date on which the Scheme becomes effective in accordance with its terms, that is, the date of the written notification to the MAS of the grant of the order of the Court sanctioning the Scheme under Order 80 of the Rules of Court, Chapter 322, R 5 of Singapore, and which date shall, in any event, be no later than the Long-Stop Date
<b>"EGM"</b>	: The extraordinary general meeting of ESR-REIT Unitholders to be held on 4 December 2020 (Friday) at 10.00 a.m., notice of which is set out in <b>Appendix E</b> to this Circular
<b>"Encumbrances"</b>	: Liens, equities, mortgages, charges, encumbrances, security interests, hypothecations, powers of sale, rights to acquire, options, restrictions, rights of first refusal, easements, pledges, title retention, trust arrangement, hire purchase, judgment, preferential right, rights of pre-emption and other third party rights and interests of any nature whatsoever or an agreement, arrangement or obligation to create any of the foregoing
<b>"Enlarged REIT"</b>	: The enlarged ESR-REIT, with Sabana REIT as a sub-trust of ESR-REIT, following completion of the Merger
<b>"EPRA Index"</b>	: FTSE EPRA Nareit Developed Asia Index

<b>"ESR Group"</b>	:	The ESR group of companies of which ESR Cayman Limited is the holding company
<b>"ESR-PM"</b>	:	ESR Property Management (S) Pte. Ltd.
<b>"ESR-REIT 1H2020 Financial Statements"</b>	:	The unaudited consolidated financial statements of ESR-REIT for 1H2020 as announced on 16 July 2020
<b>"ESR-REIT"</b>	:	ESR-REIT, a REIT constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended)
<b>"ESR-REIT Financial Statements"</b>	:	The latest publicly released audited consolidated financial statements of ESR-REIT for FY2019
<b>"ESR-REIT Group"</b>	:	ESR-REIT and its subsidiaries
<b>"ESR-REIT Independent Valuation Certificates (ESR-REIT Portfolio)"</b>	:	The valuation certificates issued by the ESR-REIT Independent Valuers (ESR-REIT Portfolio) on the valuation of ESR-REIT's properties as at 30 June 2020
<b>"ESR-REIT Independent Valuation Certificates (Sabana Portfolio)"</b>	:	The valuation certificates issued by the ESR-REIT Independent Valuer (Sabana Portfolio) on the valuation of Sabana REIT's properties as at 30 June 2020, as set out in <b>Appendix C</b> to this Circular
<b>"ESR-REIT Independent Valuation Reports (ESR-REIT Portfolio)"</b>	:	The reports issued by the ESR-REIT Independent Valuers (ESR-REIT Portfolio) on the valuation of ESR-REIT's properties as at 30 June 2020
<b>"ESR-REIT Independent Valuation Reports (Sabana Portfolio)"</b>	:	The reports issued by the ESR-REIT Independent Valuer (Sabana Portfolio) on the valuation of Sabana REIT's properties as at 30 June 2020
<b>"ESR-REIT Independent Valuer (Sabana Portfolio)"</b>	:	Edmund Tie & Company (SEA) Pte. Ltd.
<b>"ESR-REIT Independent Valuers (ESR-REIT Portfolio)"</b>	:	CBRE Pte. Ltd., Knight Frank Pte Ltd and Savills Valuation and Professional Services (S) Pte. Ltd.
<b>"ESR-REIT Manager"</b>	:	ESR Funds Management (S) Limited, solely in its capacity as manager of ESR-REIT unless otherwise stated
<b>"ESR-REIT Material Adverse Effect"</b>	:	Any event or events, whether individually or in aggregate, occurring from the date of the Joint Announcement which has or have the effect of causing a diminution in the consolidated net asset value or consolidated gross revenue of the ESR-REIT Group in the manner as set out in <b>Appendix B</b> to this Circular

- "ESR-REIT Permitted Distributions"** : Distributions that the ESR-REIT Manager is permitted under the Implementation Agreement to announce, declare, pay or make distributions to the ESR-REIT Unitholders (i) in respect of the unpaid distribution income that has been announced and retained by the ESR-REIT Manager in respect of the period from 1 January 2020 to 31 March 2020; and (ii) in the ordinary course of business, in respect of the period from 1 April 2020 up to the day immediately before the Effective Date (including any clean-up distribution to the ESR-REIT Unitholders in respect of the period from the day following the latest completed financial quarter of ESR-REIT preceding the Effective Date for which a distribution has been made, up to the day immediately before the Effective Date)
- "ESR-REIT Real Properties"** : The properties listed on page 43 of ESR-REIT's annual report for the financial year ended 31 December 2019
- "ESR-REIT Recommending Directors"** : The Directors who are considered independent for the purposes of the Merger as an interested person transaction and interested party transaction, being Mr. Ooi Eng Peng, Mr. Khor Un-Hun, Dr. Leong Horn Kee, Mr. Ronald Lim Cheng Aun, Ms. Stefanie Yuen Thio, Mr. Wilson Ang Poh Seong and Mr. Adrian Chui Wai Yin
- "ESR-REIT Trust Deed"** : The deed of trust dated 31 March 2006 constituting ESR-REIT entered into between the ESR-REIT Manager and the ESR-REIT Trustee, as supplemented and amended by a first supplemental deed dated 15 August 2007, a second supplemental deed dated 28 January 2009, a third supplemental deed dated 13 November 2009, a fourth supplemental deed dated 27 January 2010, a fifth supplemental deed dated 22 April 2010, a sixth supplemental deed dated 2 February 2012, a seventh supplemental deed dated 18 November 2014, an eighth supplemental deed dated 27 May 2015, a ninth supplemental deed dated 15 March 2016, a tenth supplemental deed dated 15 March 2017, an eleventh supplemental deed dated 20 June 2017, a twelfth supplemental deed dated 30 November 2018, a thirteenth supplemental deed dated 19 October 2019 and a fourteenth supplemental deed dated 3 April 2020
- "ESR-REIT Trustee"** : RBC Investor Services Trust Singapore Limited, solely in its capacity as trustee of ESR-REIT
- "ESR-REIT Unit"** : An issued and outstanding unit in ESR-REIT
- "ESR-REIT Unitholder"** : The registered holder for the time being of an ESR-REIT Unit, including persons so registered as joint holders, except where the registered holder is CDP, the term **"ESR-REIT Unitholder"** shall, in relation to ESR-REIT Units registered in the name of CDP, mean,

where the context requires, the depositor whose Securities Account with CDP is credited with the ESR-REIT Units

- "ESR-REIT Warranties"** : The warranties given by the ESR-REIT Trustee and the ESR-REIT Manager in connection with the Merger set out in the Implementation Agreement
- "ESRIM"** : ESR Investment Management Pte. Ltd.
- "Financial Advisers"** : Citigroup Global Markets Singapore Pte. Ltd., Maybank Kim Eng Securities Pte. Ltd., RHB Singapore<sup>1</sup> and United Overseas Bank Limited
- "FY2019"** : The financial year ended 31 December 2019
- "GFA"** : Gross floor area
- "Governmental Authority"** : (a) the government of any jurisdiction (including any national, state, municipal or local government or any political or administrative subdivision thereof) and any department, ministry, agency, instrumentality, court, central bank, commission or other authority thereof, including without limitation any entity directly or indirectly owned (in whole or in part) or controlled thereby;
- (b) any public international organisation or supranational body and its institutions, departments, agencies and instrumentalities; and
- (c) any quasi-government or private body or agency lawfully exercising, or entitled to exercise, any administrative, executive, judicial, legislative, regulatory, licensing, competition, taxation, importing or other governmental or quasi-governmental authority
- "GRI"** : Gross rental income
- "Head Leases"** : The leases, agreements for lease, building agreements, letters of offer and acceptances and other agreements entered into by the ESR-REIT Trustee or the Sabana Trustee with the Head Lessor in respect of the ESR-REIT Real Properties or the Sabana Real Properties (as the case may be)
- "Head Lessor"** : JTC or the President of the Republic of Singapore or any other party (as the case may be) as lessor under the relevant Head Lease
- "High-Specs"** : Mixed-use industrial buildings with a high proportion of space that can be allocated for office use, and have modern facades, air-

conditioned units and sufficient floor loading, ceiling height and electrical power capacities to enable both manufacturing and office functions to be carried out concurrently

- "IFA"** : Rothschild & Co Singapore Limited, the independent financial adviser to the ARCC, the ESR-REIT Recommending Directors and the ESR-REIT Trustee
- "IFA Letter"** : The letter from the IFA to the members of the ARCC, the ESR-REIT Recommending Directors and the ESR-REIT Trustee, as set out in **Appendix A** to this Circular
- "Implementation Agreement"** : The implementation agreement dated 16 July 2020 entered into between the Parties setting out the terms and conditions on which the Parties will implement the Scheme
- "Independent ESR-REIT Unitholders"** : The ESR-REIT Unitholders who are considered independent for the purposes of the Merger as an interested person transaction and interested party transaction, which, for the avoidance of doubt, excludes the Sponsor, Mr. Tong, Mitsui and their respective associates which are required to abstain from voting on the resolutions relating to the Merger
- "Joint Announcement"** : The joint announcement released on 16 July 2020 by the ESR-REIT Manager and the Sabana Manager titled "Proposed Merger of ESR-REIT and Sabana Shari'ah Compliant Industrial Real Estate Investment Trust by way of a Trust Scheme of Arrangement", as amended by the corrigendum to the Joint Announcement released by the ESR-REIT Manager and the Sabana Manager on 7 August 2020
- "JTC"** : JTC Corporation
- "Latest Practicable Date"** : 3 November 2020, being the latest practicable date prior to the date of this Circular
- "Lending Banks"** : Malayan Banking Berhad (Singapore Branch), RHB Singapore, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Bank Limited
- "Letter to ESR-REIT Unitholders"** : The letter from the ESR-REIT Manager to the ESR-REIT Unitholders, as set out on pages 30 to 85 of this Circular
- "Listing Manual"** : The listing manual of the SGX-ST, as modified, amended, supplemented, revised or replaced from time to time
- "Long-Stop Date"** : 31 December 2020 (or such other date as the Parties may agree in writing)



"LRE"	:	Longemont Real Estate Pte Ltd
"LWG"	:	Leading Wealth Global Inc
"MAS"	:	The Monetary Authority of Singapore
"Merger"	:	The proposed merger of ESR-REIT and Sabana REIT, effected through the acquisition by the ESR-REIT Trustee of all the Sabana Units held by the Sabana Unitholders by way of the Scheme in compliance with the Code
"Mitsui"	:	Mitsui & Co., Ltd, which holds 7.7% of the issued shares of the ESR-REIT Manager as at the Latest Practicable Date
"Mr. Tong"	:	Mr. Tong Jinqun, a controlling ESR-REIT Unitholder holding an aggregate interest (direct and deemed through his associates) in approximately 3.30% of the total number of Sabana Units, as at the Latest Practicable Date
"NAV"	:	Net asset value
"New Facilities"	:	The unsecured banking facilities of up to S\$460 million obtained by the ESR-REIT Trustee from Malayan Banking Berhad (Singapore Branch), RHB Singapore, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Bank Limited, in connection with the Merger and the Scheme
"Notice of EGM"	:	The notice of the EGM, as set out in <b>Appendix E</b> to this Circular
"NTA"	:	Net tangible asset
"Offer"	:	A voluntary conditional offer made for or on behalf of the ESR-REIT Trustee to acquire all the Sabana Units on the terms and subject to the conditions which will be set out in the offer document issued for or on behalf of the ESR-REIT Trustee
"Ordinary Resolution"	:	A resolution proposed and passed as such by a majority being greater than 50% or more of the total number of votes cast for and against such resolution at a meeting of ESR-REIT Unitholders convened in accordance with the provisions of the ESR-REIT Trust Deed
"Party"	:	Each of the ESR-REIT Manager, the ESR-REIT Trustee, the Sabana Manager and the Sabana Trustee, which are party to the Implementation Agreement, and collectively, the <b>"Parties"</b>
"Pre-registration Page"	:	<a href="http://www.smartagm.sg/esrreitegm2020">www.smartagm.sg/esrreitegm2020</a>

<b>"Property Funds Appendix"</b>	:	Appendix 6 to the Code on Collective Investment Schemes
<b>"Proxy Form"</b>	:	The accompanying proxy form for the EGM as set out in this Circular
<b>"Record Date"</b>	:	The Business Day immediately preceding the Effective Date
<b>"Reference Price"</b>	:	The illustrative issue price of S\$0.401 per Consideration Unit, based on the one-month volume weighted average price of the ESR-REIT Units ended on and including the last trading day one (1) week prior to the date of the Joint Announcement, being the 30 calendar day period from 10 June 2020 up to and including 9 July 2020
<b>"Regulatory Approvals"</b>	:	Such authorisations, consents, clearances, permissions and/or approvals and/or other acts from any Governmental Authority, and/or the expiration of applicable waiting periods under applicable law, as required by any and all Parties under applicable law, or which the Parties may agree are necessary or desirable, to implement the Scheme, the Merger and/or the transactions contemplated under the Implementation Agreement
<b>"REIT"</b>	:	Real estate investment trust
<b>"Relevant Intermediary Unitholders"</b>	:	Persons who hold ESR-REIT Units through a Relevant Intermediary (as defined in the ESR-REIT Trust Deed)
<b>"RHB Singapore"</b>	:	RHB Bank Berhad, through its Singapore branch
<b>"S-REIT"</b>	:	Singapore REIT
<b>"S\$" and "cents"</b>	:	Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore
<b>"Sabana 1H2020 Financial Statements"</b>	:	The unaudited consolidated financial statements of Sabana REIT for 1H2020 as announced on 16 July 2020
<b>"Sabana Competing Proposal"</b>	:	Any offer by any person other than the ESR-REIT Trustee involving (a) a sale, conveyance, transfer, assumption or other disposal of any direct or indirect interest in all or substantially all of the assets, business and/or undertakings of the Sabana Group; (b) a general offer for the Sabana Units; (c) a scheme of arrangement involving any of the entities in the Sabana Group or the merger of any entities in the Sabana Group with any other entity (whether by way of joint venture, reverse takeover bid, dual listed company structure or otherwise); (d) any other arrangement having an effect similar to any of (a) to (c); or (e) a transaction or series of related transactions which would or is reasonably likely to preclude or restrict the Merger

and/or the Scheme. For the purpose of this definition, a Sabana Competing Proposal will be deemed to be for all or substantially all of the assets, business and/or undertakings of the Sabana Group if the relevant assets, business and/or undertakings in question constitute a "material amount" as defined in Note 2 on Rule 5 of the Code

<b>"Sabana Financial Statements"</b>	:	The latest publicly released audited consolidated financial statements of Sabana REIT for FY2019
<b>"Sabana Group"</b>	:	Sabana REIT and its subsidiary
<b>"Sabana Manager"</b>	:	Sabana Real Estate Investment Management Pte. Ltd., solely in its capacity as manager of Sabana REIT
<b>"Sabana Material Adverse Effect"</b>	:	Any event or events, whether individually or in aggregate, occurring from the date of the Joint Announcement which has or have the effect of causing a diminution in the consolidated net asset value or consolidated gross revenue of the Sabana Group in the manner as set out in <b>Appendix B</b> to this Circular
<b>"Sabana Permitted Distributions"</b>	:	Distributions that the Sabana Manager is permitted under the Implementation Agreement to announce, declare, pay or make distributions to the Sabana Unitholders in the ordinary course of business, in respect of the period from 1 January 2020 up to the day immediately before the Effective Date (including any clean-up distribution to the Sabana Unitholders in respect of the period from the day following the latest completed financial half year of Sabana REIT preceding the Effective Date for which a distribution has been made, up to the day immediately before the Effective Date)
<b>"Sabana Real Properties"</b>	:	The properties listed on page 35 of Sabana REIT's annual report for the financial year ended 31 December 2019
<b>"Sabana REIT"</b>	:	Sabana Shari'ah Compliant Industrial Real Estate Investment Trust
<b>"Sabana Trust Deed"</b>	:	The trust deed dated 29 October 2010 constituting Sabana REIT entered into between the Sabana Manager and the Sabana Trustee (as amended and supplemented from time to time)
<b>"Sabana Trustee"</b>	:	HSBC Institutional Trust Services (Singapore) Limited, solely in its capacity as trustee of Sabana REIT
<b>"Sabana Unit"</b>	:	An issued and outstanding unit in Sabana REIT
<b>"Sabana Unitholder"</b>	:	The registered holder for the time being of a Sabana Unit, including persons so registered as joint holders, except where the registered holder is CDP, the term <b>"Sabana Unit"</b> shall, in relation to the

Sabana Units registered in the name of CDP, mean, where the context requires, the depositor whose Securities Account with CDP is credited with the Sabana Units

- "Sabana Warranties"** : The warranties given by the Sabana Trustee and the Sabana Manager in connection with the Merger set out in the Implementation Agreement
- "Scheme"** : The trust scheme of arrangement to be proposed by the Sabana Manager to the Sabana Unitholders, reflecting the terms set out in the Implementation Agreement, as set out in the Scheme Document (as may be amended or modified from time to time)
- "Scheme Conditions"** : The conditions precedent to the Scheme as set out in the Implementation Agreement and reproduced in **Appendix B** to this Circular
- "Scheme Consideration"** : 0.940 Consideration Units for each Sabana Unit held by each of the Sabana Unitholders as at the Books Closure Date, being the consideration payable to the Sabana Unitholders under the Scheme
- "Scheme Court Order"** : The order of Court sanctioning the Scheme under Order 80 of the Rules of Court, Chapter 322, R 5 of Singapore
- "Scheme Document"** : The scheme document dated 12 November 2020 issued by the Sabana Manager on behalf of Sabana REIT to all the Sabana Unitholders in relation to the Merger and the Scheme
- "Scheme Meeting"** : The meeting of the Sabana Unitholders to be convened to approve the Scheme, and any adjournment thereof
- "Securities Account"** : A securities account maintained by a depositor with CDP but does not include a securities sub-account maintained with a depository agent
- "SFA"** : The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
- "SGX-ST"** : The Singapore Exchange Securities Trading Limited
- "SIC"** : The Securities Industry Council
- "Sponsor"** : ESR Cayman Limited
- "SSPL"** : Shanghai Summit Pte. Ltd.
- "Switch Option"** : The right of the ESR-REIT Trustee and the ESR-REIT Manager at their discretion to elect to proceed by way of an Offer (in lieu of

proceeding with the Merger by way of the Scheme) in the event of a Sabana Competing Proposal or an intention to make a Sabana Competing Proposal is announced (whether or not such Sabana Competing Proposal is pre-conditional), pursuant to the terms of the Implementation Agreement and subject to prior consultation with the SIC

"Unit Registrar"	:	Boardroom Corporate & Advisory Services Pte. Ltd.
"US\$"	:	United States dollars, being the lawful currency of the United States of America
"Valuers"	:	The ESR-REIT Independent Valuers (ESR-REIT Portfolio) and the ESR-REIT Independent Valuer (Sabana Portfolio)
"WADE"	:	Weighted average debt expiry

All capitalised terms used and not defined in this Circular shall have the same meanings given to them in the Implementation Agreement.

A reference to "**paragraph**" is a reference to a paragraph of the Letter to ESR-REIT Unitholders unless otherwise specified or the context otherwise requires.

The terms "**depositor**", "**depository agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The term "**interested person**" shall have the meaning ascribed to it in the Listing Manual and the terms "**associate**" and "**interested party**" shall have the meanings ascribed to them in the Property Funds Appendix.

The term "**controlling ESR-REIT Unitholder**" and "**controlling Sabana Unitholder**" shall bear the same meaning as "Controlling unitholder" as defined in the Property Funds Appendix.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing any one gender shall, where applicable, include the other genders where applicable. References to persons shall, where applicable, include corporations.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Code, the Companies Act, the SFA, the Listing Manual or the Property Funds Appendix and used in this Circular shall, where applicable, have the meaning ascribed to it under the Code, the Companies Act, the SFA, the Listing Manual or the Property Funds Appendix, as the case may be, unless otherwise provided. Summaries of the provisions of any laws and regulations (including the Code, the Companies Act, the SFA, the Listing Manual and the Property Funds Appendix) contained in this Circular are of such laws and regulations (including the

Code, the Companies Act, the SFA, the Listing Manual and the Property Funds Appendix) as at the Latest Practicable Date.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof, or discrepancies between figures included in the tables and figures in the text of this Circular, are due to rounding.

The headings in this Circular are for ease of reference only and are not to be taken into account in the interpretation or construction of this Circular or any of its contents.

## **FORWARD-LOOKING STATEMENTS**

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "may" and "might". Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the ESR-REIT Manager's current view of future events, and the ESR-REIT Manager does not undertake any obligation to update publicly or revise any forward-looking statements.

## LETTER TO ESR-REIT UNITHOLDERS

### ESR-REIT

(A REIT constituted in the Republic of Singapore  
pursuant to a trust deed dated 31 March 2006 (as amended))

#### Directors of ESR Funds Management (S) Limited (the "Directors"):

#### Registered Office:

Mr. Ooi Eng Peng	<i>(Independent Chairman, Chairman of the Executive Committee, Chairman of the Nominating and Remuneration Committee, Member of the Audit, Risk Management and Compliance Committee)</i>	138 Market Street #26-03/04 CapitaGreen Singapore 048946
Mr. Khor Un-Hun	<i>(Independent Non-Executive Director, Chairman of the Audit, Risk Management and Compliance Committee)</i>	
Dr. Leong Horn Kee	<i>(Independent Non-Executive Director, Member of the Audit, Risk Management and Compliance Committee)</i>	
Mr. Ronald Lim Cheng Aun	<i>(Independent Non-Executive Director, Member of the Audit, Risk Management and Compliance Committee, Member of the Nominating and Remuneration Committee)</i>	
Ms. Stefanie Yuen Thio	<i>(Independent Non-Executive Director, Member of the Audit, Risk Management and Compliance Committee)</i>	
Mr. Philip John Pearce	<i>(Non-Executive Director, Member of the Executive Committee)</i>	
Mr. Jeffrey David Perlman	<i>(Non-Executive Director, Member of the Nominating and Remuneration Committee, Member of the Executive Committee)</i>	
Mr. Tong Jinquan	<i>(Non-Executive Director)</i>	
Mr. Wilson Ang Poh Seong	<i>(Non-Executive Director)</i>	
Mr. Adrian Chui Wai Yin	<i>(Chief Executive Officer and Executive Director)</i>	

12 November 2020

To: Unitholders of ESR-REIT

Dear Sir/Madam

## 1. INTRODUCTION

### 1.1 The Merger and the Scheme



On 16 July 2020, the respective boards of directors of ESR Funds Management (S) Limited, in its capacity as manager of ESR-REIT (the "**ESR-REIT Manager**") and Sabana Real Estate Investment Management Pte. Ltd., in its capacity as manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("**Sabana REIT**", and the manager of Sabana REIT, the "**Sabana Manager**") announced the proposed merger (the "**Merger**") of ESR-REIT and Sabana REIT, to be effected through the acquisition by RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (the "**ESR-REIT Trustee**") of all the units of Sabana REIT (the "**Sabana Units**") held by the unitholders of Sabana REIT (the "**Sabana Unitholders**"), in exchange for units in ESR-REIT (the "**ESR-REIT Units**") by way of a trust scheme of arrangement (the "**Scheme**") in compliance with the Singapore Code on Take-overs and Mergers (the "**Code**"). For further details on the Scheme, please refer to the Joint Announcement and the scheme document dated 12 November 2020 issued by the Sabana Manager on behalf of Sabana REIT to all the Sabana Unitholders in relation to the Merger and the Scheme (the "**Scheme Document**"). On 16 July 2020, the board of directors of the ESR-REIT Manager also released the Acquisition Announcement.

## 1.2 Summary of Approvals Sought

The Merger constitutes a major transaction under Rule 1014 of the Listing Manual and accordingly, requires the approval of the unitholders of ESR-REIT (the "**ESR-REIT Unitholders**") under Rule 1014(2) of the Listing Manual.

In addition, the issue of the ESR-REIT Units at the volume weighted average price of the ESR-REIT Units for the one (1) month period ending on and including the last trading day prior to the Effective Date (the "**Consideration Unit Issue Price**") as consideration for the Merger (the "**Consideration Units**") requires the approval of the ESR-REIT Unitholders by way of an Ordinary Resolution.

Further, the Merger, and the issue of Consideration Units as consideration for the Merger, constitutes an interested person transaction under Chapter 9 of the Listing Manual, as well as an interested party transaction under the Property Funds Appendix requiring the approval of the Independent ESR-REIT Unitholders.

In light of the above, the ESR-REIT Manager is seeking approval from the ESR-REIT Unitholders on each of the following resolutions at an extraordinary general meeting of the ESR-REIT Unitholders (the "**EGM**"):

- (a) Resolution 1: the Merger; and
- (b) Resolution 2: the proposed issue of approximately 989.9 million new ESR-REIT Units to the Sabana Unitholders at the Consideration Unit Issue Price as consideration for the Merger.

In respect of each of Resolution 1 and Resolution 2, the ESR-REIT Manager is seeking approval by way of Ordinary Resolutions.

ESR-REIT Unitholders should note that Resolution 1 and Resolution 2 are inter-conditional and are also conditional upon the Scheme becoming effective in accordance with its terms.

## 2. INFORMATION ON ESR-REIT AND THE ESR-REIT MANAGER

### 2.1 ESR-REIT

ESR-REIT is a Singapore-based REIT listed on the Main Board of the SGX-ST on 25 July 2006. The principal activity of ESR-REIT is to invest in quality income-producing industrial properties in Singapore. ESR-REIT has a diversified portfolio which currently comprises 57 properties located across Singapore, close to major transportation hubs and key industrial zones island-wide, with a total gross floor area ("**GFA**") of approximately 15.1 million square feet and a property value of approximately S\$3.1 billion<sup>10</sup> as at 30 June 2020. The properties are in the following business sectors: Business Park<sup>11</sup>, High-Specs Industrial, Logistics / Warehouse and General Industrial. ESR-REIT has a diversified tenant base of 343 tenants (as at 30 June 2020).

As at the Latest Practicable Date, ESR-REIT has in issue an aggregate of 3,543,157,293 ESR-REIT Units.

Based on the unaudited consolidated financial statements of ESR-REIT for the financial half year ended 30 June 2020 ("**1H2020**") as announced on 16 July 2020 (the "**ESR-REIT 1H2020 Financial Statements**"), certain key financial information with respect to ESR-REIT and its subsidiaries (the "**ESR-REIT Group**") is set out as follows:

<b>ESR-REIT Group (as at 30 June 2020)</b>	<b>S\$</b>
Total assets	3,196.8 million
Net asset value (" <b>NAV</b> ") <sup>(1)</sup>	1,448.7 million
NAV per ESR-REIT Unit	41.0 cents
Distributable income for 1H2020 <sup>(2)</sup>	47.8 million
Distribution per unit (" <b>DPU</b> ") for 1H2020 <sup>(2)</sup>	1.359 cents
Aggregate valuation of portfolio <sup>(3)</sup>	3,117.1 million

#### Notes:

- (1) The NAV of ESR-REIT Group as at 30 June 2020 was determined based on the independent valuations of its investment properties as at 30 June 2020. The book value of ESR-REIT Group's investment properties was adjusted down by S\$46.7 million as a result of the revaluation of its investment properties based on their independent valuations as at 30 June 2020.
- (2) The DPU of 1.359 cents is computed based on ESR-REIT's total distributable income of S\$47.8 million for 1H2020. Of this amount, approximately S\$40.8 million has been announced as distribution to ESR-REIT Unitholders, translating to 1.162 cents per ESR-REIT Unit, based on approximately 3,519.4 million applicable number of ESR-REIT Units for the period from 1 January 2020 to 30 June 2020. The remaining S\$7.0 million has been retained by ESR-REIT for prudent cash flow management in view of the COVID-19 uncertainties. It is intended that the retained S\$7.0 million, to the extent unutilised, will be paid to existing ESR-REIT Unitholders as part of the ESR-REIT Permitted Distributions, assuming the completion of the Scheme.

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<sup>10</sup> Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became effective on 1 January 2019.

<sup>11</sup> "**Business Park**" refers to properties that cater to industries or businesses relating to high-technology, research and development value-added and knowledge-intensive sectors.

- (3) Please refer to paragraph 10 for more information on the updated valuations of ESR-REIT's properties as at 30 June 2020.

## 2.2 The ESR-REIT Manager

The ESR-REIT Manager was incorporated in Singapore on 14 September 2005 and currently holds a capital markets services licence ("**CMS Licence**") for REIT management pursuant to the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). ESR-REIT is managed by the ESR-REIT Manager, whose objective is to provide ESR-REIT Unitholders with a stable and secure income stream through the successful implementation of the following strategies: (a) acquisition of value-enhancing properties, (b) proactive asset management, (c) divestment of non-core properties and (d) prudent capital and risk management.

As at the Latest Practicable Date:

- (i) the shareholders of the ESR-REIT Manager are:
- (A) ESR Investment Management Pte. Ltd. ("**ESRIM**") (67.3%);
  - (B) Mitsui & Co., Ltd ("**Mitsui**") (7.7%); and
  - (C) Shanghai Summit Pte. Ltd. ("**SSPL**") (25.0%); and
- (ii) the directors of the ESR-REIT Manager are:
- (A) Mr. Ooi Eng Peng (Independent Chairman);
  - (B) Mr. Khor Un-Hun (Independent Non-Executive Director);
  - (C) Dr. Leong Horn Kee (Independent Non-Executive Director);
  - (D) Mr. Ronald Lim Cheng Aun (Independent Non-Executive Director);
  - (E) Ms. Stefanie Yuen Thio (Independent Non-Executive Director)
  - (F) Mr. Philip John Pearce (Non-Executive Director);
  - (G) Mr. Jeffrey David Perlman (Non-Executive Director);
  - (H) Mr. Tong Jinquan (Non-Executive Director) ("**Mr. Tong**");
  - (I) Mr. Wilson Ang Poh Seong (Non-Executive Director); and
  - (J) Mr. Adrian Chui Wai Yin (Chief Executive Officer and Executive Director).

### 3. INFORMATION ON SABANA REIT AND THE SABANA MANAGER

#### 3.1 Sabana REIT

Sabana REIT is a REIT listed on the Main Board of the SGX-ST since 26 November 2010, which principally invests in income-producing real estate used for industrial purposes in Asia, as well as real-estate related assets, in line with Shari'ah investment principles. As at the Latest Practicable Date, Sabana REIT has a diversified portfolio of 18 industrial properties in Singapore with a total portfolio GFA of approximately 4.1 million square feet (as at 30 June 2020), in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors, with an estimated total assets value of approximately S\$0.9 billion as at 30 June 2020.

As at the Latest Practicable Date, Sabana REIT has in issue an aggregate of 1,053,083,530 Sabana Units.

Based on the unaudited consolidated financial statements of Sabana REIT for 1H2020 as announced on 16 July 2020 (the "**Sabana 1H2020 Financial Statements**"), certain key financial information with respect to the Sabana Group is set out as follows:

<b>Sabana Group (as at 30 June 2020)</b>	<b>S\$</b>
Total assets	927.4 million
NAV <sup>(1)</sup>	539.1 million
NAV per Sabana Unit	51.2 cents
Distributable income for 1H2020 <sup>(2)</sup>	11.1 million
DPU for 1H2020 <sup>(2)</sup>	1.052 cents
Aggregate valuation of portfolio <sup>(3)</sup>	836.9 million

**Notes:**

- (1) The NAV of Sabana Group as at 30 June 2020 was determined based on the independent valuations of its investment properties as at 30 June 2020. The book value of Sabana Group's investment properties was adjusted down by S\$54.7 million as a result of the revaluation of its investment properties based on their independent valuations as at 30 June 2020 and the adjustments in right-of-use assets in relation to the land leases with JTC included in investment properties as at 30 June 2019, in accordance with Financial Reporting Standards (FRS) 116 *Leases*.
- (2) The DPU of 1.052 cents is computed based on Sabana REIT's total distributable income of S\$11.1 million for 1H2020. Of this amount, approximately S\$5.0 million has been announced as distribution to Sabana Unitholders, translating to 0.470 cents per Sabana Unit, based on 1,053,083,530 Sabana Units in issue for the period from 1 January 2020 to 30 June 2020. The remaining S\$6.1 million has been retained by Sabana REIT for prudent cash flow management in view of the COVID-19 uncertainties. It is intended that the retained S\$6.1 million, to the extent unutilised, will be paid to existing Sabana Unitholders as at the Books Closure Date as part of the Sabana Permitted Distributions, assuming the completion of the Scheme.
- (3) Please refer to paragraph 10 for more information on the updated valuations of Sabana REIT's properties as at 30 June 2020.

### 3.2 The Sabana Manager

Sabana REIT is managed by the Sabana Manager, which was incorporated in Singapore on 15 March 2010 and currently holds a CMS Licence for REIT management pursuant to the SFA.

As at the Latest Practicable Date:

- (a) the Sabana Manager is wholly-owned by Sabana Investment Partners Pte. Ltd., which in turn is wholly-owned by Perpetual (Asia) Limited, acting in its capacity as trustee of Blackwood Trust. The sole beneficiary of Blackwood Trust is InfinitySub Pte. Ltd. (the parent company of ESRIM, which also holds 67.3% of the shares in the ESR-REIT Manager); and
- (b) the directors of the Sabana Manager are:
  - (i) Mr. Tan Cheong Hin (Chairman and Independent Non-Executive Director);
  - (ii) Mr. Wong Heng Tew (Independent Non-Executive Director); and
  - (iii) Ms. Ng Shin Ein (Independent Non-Executive Director).

- 3.3 As at the Latest Practicable Date, ESR Cayman Limited (the "**Sponsor**") is the largest Sabana Unitholder holding an aggregate interest (direct and deemed through its associates) in 219,897,309 Sabana Units, representing approximately 20.88% of all Sabana Units.

## 4. THE MERGER AND THE SCHEME

### 4.1 Implementation Agreement

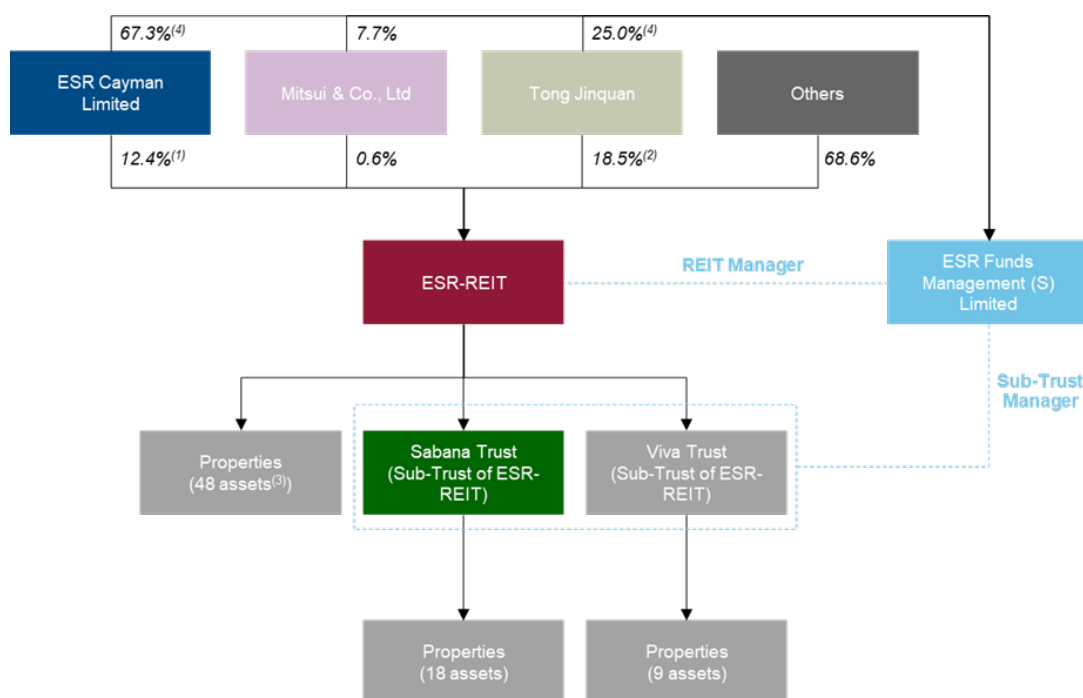
The Merger was first explored between the ESR-REIT Manager and the Sabana Manager in late April 2020. This was followed by a confidential non-binding expression of interest from the ESR-REIT Manager in May 2020, as well as negotiations on the terms of the Merger.

On 16 July 2020, the ESR-REIT Manager, the ESR-REIT Trustee, the Sabana Manager and HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of Sabana REIT) (the "**Sabana Trustee**") (each, a "**Party**" and collectively the "**Parties**") entered into an implementation agreement (the "**Implementation Agreement**") setting out the terms and conditions on which the Parties will implement the Scheme. Please refer to the Joint Announcement for more information on the terms of the Implementation Agreement.

## 4.2 Enlarged REIT Structure

Upon completion of the Merger, the Sponsor and its related corporations are expected to hold, directly and indirectly, approximately 12.4% of the total issued units<sup>12</sup> in the enlarged ESR-REIT (the "Enlarged REIT").

It is currently envisaged that the structure of the Enlarged REIT<sup>13</sup> immediately upon completion of the Merger will be as follows:



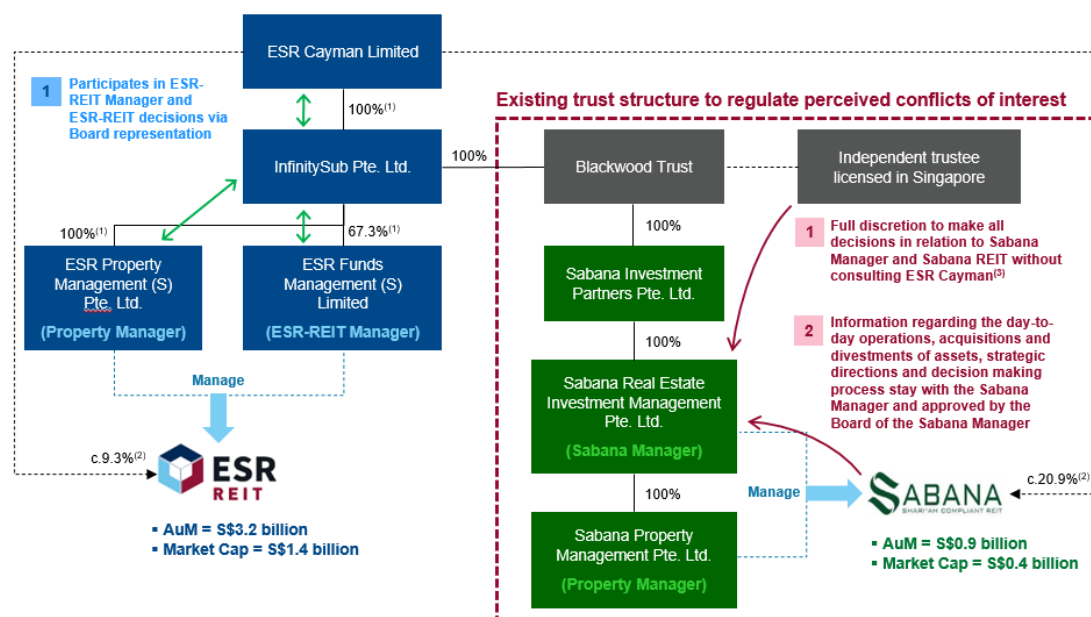
### Notes:

- (1) Refers to ESR Cayman Limited's direct interests and/or deemed interests through holding entities.
- (2) Excludes approximately 44.7 million ESR-REIT Units held through the ESR-REIT Manager (including approximately 20.7 million new ESR-REIT Units as the Acquisition Fee for the Merger at the Reference Price of S\$0.401 per ESR-REIT Unit), representing approximately 0.98% of all ESR-REIT Units of the Enlarged REIT as at 3 November 2020 (being the latest practicable date prior to the date of this Circular (the "**Latest Practicable Date**").
- (3) Includes (a) 80% ownership of 7000 AMK LLP (Ho Lee Properties Pte Ltd owns the remaining 20%); and (b) 49% ownership of PTC Logistics Hub LLP (Poh Tiong Choon Logistics Limited owns the remaining 51%).
- (4) Through wholly owned subsidiaries.

<sup>12</sup> Based on the illustrative *pro forma* number of ESR-REIT Units as at the Latest Practicable Date, including the issue of approximately 989.9 million ESR-REIT Units as the aggregate Scheme Consideration and the issue of approximately 20.7 million ESR-REIT Units as the Acquisition Fee for the Merger at the Reference Price of S\$0.401 per ESR-REIT Unit. For the avoidance of doubt, the actual number of ESR-REIT Units to be issued as payment for the Acquisition Fee will be determined based on the 10-day volume weighted average price of the ESR-REIT Units up to and including the last trading day immediately preceding the Effective Date.

<sup>13</sup> Illustrative *pro forma* unitholding structure based on latest available information as at the Latest Practicable Date and the gross exchange ratio of 0.940x.

As at the Latest Practicable Date, the shareholding structure of the ESR-REIT Manager and the Sabana Manager is as follows:



**Notes:**

- (1) Through wholly owned subsidiaries.
- (2) Including direct interests and/or deemed interests through holding entities.
- (3) Save in relation to the limited reserved matters that will affect the shareholding interest of ESR Cayman Limited in Blackwood Trust and/or the shareholding interest held by Blackwood Trust in the Sabana Manager.

As further set out in paragraph 6(a) below, the ESR-REIT Manager will be the manager of the Enlarged REIT after completion of the Merger.

**4.3 Scheme Consideration**

Pursuant to the Implementation Agreement, each of the ESR-REIT Trustee and the ESR-REIT Manager will, following the Scheme becoming effective in accordance with its terms, pay or procure the payment of a consideration for each Sabana Unit held by each of the Sabana Unitholders as at the Books Closure Date in accordance with the terms and conditions of the Implementation Agreement, which shall be satisfied by the allotment and issue of 0.940 Consideration Units (the "**Scheme Consideration**").

No fractions of a Consideration Unit shall be issued to any Sabana Unitholder and fractional entitlements shall be disregarded in the calculation of the Consideration Units to be issued to any Sabana Unitholder pursuant to the Scheme.

**By way of illustration, if the Scheme becomes effective in accordance with its terms, a Sabana Unitholder will receive 94 Consideration Units for every 100 Sabana Units held by it as at the Books Closure Date.**

Based on the illustrative issue price of S\$0.401 per Consideration Unit (the "**Reference Price**")<sup>14</sup>, the implied aggregate Scheme Consideration is approximately S\$396.9 million (derived by multiplying the aggregate of 1,053,083,530 Sabana Units in issue as at the date of the Joint Announcement by the gross exchange ratio of 0.940x and by the Reference Price). For the avoidance of doubt, the Reference Price is for illustrative purposes only and the actual issue price of the Consideration Units, i.e. the Consideration Unit Issue Price, is to be determined based on the volume weighted average price of the ESR-REIT Units for the one (1) month period ending on and including the last trading day prior to the Effective Date (as defined herein). The Consideration Unit Issue Price may be above or below the Reference Price and there will not be any adjustment to the number of the Consideration Units to be issued for each Sabana Unit to reflect any such price differential. This means that the implied dollar value of each Consideration Unit will be determined based on ESR-REIT's unit price performance during the one-month period leading up to and including the last trading day prior to the Effective Date.

The Consideration Units shall:

- (a) when issued, be duly authorised, validly issued and credited as fully paid-up and shall rank *pari passu* in all respects with the existing ESR-REIT Units as at the date of their issue;
- (b) be issued at the volume weighted average price of the ESR-REIT Units for the one (1) month period ending on and including the last trading day prior to the Effective Date (i.e. the Consideration Unit Issue Price, and, for the avoidance of doubt, not at the Reference Price);
- (c) be issued no later than seven (7) Business Days from the Effective Date; and
- (d) be issued free from all and any Encumbrances and restrictions on transfers and no person has or shall have any rights of pre-emption over the Consideration Units.

The Scheme Consideration, including the exchange ratio of 0.940x, was determined based on commercial negotiations between the ESR-REIT Manager and the Sabana Manager. Factors taken into account in arriving at the Scheme Consideration by determining the exchange ratio include (without limitation): (i) the transaction rationale in respect of the Merger for each REIT; (ii) the prevailing and historical relative market prices of the ESR-REIT Units and the Sabana Units over the last two (2) years prior to the date of the Joint Announcement; (iii) the NAVs of

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<sup>14</sup> The Reference Price is determined based on the one-month volume weighted average price of the ESR-REIT Units ended on and including the last trading day one (1) week prior to the date of the Joint Announcement, being the 30 calendar day period from 10 June 2020 up to and including 9 July 2020. The one-month volume weighted average price calculation was agreed between the parties through commercial negotiations to be a better representation of the value of ESR-REIT Units as it takes into account both trading volume and price over a period of time. The implied Scheme Consideration of S\$0.377 per Sabana Unit is derived by multiplying the gross exchange ratio of 0.940x by the Reference Price of S\$0.401.



each of ESR-REIT and Sabana REIT; (iv) the market value of the respective property portfolios (as reflected by the valuations commissioned by the respective REITs referred in paragraphs 10.1 to 10.3 below); (v) relevant precedent trust scheme transactions in Singapore; (vi) the prevailing and historical price to NAV per unit of each REIT over the last two (2) years prior to the date of the Joint Announcement; (vii) the prevailing and historical distribution yield of each REIT; (viii) the market capitalisation and trading liquidity of each REIT over the last two (2) years prior to the date of the Joint Announcement; (ix) the capital structure, debt costs and tenor of each REIT; and (x) the resulting *pro forma* financial impact of the Merger on ESR-REIT and Sabana REIT.

As announced by the ESR-REIT Manager on 6 August 2020, the ESR-REIT Manager does not intend to increase the Scheme Consideration and accordingly, the exchange ratio of 0.940x is final, except that the ESR-REIT Manager reserves the right to do so in a competitive situation. Therefore, in accordance with Rule 20.2 of the Code, the ESR-REIT Manager will not be allowed to subsequently increase the Scheme Consideration, in any way, save that the ESR-REIT Manager reserves its right to do so in a competitive situation.

#### 4.4 Permitted Distributions

Subject to the terms and conditions of the Implementation Agreement:

- (a) the Sabana Manager is permitted to announce, declare, pay or make distributions to the Sabana Unitholders (the "**Sabana Permitted Distributions**") in the ordinary course of business, in respect of the period from 1 January 2020 up to the day immediately before the Effective Date (including any clean-up distribution to the Sabana Unitholders in respect of the period from the day following the latest completed financial half year of Sabana REIT preceding the Effective Date for which a distribution has been made, up to the day immediately before the Effective Date); and
- (b) the ESR-REIT Manager is permitted to announce, declare, pay or make distributions to the ESR-REIT Unitholders (the "**ESR-REIT Permitted Distributions**") (i) in respect of the unpaid distribution income that has been announced and retained by the ESR-REIT Manager in respect of the period from 1 January 2020 to 31 March 2020; and (ii) in the ordinary course of business, in respect of the period from 1 April 2020 up to the day immediately before the Effective Date (including any clean-up distribution to the ESR-REIT Unitholders in respect of the period from the day following the latest completed financial quarter of ESR-REIT preceding the Effective Date for which a distribution has been made, up to the day immediately before the Effective Date).

The Sabana Permitted Distributions and the ESR-REIT Permitted Distributions shall not include distributions declared, paid or made by the Sabana Manager or the ESR-REIT Manager to the Sabana Unitholders or the ESR-REIT Unitholders respectively (A) in respect of proceeds received in connection with the sale of any real properties; and/or (B) gains arising from disposals of investment properties prior to the date of the Implementation Agreement and which have not been distributed to Sabana Unitholders or ESR-REIT Unitholders (as the case may be) prior to the date of the Implementation Agreement.

The Parties shall be entitled to announce, declare, pay or make the Sabana Permitted Distributions and ESR-REIT Permitted Distributions (as the case may be) without any adjustment to the Scheme Consideration.

The Sabana Unitholders shall have the right to receive and retain the Sabana Permitted Distributions declared and made in addition to the Scheme Consideration. The Sabana Manager has declared and paid the Sabana Permitted Distributions for the period from 1 January 2020 to 30 June 2020. Assuming the completion of the Scheme, the Sabana Manager intends to declare and pay the Sabana Permitted Distributions from 1 July 2020 up to the day immediately before the Effective Date, details of which will be announced by the Sabana Manager, in due course.

The ESR-REIT Manager reserves the right to reduce the Scheme Consideration, if and to the extent that any distribution in excess of the Sabana Permitted Distributions is announced, declared, paid or made by the Sabana Manager on or after the date of the Implementation Agreement.

#### 4.5 **Scheme Conditions**

The Scheme is conditional upon the satisfaction (or, where applicable, the waiver) of the conditions precedent (the "**Scheme Conditions**") as set out in the Implementation Agreement and reproduced in **Appendix B** to this Circular.

The status of each Scheme Condition as at the Latest Practicable Date is also set out in **Appendix B** to this Circular.

The Scheme will become effective on the date of the written notification to the Monetary Authority of Singapore ("**MAS**") of the grant of the order of the Court (the "**Effective Date**") sanctioning the Scheme under Order 80 of the Rules of Court, Chapter 322, R 5 of Singapore (the "**Scheme Court Order**"), which shall be effected by or on behalf of the ESR-REIT Manager on a date to be mutually agreed in writing between the ESR-REIT Manager and the Sabana Manager, being a date within 25 Business Days from the date on which the last Scheme Condition set out in paragraphs (i), (ii), (iii), (iv) and (v) of **Appendix B** to this Circular is satisfied in accordance with the terms of the Implementation Agreement, provided that the rest of the Scheme Conditions are satisfied or waived on the date falling on the Business Day immediately preceding the Effective Date (the "**Record Date**"), as the case may be, in accordance with the terms of the Implementation Agreement.

#### 4.6 **Termination**

The Implementation Agreement may be terminated with immediate effect by giving notice in writing at any time on or prior to the Record Date (subject to prior consultation with the SIC, and the SIC giving its approval for, or stating that it has no objection to, such termination), in certain circumstances specified in the Implementation Agreement.

## 5. RATIONALE FOR THE MERGER

### 5.1 DPU and NAV Accretive for ESR-REIT Unitholders on a Historical *Pro Forma* Basis

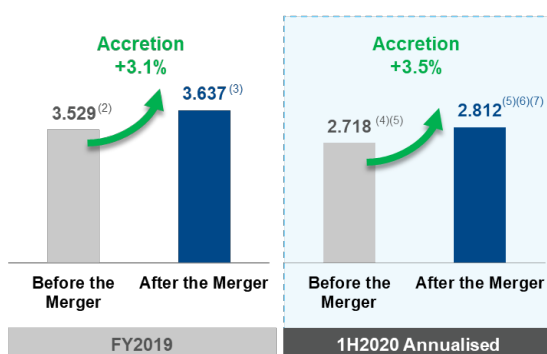
**FOR ILLUSTRATIVE PURPOSES ONLY:** Assuming that the Merger had been completed on 1 January 2019, ESR-REIT's DPU for the financial year ended 31 December 2019 would have increased from 3.529 cents to 3.637 cents, translating to a DPU accretion of 3.1%, while the annualised DPU for 1H2020 would have increased from 2.718 cents to 2.812 cents, translating to a DPU accretion of 3.5%.

Assuming that the Merger had been completed on 31 December 2019, the NAV per ESR-REIT Unit for the financial year ended 31 December 2019 would have increased from 43.3 cents to 45.1 cents, translating to an NAV accretion of 4.2%.<sup>15</sup> Post-Merger, the gearing of the Enlarged REIT as at 31 December 2019 would have been 41.2%.

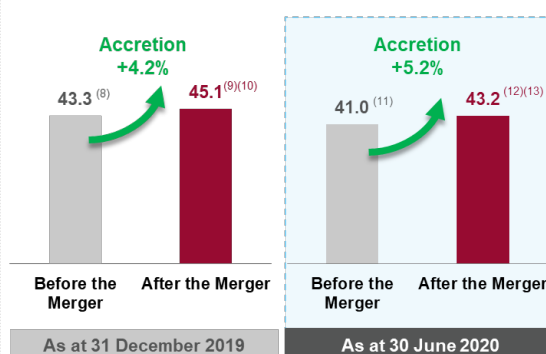
Assuming that the Merger had been completed on 30 June 2020, the NAV per ESR-REIT Unit for 1H2020 would have increased from 41.0 cents to 43.2 cents, translating to an NAV accretion of 5.2%.<sup>16</sup> Post-Merger, the gearing of the Enlarged REIT as at 30 June 2020 would have been 41.7%.

#### **Pro Forma Financial Impact**

##### **Distribution per Unit (Cents)<sup>(1)</sup>**



##### **NAV per Unit (Cents)**



#### **Notes:**

- (1) Assumes that the Merger had been completed on 1 January 2019.
- (2) Based on approximately 3,300.3 million applicable number of ESR-REIT Units for the period from 1 January 2019 to 31 December 2019. Excludes capital gains paid as distribution to unitholders.
- (3) Based on approximately 4,316.8 million applicable number of ESR-REIT Units after the Merger for the period from 1 January 2019 to 31 December 2019. Excludes capital gains paid as distribution to unitholders.
- (4) Based on approximately 3,519.4 million applicable number of ESR-REIT Units for the period from 1 January 2020 to 30 June 2020.
- (5) Assumes ESR-REIT did not retain distributable income of S\$7.0 million and distributed 100% of its total distributable income of S\$47.8 million for 1H2020.
- (6) Based on approximately 4,533.3 million applicable number of ESR-REIT Units after the Merger for the period from 1 January 2020 to 30 June 2020.

<sup>15</sup> *Pro forma* numbers as at 31 December 2019.

<sup>16</sup> *Pro forma* numbers as at 30 June 2020.

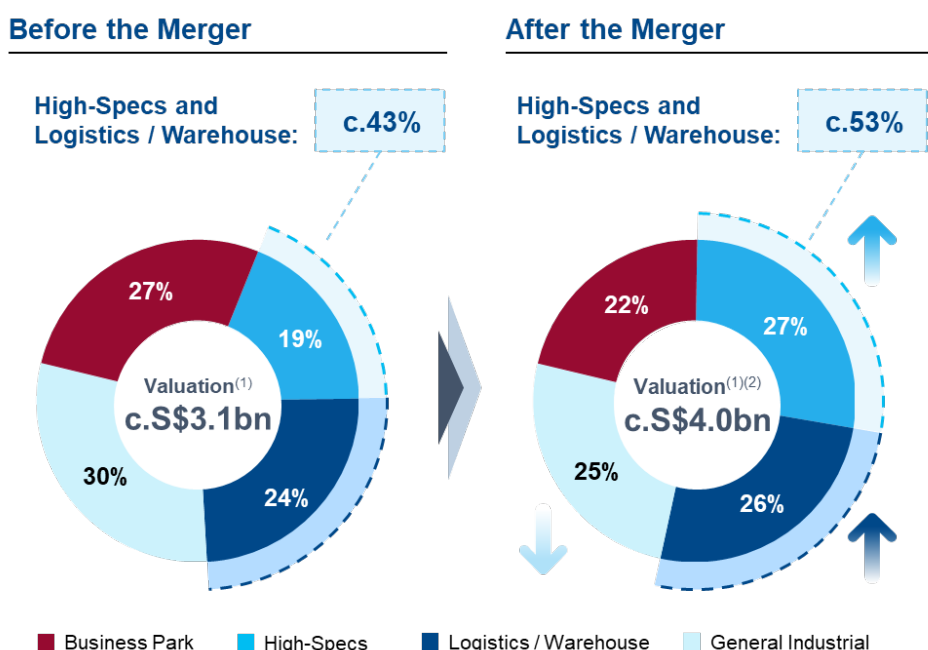
- (7) Assumes Sabana REIT did not retain distributable income of S\$6.1 million and distributed 100% of its total distributable income of S\$11.1 million for 1H2020.
- (8) Based on approximately 3,487.3 million ESR-REIT Units in issue as at 31 December 2019.
- (9) Based on approximately 4,497.9 million ESR-REIT Units in issue after the Merger as at 31 December 2019.
- (10) Assumes that the Merger had been completed on 31 December 2019.
- (11) Based on approximately 3,530.9 million ESR-REIT Units in issue as at 30 June 2020.
- (12) Based on approximately 4,541.5 million ESR-REIT Units in issue after the Merger as at 30 June 2020.
- (13) Assumes that the Merger had been completed on 30 June 2020.

## 5.2 Enhances Diversification and Resilience of the Enlarged REIT Platform

### (a) Increase Exposure to the High-Specs and Logistics / Warehouse Segments

90.9% of Sabana REIT's portfolio as at 30 June 2020 consists of High-Specs and Logistics / Warehouse properties, including chemical warehouses.

Post-Merger, more than half of the Enlarged REIT's portfolio would consist of "future-ready" High-Specs properties and resilient Logistics / Warehouse assets while its exposure to older / dated General Industrial assets would be reduced to below 30%.



#### Notes:

- (1) Based on ESR-REIT portfolio valuation as at 30 June 2020 and includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standards (FRS) 116 Leases which became effective on 1 January 2019.
- (2) Based on Sabana REIT portfolio valuation as at 30 June 2020.

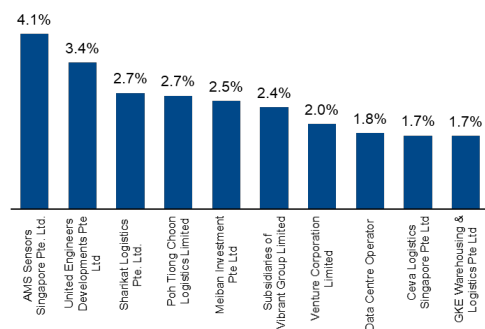
Buildings with higher specifications are "future-ready" and would potentially be able to respond to the upcoming relocation changes to the global manufacturing supply chain due to increasing US-China trade tensions. The higher exposure to the High-Specs and Logistics / Warehouse segments is also timely as there is an increasing tenant demand for Logistics assets from third-party logistics ("**3PL**"), e-commerce and advanced manufacturing sectors, in response to the national stockpiling of essential goods and expected changes to the global manufacturing supply chain in a post COVID-19 environment. In addition, the High-Specs and Logistics segments are expected to have favourable rental outlooks given their premium quality, as well as balanced supply and demand dynamics.

**(b) Larger Tenant Base Reduces Concentration Risks**

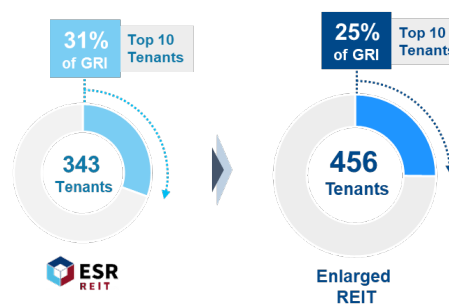
The Enlarged REIT is expected to benefit from the introduction of additional tenants from the Sabana REIT portfolio that will enhance the diversification and stickiness of the tenant base and allow the portfolio to become more resilient to market cycles. These tenants include renowned companies in attractive trade sectors such as telecommunications / data warehousing, electronics, information technology, logistics, chemical and healthcare, among others.

Post-Merger, the number of tenants will increase by 32.9% to 456 tenants<sup>17</sup>. This reduces the top 10 tenants' contribution to gross rental income ("**GRI**") from approximately 31% to 25% on a *pro forma* basis as at 30 June 2020, with no single tenant accounting for more than 4.1% of the Enlarged REIT's GRI<sup>18</sup>.

**Top 10 Enlarged REIT Tenants by Rental Income<sup>(1)</sup>**



**Reduced Contribution by Top 10 Tenants<sup>(1)</sup>**



**Note:**

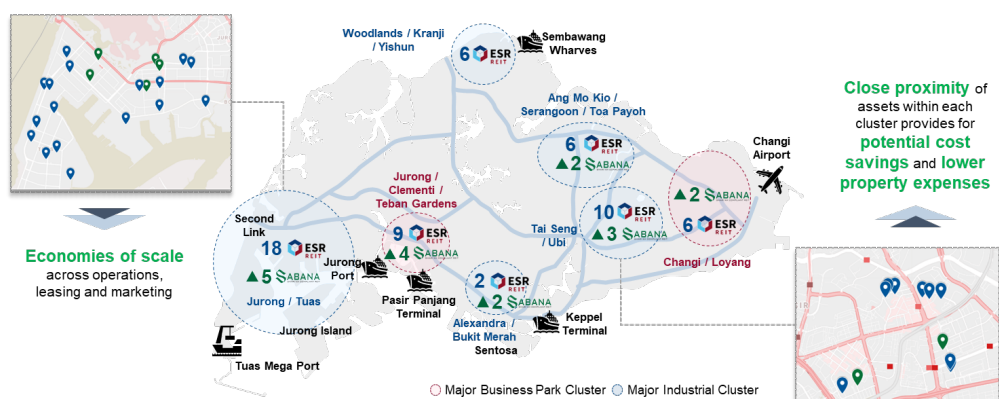
(1) Based on the GRI of ESR-REIT, or as the case may be, the *pro forma* GRI of the Enlarged REIT which is based on the sum of ESR-REIT's and Sabana REIT's respective GRI, in each case as at 30 June 2020.

<sup>17</sup> As at 30 June 2020.

<sup>18</sup> Based on the *pro forma* GRI of the Enlarged REIT which is based on the sum of ESR-REIT's and Sabana REIT's respective GRI as at 30 June 2020.

### 5.3 100% Pure-Play Singapore REIT ("S-REIT") Post-Merger

#### (a) Deepens Singapore Presence in Key Industrial Clusters



Sabana REIT's strategically located assets in key industrial classes across Singapore enhances ESR-REIT's current island-wide portfolio network.

The Enlarged REIT will have a portfolio of 75 properties, which represents a 31.6% increase in the number of properties. There will be an increase in total GFA by 27.2% to approximately 19.2 million square feet. The number of tenants is expected to increase by 32.9% to 456. The weighted average land lease expiry for the Enlarged REIT is also expected to improve from 31.9 years to 32.2 years<sup>19</sup>.

#### (b) Operational Synergies and Portfolio Optimisation Potential

By leveraging the existing marketing, leasing and asset management platforms of ESR-REIT as well as of the ESR Group, economies of scale are expected to be extracted across operations. There is also further potential cost savings for tenants arising from the integration and optimisation of property management services arising from the close proximity of assets within each cluster. With a bigger portfolio and tenant base, the Enlarged REIT will also have stronger bargaining power with service providers and tenants.

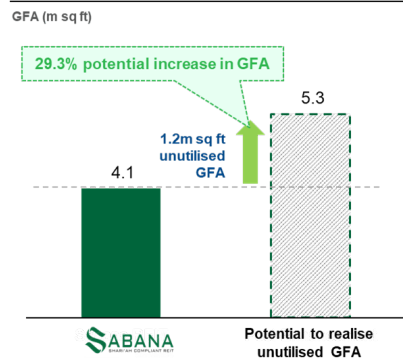
#### (c) Organic Asset Enhancement Initiative ("AEI") Growth Opportunities to Realise Unutilised GFA

The Merger is expected to enhance potential returns and lowers portfolio risks of future growth strategies such as value-adding AEIs and/or redevelopments undertaken by the Enlarged REIT, in comparison to if these were done on a standalone basis especially during such uncertain times in the global economy due to COVID-19. Exposure to a larger tenant base helps ESR-REIT to identify the optimal use for unutilised GFA and reduces leasing risks. The Enlarged REIT's access to lower cost of capital will enhance

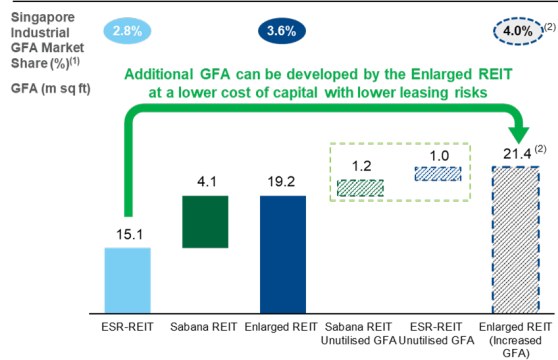
<sup>19</sup> Weighted by valuation as at 30 June 2020. For ESR-REIT, the valuations are adjusted to account for 80% of the valuation of 7000 Ang Mo Kio Avenue 5 which ESR-REIT holds 80% interest and 49% of the valuation of 48 Pandan Road in which ESR-REIT holds 49% interest.

returns on AEIs and/or redevelopments for the benefit of all unitholders. Post-Merger, the enlarged asset base also improves the Enlarged REIT's flexibility to undertake AEIs as any potential drop in income from the property undergoing AEI would be less significant to the Enlarged REIT due to the reduced income contribution from each property towards the enlarged portfolio. Through this Merger, the Enlarged REIT could develop up to 2.2 million square feet of additional GFA at a lower cost of capital with lower leasing risks as it gains access to a larger pool of potential tenants through the ESR Group's and ESR-REIT's existing tenant relationships and network, thus unlocking property value and increasing its overall industrial GFA market share.

**Realisation of Sabana REIT Unutilised GFA**



**Up to 2.2m sq ft of Additional GFA from Unutilised Plot Ratio**

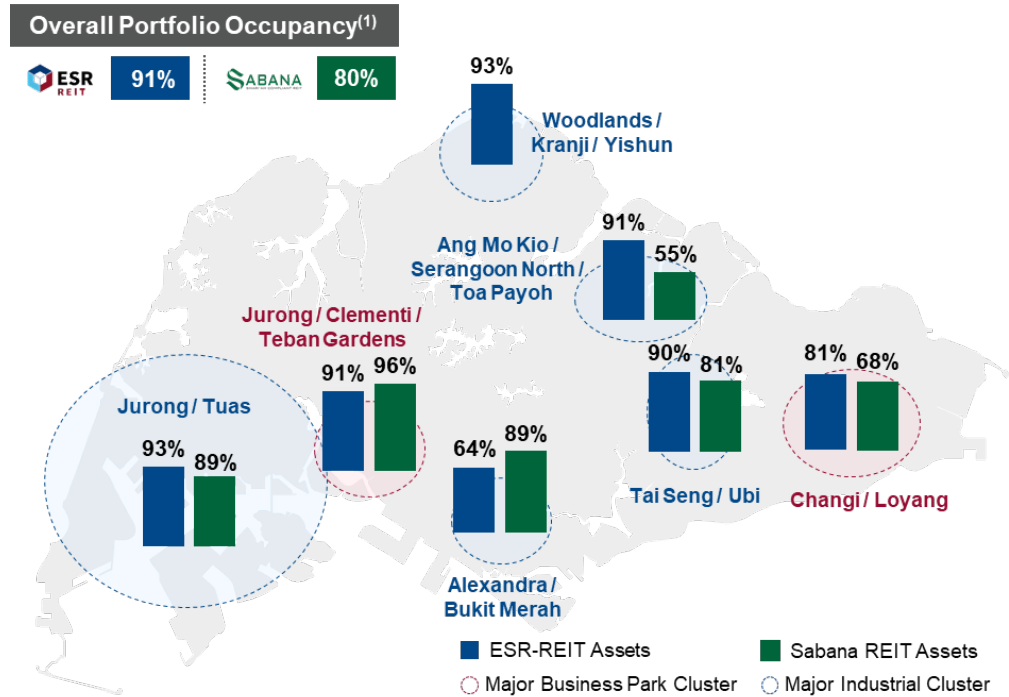


**Notes:**

- (1) Singapore industrial GFA market share calculated based on the respective REIT's GFA as at 30 June 2020 or latest available GFA from respective company information divided by total industrial space in Singapore as at 30 June 2020 from JTC quarterly market report on industrial properties.
- (2) Assume 100% realisation of Sabana REIT's and ESR-REIT's unutilised GFA.

**(d) Lease-Up Opportunities for Organic Growth**

Being part of the Enlarged REIT provides the ability to leverage ESR-REIT's and the ESR Group's platform to enhance leasing opportunities.



**Note:**

(1) Occupancy rates as at 30 June 2020. Sabana REIT occupancy rates exclude 1 Tuas Avenue 4. Average of occupancy rates across assets in each key cluster.

Such organic growth opportunities can be achieved through leveraging the ESR Group's and ESR-REIT's existing tenant relationships and network for expansion. The Enlarged REIT will have access to a wider pool of tenants across a range of industries and will be able to explore cross marketing activities and enhance leasing opportunities. The Enlarged REIT is also better able to capitalise on the potential increase in e-commerce, 3PL and advanced manufacturing demand.

**5.4 Size Does Matter**

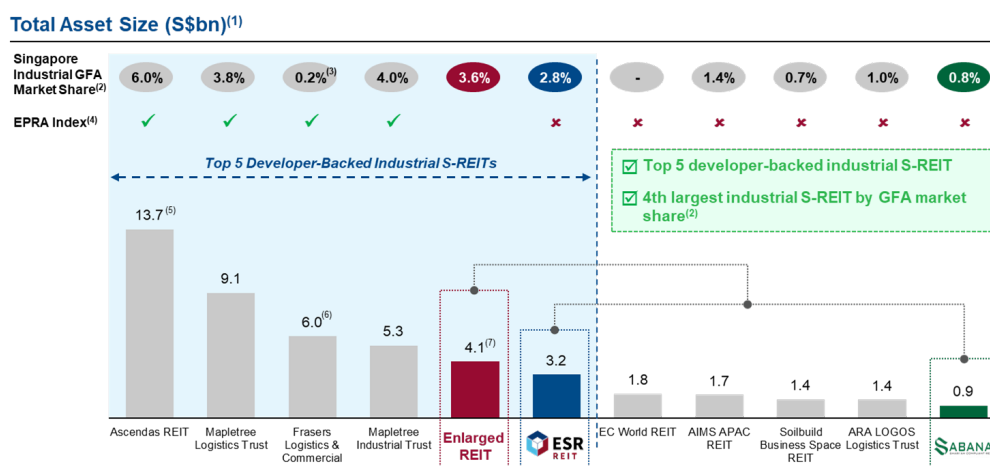
**(a) Solidifies Position Amongst Top 5 Industrial S-REITs**

Sabana REIT is currently the smallest industrial S-REIT by total asset size, while ESR-REIT is currently the 5<sup>th</sup> largest industrial S-REIT and is approximately 3.4 times larger than Sabana REIT in terms of total asset size<sup>20</sup>. Post-Merger, the Enlarged REIT is

<sup>20</sup> Based on total assets as at 30 June 2020.



expected to solidify its position amongst the top five (5) developer-backed industrial S-REITs, with a combined asset size of approximately S\$4.1 billion. The Enlarged REIT is also expected to be the 4<sup>th</sup> largest industrial S-REIT by Singapore industrial GFA market share<sup>21</sup>.



**Notes:**

- (1) Total assets as at 30 June 2020.
- (2) Singapore industrial GFA market share calculated based on the respective REIT's GFA as at 30 June 2020 or latest available GFA from respective company information divided by total industrial space in Singapore as at 30 June 2020 from JTC quarterly market report on industrial properties.
- (3) Based on Alexandra Technopark's net lettable area as at 30 September 2019.
- (4) Refers to the FTSE EPRA Nareit Developed Asia Index ("EPRA Index") as at 30 September 2020.
- (5) Excludes the effects of Financial Reporting Standard (FRS) 116 Leases and includes interests in joint ventures.
- (6) Represents *pro forma* total asset size from the scheme document dated 14 February 2020.
- (7) Represents the Enlarged REIT's *pro forma* total assets as at 30 June 2020.

**(b) Larger Size Leads to More Competitive Cost of Capital Underpinned by an Evenly-Distributed and Resilient Debt Maturity Profile**

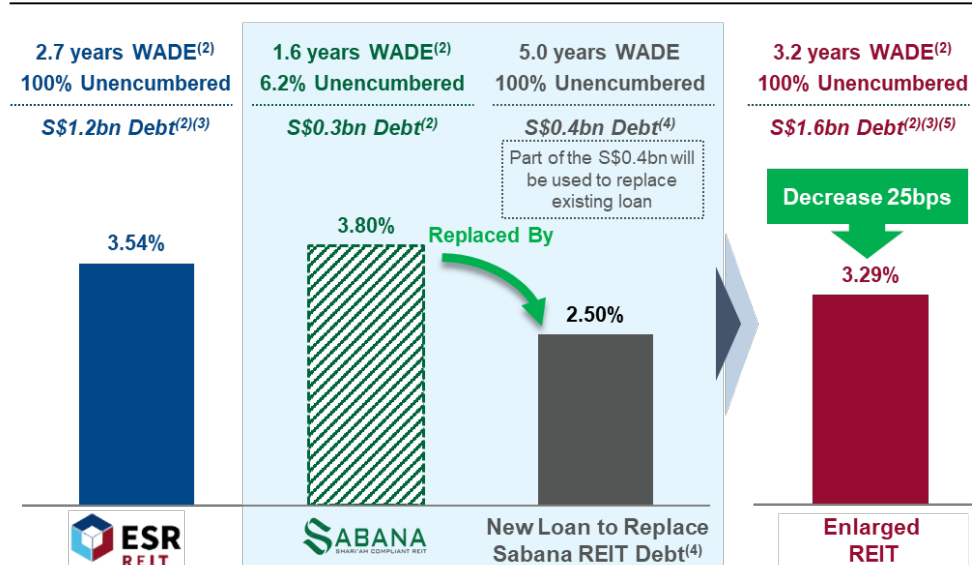
Given ESR-REIT's large unsecured portfolio and competitive cost of debt, it has secured the New Facilities (as elaborated in paragraph 7.5 below) for the purposes of the Merger on a 100% unencumbered basis at an estimated cost of debt of approximately 2.50% to replace Sabana REIT's existing approximately S\$0.3 billion secured debt which has a cost of debt of approximately 3.80%. The New Facilities will

<sup>21</sup> Singapore industrial GFA market share calculated based on the respective REIT's GFA as at 30 June 2020 or latest available GFA from respective company information divided by total industrial space in Singapore as at 30 June 2020 from JTC quarterly market report on industrial properties.

also have a longer debt tenor of five (5) years compared to Sabana REIT's existing debt tenor of 1.6 years. Post-Merger, the Enlarged REIT is expected to have an evenly-distributed and resilient debt maturity profile with no more than approximately 25% of its debt expiring in any given year from 2021 to 2025. In comparison, Sabana REIT has 54% and 39% of its debt expiring in 2021 and 2022 respectively.

With the Merger and refinancing, the Enlarged REIT is expected to have its cost of debt lowered by around 25 basis points to 3.29%, a longer weighted average debt expiry ("WADE") of 3.2 years, access to wider pools of capital while retaining balance sheet flexibility with a fully unencumbered portfolio.

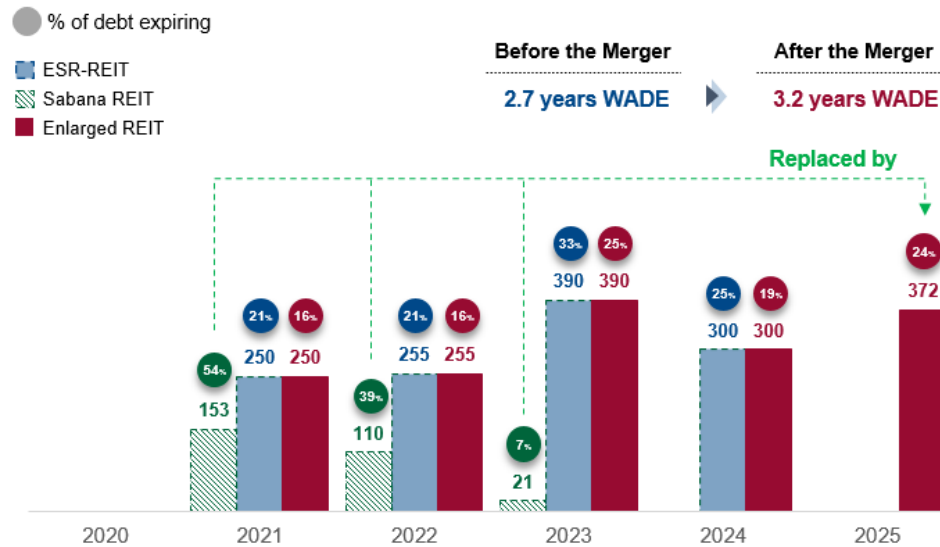
### Pro Forma Cost of Debt<sup>(1)</sup>



#### Notes:

- (1) Represents all-in interest cost.
- (2) As at 30 June 2020.
- (3) Excludes share of borrowings from joint ventures.
- (4) Estimated S\$372.2 million debt to be drawn from the New Facilities, at an expected all-in interest cost of 2.5% provided by Malayan Banking Berhad (Singapore Branch), RHB Singapore, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Bank Limited.
- (5) Includes the estimated S\$372.2 million debt to be drawn from the New Facilities for the refinancing of Sabana REIT's existing debt, upfront land premium<sup>7</sup> and estimated professional and other fees and expenses relating to the Merger.

## Pro Forma Debt Maturity Profile<sup>(1)</sup>



**Note:**

(1) As at 30 June 2020.

### (c) Potential Inclusion in Key Indices

ESR-REIT's market capitalisation is approximately 3.6 times larger than Sabana REIT's at S\$1.4 billion and S\$0.4 billion<sup>22</sup> respectively with average daily trading volumes ("ADTV") of 11.0 million and 1.5 million respectively<sup>23</sup>. The Merger will lead to a larger market capitalisation and free float. The Enlarged REIT's market capitalisation will increase by approximately 28.5% to S\$1.8 billion while its free float is expected to increase by approximately 42.0% from S\$0.9 billion<sup>24</sup> to S\$1.3 billion<sup>25</sup>. Larger market capitalisation and free float increases the probability of inclusion in key indices which offers the benefits of a wider and more diversified investor base, higher trading liquidity, increased analyst coverage and a potential positive re-rating of its unit price, which would be beneficial to the unitholders of the Enlarged REIT.

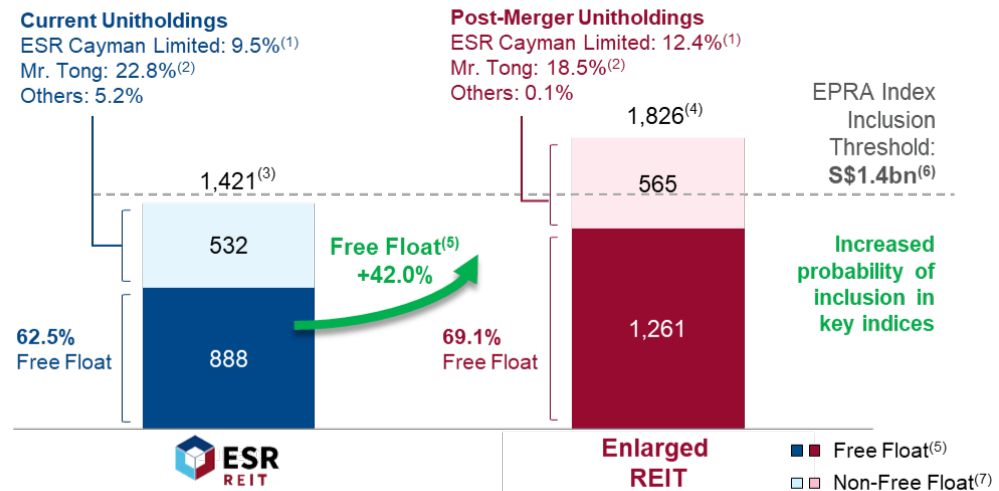
<sup>22</sup> Based on the Reference Price of S\$0.401 and 3,543.2 million ESR-REIT Units in issue as at the Latest Practicable Date and the implied Scheme Consideration of S\$0.377 per Sabana Unit and 1,053.1 million Sabana Units in issue.

<sup>23</sup> Based on the ADTV of ESR-REIT and Sabana REIT for the period from 10 June 2020 to 9 July 2020, both dates inclusive.

<sup>24</sup> Based on the Reference Price of S\$0.401 per ESR-REIT Unit.

<sup>25</sup> Includes the issue of approximately 989.9 million new ESR-REIT Units as the aggregate Scheme Consideration and the issue of approximately 20.7 million ESR-REIT Units as the Acquisition Fee for the Merger at the Reference Price of S\$0.401 per ESR-REIT Unit. For the avoidance of doubt, the actual number of ESR-REIT Units to be issued as payment for the Acquisition Fee will be determined based on the 10-day volume weighted average price of the ESR-REIT Units up to and including the last trading day immediately preceding the Effective Date.

## Free Float and Market Capitalisation (S\$m)



### Notes:

- (1) Including direct interests and/or deemed interests through holding entities.
- (2) Excludes deemed interest held through the ESR-REIT Manager.
- (3) Based on approximately 3,543.2 million ESR-REIT Units in issue as at the Latest Practicable Date and the Reference Price of S\$0.401.
- (4) Includes the issue of approximately 989.9 million new ESR-REIT Units as the aggregate Scheme Consideration and the issue of approximately 20.7 million new ESR-REIT Units as the Acquisition Fee for the Merger at the Reference Price of S\$0.401 per ESR-REIT Unit. For the avoidance of doubt, the actual number of ESR-REIT Units to be issued as payment for the Acquisition Fee will be determined based on the 10-day volume weighted average price of the ESR-REIT Units up to and including the last trading day immediately preceding the Effective Date.
- (5) Excludes ESR-REIT Units held by the Sponsor, Mr. Tong, the ESR-REIT Manager, the directors of the ESR-REIT Manager, other substantial unitholders, their respective associates, and in respect of the Enlarged REIT post-Merger, also excludes ESR-REIT Units that would be held by the Sabana Manager, its directors, and their respective associates.
- (6) EPRA Index refers to the FTSE EPRA Nareit Developed Asia index, which is a subset of the FTSE EPRA Nareit Developed Index and is designed to track the performance of listed real estate companies and REITs. As at September 2020, the regular entry threshold for EPRA Index is approximately US\$1.0 billion, equivalent to approximately S\$1.4 billion.
- (7) Includes ESR-REIT Units held by the Sponsor, Mr. Tong, the ESR-REIT Manager, the directors of the ESR-REIT Manager, other substantial unitholders, their respective associates, and in respect of the Enlarged REIT post-Merger, also includes ESR-REIT Units that would be held by the Sabana Manager, its directors, and their respective associates.

## 5.5 Leveraging the ESR Group's and ESR-REIT's Operating Platform to Improve Growth Prospects

Being the largest Asia-Pacific focused logistics real estate platform with more than US\$26 billion assets under management<sup>26</sup>, the ESR Group's operating platform, footprint and network can be leveraged by the Enlarged REIT to create a leading Pan-Asian industrial REIT without altering the risk profile drastically.

ESR-REIT benefits from having a developer-sponsor, the ESR Group, which has the largest development pipeline in Asia-Pacific of more than 18 million square metres GFA<sup>27</sup>. ESR-REIT has a "first look" on more than US\$26 billion of the ESR Group's growing portfolio of assets in an increasingly scarce environment for quality logistics assets.

Since its entry as the sponsor of ESR-REIT in 2017, the ESR Group has also demonstrated strong support towards ESR-REIT, transforming it into a large developer-backed REIT. ESR-REIT's portfolio GFA has doubled by approximately two (2) times, and its portfolio has been rejuvenated to focus on the higher value-added segment of the industrial value chain, including High-Specs assets. As a result, ESR-REIT traded at an average price-to-book ratio of 1.14x<sup>28</sup> in the financial year ended 31 December 2019 ("FY2019"), which makes it easier for ESR-REIT to fund new acquisitions on a DPU and NAV accretive basis. There are also continued opportunities to grow ESR-REIT further, through scalable value-enhancing acquisition opportunities in Singapore, as well as opportunities to participate in development projects, either individually or via a joint venture with the ESR Group.

As the sponsor of ESR-REIT, the ESR Group has also provided strong capital support and financial commitment to ESR-REIT for its growth strategies via a total of S\$175 million<sup>29</sup> backstop in preferential offerings and the acquisition of REIT managers to facilitate the merger of ESR-REIT with Viva Industrial Trust, as well as the current proposed Merger with Sabana REIT.

The ESR Group has a regional presence across China, Japan, Singapore, South Korea, India and Australia. With the ESR Group's continued support, the Enlarged REIT will be able to leverage the ESR Group's strong network of strategic relationships with leading global e-commerce companies, retailers, logistics service providers, manufacturers, and its established local real estate operating platform, and at the same time, have the opportunity to acquire the ESR Group's visible pipeline of assets. This will facilitate the Enlarged REIT's scalable growth and overseas expansion in the future. Overseas expansion to gain access to properties on longer leasehold and/or freehold land is important in overcoming the structurally short land lease tenor of industrial properties in the Singapore market<sup>30</sup> and the limited Singapore market size in order to preserve and enhance NAV of the Enlarged REIT.

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<sup>26</sup> As of 30 June 2020.

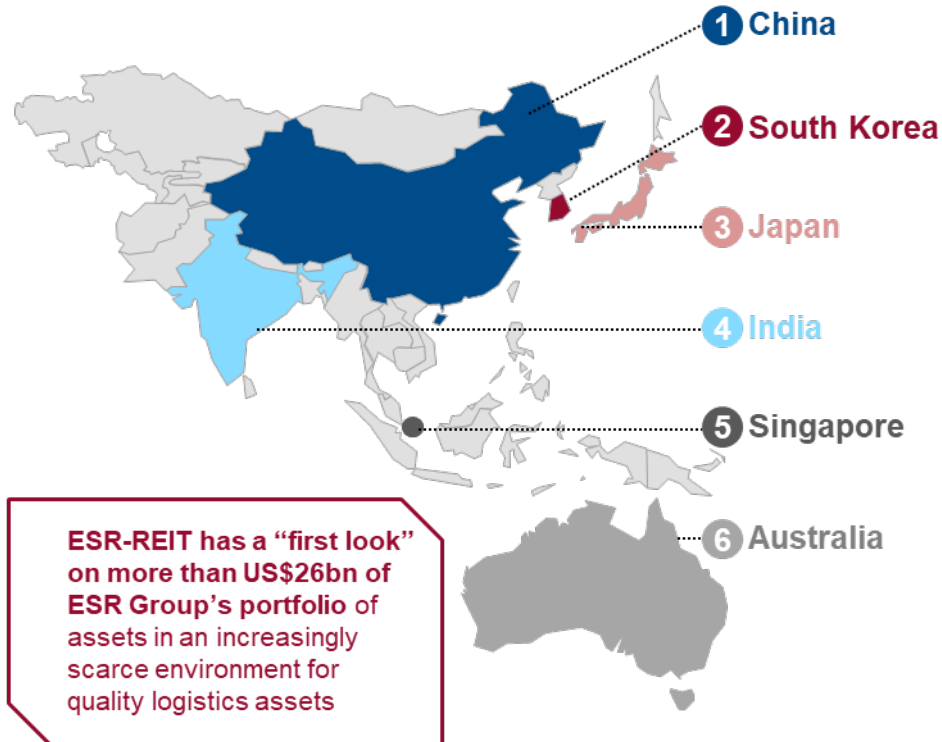
<sup>27</sup> As of 30 June 2020.

<sup>28</sup> From Bloomberg L.P.

<sup>29</sup> S\$125.0 million backstop in relation to a preferential offering undertaken in March 2018 and S\$50.0 million backstop in relation to a preferential offering undertaken in October 2019.

<sup>30</sup> A typical land lease tenor for industrial properties in Singapore is approximately 30 years on average as compared to industrial properties overseas which may be on a 99-year leasehold and/or freehold land.

## ESR Group's Regional Presence



### 6. FUTURE INTENTIONS FOR THE ENLARGED REIT

Assuming the completion of the Merger:

- (a) the ESR-REIT Manager will be the manager of the Enlarged REIT and Mr. Adrian Chui will continue to be the Chief Executive Officer (“CEO”) of the ESR-REIT Manager. The ESR-REIT Manager intends to engage the current CEO of the Sabana Manager, Mr. Donald Han, as an advisor to the ESR-REIT Manager. The Nominating and Remuneration Committee of the ESR-REIT Manager is also in the process of reviewing, together with the Sponsor, the composition of the board of directors and management of the ESR-REIT Manager (including the feasibility of engaging certain existing employees of the Sabana Manager);
- (b) the fee structure of the Enlarged REIT will be based on the existing fee structure of ESR-REIT. The Sabana Manager will be entitled to the applicable manager's fee accruing up to the date of delisting of Sabana REIT in accordance with the existing Sabana Trust Deed. There will be no double counting of management fees to the Sabana Manager and the ESR-REIT Manager in respect of the Sabana REIT portfolio between the Effective Date and the date of delisting;

- (c) the ESR-REIT Manager does not intend to retain Sabana REIT's Shari'ah compliant status and accordingly, Sabana REIT will be renamed "Sabana Trust"; and
- (d) it is intended that the existing outstanding loan facilities granted to Sabana REIT will be refinanced.

The Enlarged REIT's larger portfolio will provide the opportunity and flexibility to re-evaluate the scale and risk-return profile of the AEs to be undertaken, for both the existing ESR-REIT portfolio and the Sabana REIT portfolio of real estate assets. This re-evaluation will include, amongst others, a review of the projected construction costs of identified AEI projects, given the better bargaining power of the Enlarged REIT with service providers and reduced portfolio financial impact when undertaking AEs, while taking into consideration the supply and demand dynamics of the industrial market currently and over the next two (2) to three (3) years.

The ESR-REIT Manager retains the flexibility to, at any time, consider options or opportunities which may present themselves, or may be required, and which it regards to be in the best interests of the Enlarged REIT.

## 7. TOTAL ACQUISITION COST AND SOURCE OF FUNDS FOR THE MERGER

7.1 The total cost of the Merger is estimated to be approximately S\$777.4 million comprising:

- (a) the implied aggregate Scheme Consideration of approximately S\$396.9 million, derived by multiplying the aggregate of 1,053,083,530 Sabana Units in issue as at the date of the Joint Announcement by the gross exchange ratio of 0.940x and by the Reference Price<sup>31</sup>;
- (b) estimated upfront land premium payable to JTC Corporation ("**JTC**") of approximately S\$58.6 million<sup>7</sup>, funded by the New Facilities;
- (c) the acquisition fee payable to the ESR-REIT Manager for the Merger (the "**Acquisition Fee**") which is estimated to be approximately S\$8.3 million;
- (d) the refinancing of Sabana REIT's total borrowings and related interest rate swaps of approximately S\$295.0 million<sup>32</sup>, funded by the New Facilities; and
- (e) the estimated professional and other fees, prepayment penalties (being penalties payable in respect of the early repayment of Sabana REIT's existing loans), debt

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<sup>31</sup> The implied Scheme Consideration of S\$0.377 per Sabana Unit is derived by multiplying the gross exchange ratio of 0.940x by the Reference Price of S\$0.401.

<sup>32</sup> Figure as at 30 June 2020. Sabana REIT's total borrowings and related interest rate swaps is S\$282.9 million as at 31 December 2019.

upfront fees and other expenses of approximately S\$18.6 million<sup>33</sup>, funded by the New Facilities.

The cost of the Merger to be funded by the New Facilities is estimated to be approximately S\$372.2 million<sup>34</sup>.

## 7.2 Scheme Consideration

The Scheme Consideration for the Merger will be satisfied through the allotment and issue of approximately 989.9 million Consideration Units at the Consideration Unit Issue Price.

## 7.3 Consideration Units

The Consideration Units will be issued and credited as fully paid to the Sabana Unitholders upon the Scheme becoming effective in accordance with its terms. The issue of the Consideration Units at the Consideration Unit Issue Price requires the approval of the ESR-REIT Unitholders by way of an Ordinary Resolution.

## 7.4 Acquisition Fee

As the Merger constitutes an interested party transaction under the Property Funds Appendix, the Acquisition Fee is payable in ESR-REIT Units<sup>35</sup> to the ESR-REIT Manager for the Merger, and such ESR-REIT Units shall not be sold within one (1) year from the date of issue in accordance with Paragraph 5.7 of the Property Funds Appendix.

## 7.5 Method of Financing

In connection with the Merger and the Scheme, the ESR-REIT Trustee has obtained unsecured banking facilities (the "**New Facilities**") of up to S\$460 million from Malayan Banking Berhad (Singapore Branch), RHB Singapore, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Bank Limited. The proceeds of the New Facilities will be applied towards the following purposes:

- (a) the refinancing in full of the indebtedness under existing loan facilities granted to the Sabana Trustee;
- (b) the payment of upfront land premium to JTC<sup>7</sup>;

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<sup>33</sup> Includes estimated debt upfront fees based on S\$372.2 million of new debt to be drawn from the New Facilities expected for the Merger as at 30 June 2020. For FY2019 *pro forma* financials, the amount is approximately S\$18.4 million due to lower debt upfront fees estimated based on S\$359.9 million of new debt to be drawn from the New Facilities expected for the Merger as at 31 December 2019.

<sup>34</sup> Figure as at 30 June 2020 for 1H2020 *pro forma* financials. For FY2019 *pro forma* financials, total cost of the Merger to be funded by the New Facilities is estimated to be approximately S\$359.9 million (see **Appendix D** to this Circular for details).

<sup>35</sup> Pursuant to the Merger, based on the Reference Price, approximately 20.7 million ESR-REIT Units will be allotted and issued to the ESR-REIT Manager in payment of the Acquisition Fee. For the avoidance of doubt, the actual number of ESR-REIT Units to be issued as payment for the Acquisition Fee will be determined based on the 10-day volume weighted average price of the ESR-REIT Units up to and including the last trading day immediately preceding the Effective Date.



(c) the payment of costs, fees and expenses (including taxes) incurred by or on behalf of the ESR-REIT Trustee in connection with the Scheme; and

(d) working capital purposes for ESR-REIT.

As at the Latest Practicable Date, the New Facilities have not been utilised. As mentioned in paragraph 7.1, an amount of approximately S\$372.2 million of the New Facilities is expected to be utilised to part fund the total cost of the Merger.

## 8. CHAPTER 10 OF THE LISTING MANUAL

8.1 For the purposes of Chapter 10 of the Listing Manual, the relative figures of the Merger as at the date of the Joint Announcement computed on the bases set out in Rule 1006(b) to (d) of the Listing Manual are as follows. The figures are based on ESR-REIT's and Sabana REIT's unaudited consolidated financial statements for 1H2020 (being the latest announced financial statements of ESR-REIT and Sabana REIT prior to the date of the Joint Announcement):

<b>Bases</b>	<b>Sabana Group (million)</b>	<b>ESR-REIT Group (million)</b>	<b>Relative figures (%)</b>
Net property income attributable to the assets acquired, compared with the group's net property income <sup>(1)</sup>	S\$20.9	S\$80.2	26.0
The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued units excluding treasury units <sup>(2)</sup>	S\$396.9	S\$1,377.1	28.8
The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	989.9 <sup>(3)</sup>	3,530.9	28.0

### Notes:

(1) In the case of a REIT, net property income is a close proxy to the net profits attributable to its assets.

(2) Based on the Reference Price of S\$0.401, the implied aggregate Scheme Consideration is approximately S\$396.9 million (derived by multiplying the aggregate of 1,053,083,530 Sabana Units in issue as at the date of the Joint Announcement by the gross exchange ratio of 0.940x and by the Reference Price). Market capitalisation is based on S\$0.390 per ESR-REIT Unit (as at close of trading on 15 July 2020 (being the last trading day prior to the date of the Joint Announcement)) and 3,530,945,472 ESR-REIT Units in issue.

(3) Aggregate number of ESR-REIT Units to be issued as consideration for the Merger.

- 8.2 Pursuant to Rule 1014(1) of the Listing Manual, where an acquisition of assets is one where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 20% but not 100%, the transaction is classified as a major transaction under Chapter 10 of the Listing Manual.

As shown in the table above, as the relative figures of the Merger on the bases set out in Rule 1006(b), 1006(c) and 1006(d) exceed 20% but not 100%, the Merger is considered a major transaction under Chapter 10 of the Listing Manual. Accordingly, the approval of the ESR-REIT Unitholders is required in respect of the Merger and included as a Scheme Condition.

## 9. VALUE OF SABANA UNITS

- 9.1 Based on the latest announced financial statements of Sabana REIT, being the Sabana 1H2020 Financial Statements:

- (a) the NAV and NTA per Sabana Unit as at 30 June 2020 were S\$0.512; and
- (b) the total amount available for distribution to the Sabana Unitholders for 1H2020 was approximately S\$11.1 million.

- 9.2 Based on the volume weighted average price of S\$0.362 per Sabana Unit with reference to the 30 calendar day period from 10 June 2020 up to and including 9 July 2020 (being the last trading day one (1) week prior to the date of the Joint Announcement), the latest available open market value of all the Sabana Units on 9 July 2020 is approximately S\$381.2 million.

## 10. PROPERTY VALUATION

- 10.1 **Valuations commissioned by the ESR-REIT Manager on ESR-REIT's properties**

- (a) The ESR-REIT Manager has commissioned CBRE Pte. Ltd., Knight Frank Pte Ltd and Savills Valuation and Professional Services (S) Pte. Ltd. (the "**ESR-REIT Independent Valuers (ESR-REIT Portfolio)**") to conduct a full independent valuation of ESR-REIT's properties, as at 30 June 2020, for the purposes of the Merger. As stated by the ESR-REIT Independent Valuers (ESR-REIT Portfolio) in the valuation certificates on the valuation of ESR-REIT's properties as at 30 June 2020 (the "**ESR-REIT Independent Valuation Certificates (ESR-REIT Portfolio)**"), the aggregate open market value of ESR-REIT's properties as at 30 June 2020 is S\$3,117.1 million<sup>36</sup>.

Copies of the ESR-REIT Independent Valuation Certificates (ESR-REIT Portfolio) are available for inspection<sup>37</sup> during normal business hours at the registered office of the ESR-REIT Manager at 138 Market Street, #26-03/04 CapitaGreen, Singapore 048946

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<sup>36</sup> Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 *Leases* which became effective on 1 January 2019.

<sup>37</sup> Prior appointment is required in light of the COVID-19 situation.

from the date of this Circular up to and including the date falling three (3) months after the date of this Circular.

- (b) The valuation of ESR-REIT's properties has taken into consideration the uncertainties relating to the current COVID-19 situation and the unknown future impact COVID-19 might have on the real estate market. The current response to COVID-19 means that the property valuers are faced with an unprecedented set of circumstances on which to base a judgement. Consequently, the valuations are reported on the basis of "material valuation uncertainty" – and a higher degree of caution should be attached to the valuation than would normally be the case. For the avoidance of doubt, the "material valuation uncertainty" qualifier is to serve as a precaution and does not mean that the valuations cannot be relied upon. The key assumptions for the valuation of the portfolio are set out in the reports issued by the ESR-REIT Independent Valuers (ESR-REIT Portfolio) on the valuation of ESR-REIT's properties as at 30 June 2020 (the "**ESR-REIT Independent Valuation Reports (ESR-REIT Portfolio)**"), copies of which are available for inspection<sup>37</sup> during normal business hours at the registered office of the ESR-REIT Manager at 138 Market Street, #26-03/04 CapitaGreen, Singapore 048946 from the date of this Circular up to and including the date falling three (3) months after the date of this Circular.
- (c) The valuations of these properties were based on the discounted cash flow, direct comparable and capitalisation valuation methods. The ESR-REIT Manager is satisfied that the valuation methods and estimates are reflective of the current market conditions.

## 10.2 Valuations commissioned by the ESR-REIT Manager on Sabana REIT's properties

- (a) The ESR-REIT Manager has commissioned Edmund Tie & Company (SEA) Pte. Ltd. (the "**ESR-REIT Independent Valuer (Sabana Portfolio)**") to conduct a full independent valuation of Sabana REIT's properties, as at 30 June 2020, for the purposes of the Merger. As stated by the ESR-REIT Independent Valuer (Sabana Portfolio) in the valuation certificates on the valuation of Sabana REIT's properties as at 30 June 2020 (the "**ESR-REIT Independent Valuation Certificates (Sabana Portfolio)**"), the aggregate open market value of Sabana REIT's properties as at 30 June 2020 is S\$829.5 million. Please refer to **Appendix C** to this Circular for copies of the ESR-REIT Independent Valuation Certificates (Sabana Portfolio).

Copies of the ESR-REIT Independent Valuation Certificates (Sabana Portfolio) are also available for inspection<sup>37</sup> during normal business hours at the registered office of the ESR-REIT Manager at 138 Market Street, #26-03/04 CapitaGreen, Singapore 048946 from the date of this Circular up to and including the date falling three (3) months after the date of this Circular.

- (b) The valuation of Sabana REIT properties has taken into consideration the current COVID-19 situation where, like the financial market, the real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. As such, the valuation is current at the date of valuation only. The key assumptions for the valuation of the portfolio are set out in the reports issued by the ESR-REIT Independent Valuer (Sabana Portfolio) on the valuation of Sabana REIT's properties as at 30 June 2020

(the "ESR-REIT Independent Valuation Reports (Sabana Portfolio)"), copies of which are available for inspection<sup>37</sup> during normal business hours at the registered office of the ESR-REIT Manager at 138 Market Street, #26-03/04 CapitaGreen, Singapore 048946 from the date of this Circular up to and including the date falling three (3) months after the date of this Circular. In addition, please refer to the IFA Letter set out in **Appendix A** to this Circular, and the ESR-REIT Independent Valuation Certificates (Sabana Portfolio) set out in **Appendix C** to this for more details.

ESR-REIT Unitholders should also note that the IFA has sought clarification from the ESR-REIT Independent Valuer (Sabana Portfolio) on the following qualification statement included in the ESR-REIT Independent Valuation Reports (Sabana Portfolio) and the impact this may have on the reliability of the valuation conclusion, if any. The following clarifications obtained by the IFA from the ESR-REIT Independent Valuer (Sabana Portfolio), as extracted from the IFA Letter set out in **Appendix A** to this Circular, are set out below:

Qualification statement provided in valuation certificates	Clarification statement
<p><i>"The outbreak of the Novel Coronavirus (COVID-19) was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. Like the financial market, the real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). We recommend that you keep the valuation of this subject property under frequent review."</i></p>	<p>"We performed this valuation to the best of our knowledge and capabilities, based on the information provided and data available. It represents our objective, professional opinion of the assets at the time of the report. Nevertheless, the virus situation remains fluid, and new developments could warrant re-assessment. We therefore reiterate that the assessment herein should be understood in the context in which it was provided."</p>

For the avoidance of doubt, the qualification statement is to serve as a precaution and does not mean that the valuations cannot be relied upon.

- (c) The valuations of these properties were based on the discounted cash flow and capitalisation valuation methods. The ESR-REIT Manager is satisfied that the valuation methods and estimates are reflective of the current market conditions.

### 10.3 Valuations commissioned by Sabana REIT

As set out in the Scheme Document:

- (a) the Sabana Manager has commissioned independent valuers to conduct a desktop independent valuation of Sabana REIT's properties, as at 30 June 2020, for the

purposes of the Sabana 1H2020 Financial Statements and not specifically for the purposes of the Merger. The valuation was undertaken as part of Sabana REIT's half-yearly valuation exercise for corporate reporting purposes. For the avoidance of doubt, the basis of which the fair market value of Sabana REIT's properties is determined as well as the fair market value adopted by the independent valuers will be the same even if the valuation had been specifically conducted for purposes of the Merger; and

- (b) the Sabana Manager and the Sabana Trustee have commissioned independent valuers to conduct a full independent valuation of ESR-REIT's properties, as at 30 June 2020, for the purposes of the Merger.

For further details, please refer to the Scheme Document.

#### 10.4 **Potential tax liability**

Under Rule 26.3 of the Code, the ESR-REIT Manager is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation.

ESR-REIT is a long-term investor in its properties. Accordingly, the ESR-REIT Manager is of the view that these properties have been acquired for long-term investment purposes and any gain on any hypothetical disposal will not be subject to tax. The potential tax liabilities that may be incurred by ESR-REIT on the hypothetical sale of these properties on an "as is" basis is therefore zero.

### 11. **PRO FORMA FINANCIAL EFFECTS OF THE MERGER**

- 11.1 The *pro forma* financial effects of the Merger (and the related transactions in connection therewith) on (a) ESR-REIT's DPU, (b) the NAV per ESR-REIT Unit, (c) the NTA per ESR-REIT Unit, and (d) the aggregate leverage of ESR-REIT, are set out as follows:

- (a) ***Pro Forma* DPU for FY2019**

The *pro forma* financial effects of the Merger on ESR-REIT's DPU for FY2019, assuming that the Merger had been completed on 1 January 2019, are as follows<sup>38</sup>:

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<sup>38</sup> Due to prudent cash flow management in view of COVID-19 uncertainties, (a) there was retention of distributable income in 1H2020 whereas there was no retention of distributable income in FY2019; and (b) there was no distribution of capital gains in 1H2020 whereas there were distributions of capital gains in FY2019.

	Effects of the Merger		
	Before the Merger		After the Merger
	DPU including capital gains paid	DPU excluding capital gains paid	DPU excluding capital gains paid
Amount available for distribution (S\$'000)	132,566	116,466	156,997
Applicable number of ESR-REIT Units ('000)	3,305,061	3,300,255	4,316,750
DPU (cents)	4.011	3.529	3.637
Accretion (%)			3.1%

(b) **Pro Forma DPU for 1H2020**

The *pro forma* financial effects of the Merger on ESR-REIT's DPU for 1H2020, assuming that the Merger had been completed on 1 January 2019, are as follows<sup>38</sup>:

	Effects of the Merger					
	1H2020			1H2020 Annualised		
	Before the Merger		After the Merger	Before the Merger		After the Merger
	DPU excluding retained distributable income	DPU including retained distributable income	DPU including retained distributable income	DPU excluding retained distributable income	DPU including retained distributable income	DPU including retained distributable income
Amount available for distribution (S\$'000)	47,829	47,829	63,727	95,658	95,658	127,455
Less: Retained distributable income (S\$'000)	(6,922)	-	-	(13,844)	-	-
Amount to be distributed (S\$'000)	40,907	47,829	63,727	81,814	95,658	127,455
Applicable number of ESR-REIT Units ('000)	3,519,426	3,519,426	4,533,252	3,519,426	3,519,426	4,533,252
DPU (cents)	1.162	1.359	1.406	2.324	2.718	2.812
Accretion (%)						3.5%

(c) **NAV per ESR-REIT Unit for FY2019**

The *pro forma* financial effects of the Merger on the NAV per ESR-REIT Unit as at 31 December 2019, assuming the Merger had been completed on 31 December 2019, are as follows:

	Effects of the Merger	
	Before the Merger	After the Merger
NAV (S\$'000)	1,508,576	2,028,375
Number of issued ESR-REIT Units ('000)	3,487,316	4,497,900
NAV per ESR-REIT Unit (cents)	43.3	45.1
Accretion (%)		4.2%

(d) **NAV per ESR-REIT Unit for 1H2020**

The *pro forma* financial effects of the Merger on the NAV per ESR-REIT Unit as at 30 June 2020, assuming the Merger had been completed on 30 June 2020, are as follows:

	Effects of the Merger	
	Before the Merger	After the Merger
NAV (S\$'000)	1,448,721	1,960,315
Number of issued ESR-REIT Units ('000)	3,530,945	4,541,530
NAV per ESR-REIT Unit (cents)	41.0	43.2
Accretion (%)		5.2%

(e) **NTA per ESR-REIT Unit for FY2019**

The *pro forma* financial effects of the Merger on the NTA per ESR-REIT Unit as at 31 December 2019, assuming the Merger had been completed on 31 December 2019, are as follows:

	Effects of the Merger	
	Before the Merger	After the Merger
NTA (S\$'000)	1,508,576	2,028,375
Number of issued ESR-REIT Units ('000)	3,487,316	4,497,900
NTA per ESR-REIT Unit (cents)	43.3	45.1
Accretion (%)		4.2%

(f) **NTA per ESR-REIT Unit for 1H2020**

The *pro forma* financial effects of the Merger on the NTA per ESR-REIT Unit as at 30 June 2020, assuming the Merger had been completed on 30 June 2020, are as follows:

	Effects of the Merger	
	Before the Merger	After the Merger
NTA (S\$'000)	1,448,721	1,960,315
Number of issued ESR-REIT Units ('000)	3,530,945	4,541,530
NTA per ESR-REIT Unit (cents)	41.0	43.2
Accretion (%)		5.2%

(g) **Aggregate Leverage for FY2019**

The *pro forma* financial effects of the Merger on the aggregate leverage of ESR-REIT as at 31 December 2019, as if the Merger was completed on 31 December 2019, are as follows:

	Effects of the Merger	
	Before the Merger	After the Merger
Aggregate leverage (%)	41.5%	41.2%

(h) **Aggregate Leverage for 1H2020**

The *pro forma* financial effects of the Merger on the aggregate leverage of ESR-REIT as at 30 June 2020, as if the Merger was completed on 30 June 2020, are as follows:

	Effects of the Merger	
	Before the Merger	After the Merger
Aggregate leverage (%)	41.8%	41.7%

11.2 **Bases and Assumptions Underlying the Above *Pro Forma* Financial Effects of the Merger**

The financial effects of the Merger on ESR-REIT set out above are for illustrative purposes only and do not reflect the actual financial performance or position of ESR-REIT after the Merger. The financial effects of the Merger have been prepared based on ESR-REIT's and Sabana REIT's audited consolidated financial statements for FY2019 and the unaudited consolidated financial statements for 1H2020, after making certain adjustments that are directly attributable to the Merger. The bases and assumptions on which the *pro forma* financial effects of the Merger have been prepared are also set out in **Appendix D** to this Circular.



## **12. THE MERGER AS AN INTERESTED PERSON TRANSACTION AND INTERESTED PARTY TRANSACTION**

### **12.1 Interested Person Transaction and Interested Party Transaction**

Under Chapter 9 of the Listing Manual, where an issuer proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person (as defined in Chapter 9 of the Listing Manual) during the same financial year) is equal to or exceeds 5% of the listed group's latest audited NTA, unitholders' approval is required in respect of the transaction. Further, under Paragraph 5 of the Property Funds Appendix, a property fund is also required to make an immediate announcement and obtain a majority vote at a participants' meeting, if the value of the transaction with an interested party is equal to or exceeds 5% of the property fund's NAV.

Based on ESR-REIT's latest audited consolidated financial statements for FY2019, its NTA and NAV as at 31 December 2019 was approximately S\$1,508.6 million. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by ESR-REIT with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to or in excess of S\$75.4 million, such a transaction would be subject to the approval of the ESR-REIT Unitholders.

### **12.2 The Sponsor**

The Sponsor, through its wholly-owned subsidiary, ESRIM, holds 67.3% of the shares in the ESR-REIT Manager, and is therefore a controlling shareholder of the ESR-REIT Manager under both the Listing Manual and the Property Funds Appendix. As such, the Sponsor is (for the purposes of the Listing Manual) an interested person and (for the purposes of the Property Funds Appendix) an interested party of ESR-REIT.

As stated in paragraph 3.3 above, the Sponsor is the largest Sabana Unitholder holding an aggregate interest (direct and deemed through its associates) in 219,897,309 Sabana Units, representing approximately 20.88% of all Sabana Units. Therefore, the acquisition of Sabana Units from the Sponsor and its associates pursuant to the Merger will constitute an interested person transaction under Chapter 9 of the Listing Manual as well as an interested party transaction under the Property Funds Appendix.

The implied aggregate Scheme Consideration is approximately S\$396.9 million (derived by multiplying the aggregate of 1,053,083,530 Sabana Units in issue as at the date of the Joint Announcement by the gross exchange ratio of 0.940x and by the Reference Price). Of this S\$396.9 million, the Scheme Consideration payable by ESR-REIT to the Sponsor and its associates is approximately S\$82.9 million (based on the Reference Price), to be satisfied in the form of new ESR-REIT Units, as consideration for the acquisition of the Sabana Units held by the Sponsor and its associates. The implied aggregate Scheme Consideration represents approximately 26.3% of the latest audited NTA and NAV of ESR-REIT. Of this 26.3%, the Scheme Consideration payable by ESR-REIT to the Sponsor and its associates represents approximately 5.5% of the latest audited NTA and NAV of ESR-REIT.

Accordingly, the Merger will require the approval of the ESR-REIT Unitholders pursuant to Rule 906(1)(a) of the Listing Manual. Pursuant to Paragraph 5.2(b) of the Property Funds Appendix and Rules 748(5) and 919 of the Listing Manual, the Sponsor and its associates will abstain from voting (either in person or by proxy) in respect of the resolutions relating to the Merger at the EGM.

In addition, the total value of interested person transactions, excluding transactions which are less than S\$100,000, between ESR-REIT and the Sponsor and its associates, during the course of the current financial year up to the Latest Practicable Date, is approximately S\$23.1 million, comprising fees payable to the ESR-REIT Manager under the ESR-REIT Trust Deed and fees and commissions payable to the property manager of ESR-REIT, ESR Property Management (S) Pte. Ltd. ("**ESR-PM**"), under the property management agreement. As mentioned in paragraph 7 above, the ESR-REIT Manager will also receive an Acquisition Fee payable in ESR-REIT Units pursuant to the Merger, estimated to be approximately S\$8.3 million. The ESR-REIT Manager and ESR-PM are wholly-owned subsidiaries of the Sponsor.

### 12.3 **Mr. Tong**

Mr. Tong is a Director and an indirect controlling shareholder of the ESR-REIT Manager. He is also a controlling ESR-REIT Unitholder holding an aggregate interest (direct and deemed through his associates) in 831,976,266 ESR-REIT Units, which is equivalent to approximately 23.48% of the total number of ESR-REIT Units. As such, Mr. Tong is (for the purposes of the Listing Manual) an interested person and (for the purposes of the Property Funds Appendix) an interested party of ESR-REIT.

In this regard, Mr. Tong holds a direct interest in 16,930,200 Sabana Units, which is equivalent to approximately 1.61% of the total number of Sabana Units. Mr. Tong is also the sole ultimate shareholder of Wealthy Fountain Holdings Inc which holds a direct interest in 17,806,800 Sabana Units, representing approximately 1.69% of the total number of Sabana Units. Therefore, the acquisition of Sabana Units from Mr. Tong and his associates pursuant to the Merger will constitute an interested person transaction under Chapter 9 of the Listing Manual as well as an interested party transaction under the Property Funds Appendix.

Pursuant to the Merger, Mr. Tong and his associates will be entitled to receive from ESR-REIT approximately S\$13.1 million (based on the Reference Price) to be satisfied in the form of new ESR-REIT Units, as consideration for the acquisition of the Sabana Units held by Mr. Tong and his associates. This represents approximately 0.9% of the latest audited NTA and NAV of ESR-REIT.

Pursuant to Paragraph 5.2(b) of the Property Funds Appendix and Rules 748(5) and 919 of the Listing Manual, Mr. Tong and his associates will abstain from voting (either in person or by proxy) in respect of the resolutions relating to the Merger at the EGM.

Other than the Scheme Consideration payable to Mr. Tong and his associates, there are no other interested person transactions, excluding transactions which are less than S\$100,000, involving Mr. Tong and his associates during the course of the current financial year up to the Latest Practicable Date.

## 12.4 Other Interested Person Transactions

During the course of the current financial year up to the Latest Practicable Date, the aggregate value of all interested person transactions, excluding transactions which are less than S\$100,000, between ESR-REIT and its interested persons other than the Sponsor and Mr. Tong and their respective associates, is approximately S\$0.5 million, comprising fees payable to the ESR-REIT Trustee under the ESR-REIT Trust Deed.

## 12.5 Mitsui

The MAS and the SGX-ST have also ruled respectively that Mitsui, which holds 7.7% of the issued shares of the ESR-REIT Manager, should abstain from voting on the resolutions relating to the Merger pursuant to Paragraph 5.2(b) of the Property Funds Appendix and Rule 748(5) of the Listing Manual. As such, Mitsui will abstain from voting (either in person or by proxy) in respect of the resolutions relating to the Merger at the EGM.

## 13. ISSUE OF CONSIDERATION UNITS

13.1 As consideration for the acquisition of all the Sabana Units pursuant to the Merger, approximately 989.9 million Consideration Units will be issued to the Sabana Unitholders at the Consideration Unit Issue Price.

13.2 Rule 805(1) of the Listing Manual provides that an issuer must obtain prior approval of unitholders in a general meeting for the issue of units unless such issue of units is covered under a general mandate obtained from unitholders of the issuer.

13.3 The approval of the ESR-REIT Unitholders is required for the proposed issue of the Consideration Units to the Sabana Unitholders as well as for the proposed issue of part of the Consideration Units to certain Sabana Unitholders which are also interested persons or interested parties of ESR-REIT including the controlling unitholders of ESR-REIT and controlling shareholders of the ESR-REIT Manager (such as the Sponsor and its subsidiaries), pursuant to Chapter 9 of the Listing Manual and the Property Funds Appendix.

13.4 Accordingly, the ESR-REIT Manager is seeking the approval of the ESR-REIT Unitholders by way of an Ordinary Resolution of the ESR-REIT Unitholders for the proposed issue of the Consideration Units at the Consideration Unit Issue Price.

13.5 As announced by the ESR-REIT Manager on 4 November 2020, the SGX-ST has also granted its in-principle approval for the listing and quotation of up to 989.9 million Consideration Units on the Main Board of the SGX-ST, subject to the following conditions:

- (a) compliance with the SGX-ST's listing requirements;
- (b) approval of the Independent ESR-REIT Unitholders being obtained for the Merger and the issue of the Consideration Units; and
- (c) the approval of the Court for the implementation of the Scheme.

- 13.6 The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the Merger, the Scheme, the Enlarged REIT, the ESR-REIT Units, the Consideration Units, ESR-REIT or its subsidiaries.

#### 14. DIRECTORS' SERVICE CONTRACTS

It is intended that following completion of the Merger, the ESR-REIT Manager will be the manager of the Enlarged REIT and Mr. Adrian Chui will continue to be the CEO of the ESR-REIT Manager. The ESR-REIT Manager intends to engage the current CEO of the Sabana Manager, Mr. Donald Han, as an advisor to the ESR-REIT Manager. The Nominating and Remuneration Committee of the ESR-REIT Manager is also in the process of reviewing, together with the Sponsor, the composition of the board of directors and management of the ESR-REIT Manager (including the feasibility of engaging certain existing employees of the Sabana Manager).

#### 15. INTERESTS OF DIRECTORS AND SUBSTANTIAL ESR-REIT UNITHOLDERS

##### 15.1 Directors' Interests in ESR-REIT Units

The interests of the Directors in ESR-REIT Units, as recorded in the Register of Directors' Unitholdings as at the Latest Practicable Date, are set out below.

Directors	Direct Interest		Deemed Interest		Total Interest	
	No. of ESR-REIT Units	%*	No. of ESR-REIT Units	%*	No. of ESR-REIT Units	%*
Dr. Leong Horn Kee	105,369	n.m.	-	-	105,369	n.m.
Mr. Ronald Lim Cheng Aun	155,423	n.m.	-	-	155,423	n.m.
Ms. Stefanie Yuen Thio	148,527	n.m.	35,804 <sup>(1)</sup>	n.m.	184,331	0.01
Mr. Wilson Ang Poh Seong	3,793,387	0.11	-	-	3,793,387	0.11
Mr. Tong	172,802,987	4.88	659,173,279	18.60	831,976,266	23.48

**Note:**

\* The percentage interest is based on the number of ESR-REIT Units in issue as at the Latest Practicable Date, being 3,543,157,293 ESR-REIT Units. Percentages are rounded to the nearest two (2) decimal places.

(1) As 35,804 ESR-REIT Units are held by Ms. Stefanie Yuen Thio's husband, pursuant to Section 137Y(3) of the SFA, Ms. Stefanie Yuen Thio is deemed interested in these ESR-REIT Units.

## 15.2 Interests of Substantial ESR-REIT Unitholders in ESR-REIT Units

The interests of the substantial ESR-REIT Unitholders in ESR-REIT Units as recorded in ESR-REIT's Register of Substantial Unitholders as at the Latest Practicable Date are set out below.

Substantial ESR-REIT Unitholders	Direct Interest		Deemed Interest		Total Interest	
	No. of ESR-REIT Units	%*†	No. of ESR-REIT Units	%*†	No. of ESR-REIT Units	%*†
Leading Wealth Global Inc	621,952,678	17.55	-	-	621,952,678	17.55
Longemont Real Estate Pte Ltd <sup>(1)</sup>	-	-	621,952,678	17.55	621,952,678	17.55
Shanghai Summit (Group) Co., Ltd <sup>(2)</sup>	-	-	621,952,678	17.55	621,952,678	17.55
Mr. Tong <sup>(3)</sup>	172,802,987	4.88	659,173,279	18.60	831,976,266	23.48
e-Shang Infinity Cayman Limited <sup>(4)</sup>	303,565,997	8.57	32,602,536	0.92	336,168,533	9.49
e-Shang Jupiter Cayman Limited <sup>(5)</sup>	-	-	336,168,533	9.49	336,168,533	9.49
ESR Cayman Limited <sup>(6)</sup>	-	-	336,168,533	9.49	336,168,533	9.49
Mondrian Investment Partners Limited	-	-	179,514,200	5.07	179,514,200	5.07

### Notes:

- \* Based on substantial ESR-REIT Unitholders' disclosures in respect of interests in ESR-REIT Units.
- † The percentage interest is based on ESR-REIT Units in issue as at the Latest Practicable Date, being 3,543,157,293 ESR-REIT Units. Percentages are rounded to the nearest two (2) decimal places.
- (1) Leading Wealth Global Inc ("**LWG**") holds 621,952,678 ESR-REIT Units. LWG is a wholly-owned subsidiary of Longemont Real Estate Pte Ltd ("**LRE**") and therefore, LRE is deemed to be interested in the 621,952,678 ESR-REIT Units held by LWG.
- (2) LRE is a wholly-owned subsidiary of Shanghai Summit (Group) Co., Ltd. Therefore, Shanghai Summit (Group) Co., Ltd is deemed to be interested in the 621,952,678 ESR-REIT Units held by LWG.
- (3) Wealthy Fountain Holdings Inc holds 60 ESR-REIT Units and Skyline Horizon Consortium Ltd holds 13,172,094 ESR-REIT Units. Both entities are wholly owned by SSPL. The ESR-REIT Manager holds 24,048,447 ESR-REIT Units and is 25% owned by SSPL. Both SSPL and Shanghai Summit (Group) Co., Ltd are wholly owned by Mr. Tong. Therefore, Mr. Tong is deemed to be interested in the 659,173,279 ESR-REIT units held by the above-mentioned entities.
- (4) The ESR-REIT Manager and ESR-PM are indirect subsidiaries of e-Shang Infinity Cayman Limited. Therefore, e-Shang Infinity Cayman Limited is deemed to be interested in the 32,602,536 ESR-REIT Units held by the ESR-REIT Manager and ESR-PM.
- (5) e-Shang Infinity Cayman Limited is a wholly-owned subsidiary of e-Shang Jupiter Cayman Limited. Therefore, e-Shang Jupiter Cayman Limited is deemed to be interested in the 336,168,533 ESR-REIT Units held by e-Shang Infinity Cayman Limited, the ESR-REIT Manager and ESR-PM.
- (6) e-Shang Jupiter Cayman Limited is a wholly-owned subsidiary of ESR Cayman Limited. Therefore, ESR Cayman Limited is deemed to be interested in the 336,168,533 ESR-REIT Units held by e-Shang Infinity Cayman Limited, the ESR-REIT Manager and ESR-PM.

15.3 **Directors' Holdings in Sabana Units.** As at the Latest Practicable Date, Mr. Tong holds a direct interest in 16,930,200 Sabana Units, which is equivalent to approximately 1.61% of the total number of Sabana Units. Mr. Tong is also deemed interested in 17,806,800 Sabana Units

that are held by his wholly-owned company, Wealthy Fountain Holdings Inc, which represents approximately 1.69% of the total number of Sabana Units.

- 15.4 **Substantial ESR-REIT Unitholders' Holdings in Sabana Units.** Based on the Register of Substantial Unitholders maintained by the Sabana Manager as at the Latest Practicable Date, certain substantial ESR-REIT Unitholders also hold an interest in the Sabana Units, as set out in the table below.

Substantial ESR-REIT Unitholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Sabana Units	%*†	No. of Sabana Units	%*†	No. of Sabana Units	%*†
e-Shang Infinity Cayman Limited	207,755,509	19.73	-	-	207,755,509	19.73
e-Shang Jupiter Cayman Limited <sup>(1)</sup>	-	-	207,755,509	19.73	207,755,509	19.73
ESR Cayman Limited <sup>(2)</sup>	12,141,800	1.15	207,755,509	19.73	219,897,309	20.88

**Notes:**

\* Based on substantial ESR-REIT Unitholders' disclosures in respect of interests in Sabana Units.

† The percentages are calculated based on 1,053,083,530 issued Sabana Units as at the Latest Practicable Date. Percentages are rounded to the nearest two (2) decimal places.

(1) e-Shang Jupiter Cayman Limited holds a 100% interest in e-Shang Infinity Cayman Limited and has a deemed interest in the Sabana Units in which e-Shang Infinity Cayman Limited has an interest.

(2) ESR Cayman Limited holds a 100% interest in e-Shang Jupiter Cayman Limited and has a deemed interest in the Sabana Units in which e-Shang Jupiter Cayman Limited has an interest.

- 15.5 Save as disclosed in this Circular, none of the Directors or substantial ESR-REIT Unitholders has any interest, direct or indirect, in the Merger.

## 16. APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

- 16.1 Pursuant to Chapter 9 of the Listing Manual, the ESR-REIT Manager has appointed Rothschild & Co Singapore Limited (the "**IFA**") as the independent financial adviser to advise the ESR-REIT Manager's Audit, Risk Management and Compliance Committee (the "**ARCC**"), the Directors who are considered independent for the purposes of the Merger as an interested person transaction and interested party transaction, being Mr. Ooi Eng Peng, Mr. Khor Un-Hun, Dr. Leong Horn Kee, Mr. Ronald Lim Cheng Aun, Ms. Stefanie Yuen Thio, Mr. Wilson Ang Poh Seong and Mr. Adrian Chui Wai Yin (the "**ESR-REIT Recommending Directors**") and the ESR-REIT Trustee as to whether the Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders.

- 16.2 A copy of the letter from the IFA to the members of the ARCC, the ESR-REIT Recommending Directors and the ESR-REIT Trustee (the "**IFA Letter**") is set out in **Appendix A** to this Circular.

### 16.3 IFA's Recommendation

Taking into consideration the factors set out in the IFA Letter and subject to the assumptions and qualifications set out in the IFA Letter and taking into account the prevailing conditions as at the Latest Practicable Date, the IFA is of the opinion that the Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders.

Accordingly, the IFA advises the ARCC and the ESR-REIT Recommending Directors to recommend that the ESR-REIT Unitholders vote in favour of the resolution in connection with the Merger.

ESR-REIT Unitholders should read the following extracts in conjunction with, and in the context of, the IFA Letter in its entirety as set out in **Appendix A** to Circular:

- (1) *"We note that the valuation certificates of the Sabana Portfolio, as prepared by the ESR-REIT Independent Valuer (Sabana Portfolio), contain disclaimers which highlight that the property valuations prepared are current as at the date of the valuation certificates and that there is uncertainty around the potential future impact that Covid-19 may or may not have on the real estate market. Further details on the valuation certificates prepared by the ESR-REIT Independent Valuer (Sabana Portfolio) are set out in **Appendix C** of the Circular and ESR-REIT Unitholders are advised to read the information carefully.*

*We wish to highlight that we have sought clarification from the ESR-REIT Independent Valuer (Sabana Portfolio) on the qualification statement included in the valuation certificates and the impact this may have on the reliability of the valuation conclusion, if any.";* and

- (2) *"In arriving at our Opinion as to whether the Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority ESR-REIT Unitholders, we evaluated whether the gross exchange ratio of 0.940x is fair and reasonable based on whether the Consideration Units and Sabana Units are fairly valued based on the Consideration Unit Price (RD) and the Scheme Consideration (RD), respectively, and have considered, inter alia, the following factors below which should be read in conjunction with, and interpreted, in the full context of this Letter:*

- (a) *Based on both the FY2019 and the 1H2020 pro forma financials, the Merger is accretive to ESR-REIT Unitholders on a DPU, an NAV per ESR-REIT Unit and an NTA per ESR-REIT Unit basis;*

- (b) *As disclosed in the Circular, the completion of the Merger, the Enlarged REIT will solidify its position amongst the top 5 industrial S-REITs, with the overall asset size increasing to approximately S\$4.1 billion from approximately S\$3.2 billion prior to the Merger. As a result of an increase in market capitalisation, the Enlarged REIT may experience an increase in trading liquidity, investor coverage and inclusion in indices, which offers the potential benefits of a wider and more diversified investor base, higher trading liquidity, increased analyst coverage and a potential positive re-rating of its unit price, which would be*

*beneficial to the Enlarged REIT unitholders; and*

- (c) *The Merger may also potentially provide ESR-REIT Unitholders with asset class diversification benefits, operational synergies and portfolio optimisation potential, organic AEI growth opportunities, more competitive costs of capital, supporting the future growth of the Enlarged REIT as compared to ESR-REIT on a standalone basis.*

*In the evaluation of the Consideration Unit Price (RD):*

1. *Liquidity analysis of the ESR-REIT Units and the Top 30 STI Companies indicate that there is reasonable liquidity in the ESR-REIT Units and that the market prices of the ESR-REIT Units should generally reflect the fundamental, market-based value of the ESR-REIT Units;*
2. *The historical market performance and trading activity of the ESR-REIT Units indicate that:*
  - (i) *the Consideration Unit Price (RD) of S\$0.401 represents a premium of 2.8% to the closing price of the ESR-REIT Units on the Last Undisturbed Trading Date;*
  - (ii) *the Consideration Unit Price (RD) of S\$0.401 represents a premium of 2.5%, 10.9%, 13.4% and 4.4% to the 1-month, 3-month, 6-month and 12-month VWAPs of the ESR-REIT Units up to and including the Last Undisturbed Trading Date, respectively; and*
  - (iii) *the average daily trading volume of the ESR-REIT Units as a percentage of the free float ranged between 0.32% and 1.04%, in the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Undisturbed Trading Date;*
3. *The comparison of the Latest P/NAV multiple implied by the Consideration Unit Price (RD) of 0.98x to the trailing Latest P/NAV multiples of the ESR-REIT Units indicates that the Latest P/NAV multiple of 0.98x implied by the Consideration Unit Price (RD) is:*
  - (i) *within the range of the trailing Latest P/NAV multiples of the ESR-REIT Units of 0.56x to 1.29x over the 6-month period up to and including the Last Undisturbed Trading Date and in line with the mean and median of 0.97x and 0.93x, respectively;*
  - (ii) *within the range of the trailing Latest P/NAV multiples of the ESR-REIT Units of 0.56x to 1.29x over the 12-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 1.07x and 1.16x, respectively; and*
  - (iii) *within the range of the trailing Latest P/NAV multiples of the ESR-REIT*



*Units of 0.56x to 1.76x over the 36-month period up to and including the Last Undisturbed Trading Date and is in line with the mean and median of 1.06x and 0.98x, respectively;*

4. *The comparison of the LTM DY of the ESR-REIT Units implied by the Consideration Unit Price (RD) of 7.6% to the trailing LTM DYs of the ESR-REIT Units indicates that the LTM DY of 7.6% implied by the Consideration Unit Price (RD) is:*
  - (i) *within the range of the trailing LTM DYs of the ESR-REIT Units of 6.3% to 14.7% over the 6-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 8.6% and 8.3%, respectively;*
  - (ii) *within the range of the trailing LTM DYs of the ESR-REIT Units of 6.3% to 14.7% over the 12-month period up to and including the Last Undisturbed Trading Date and is within the mean and median of 7.7% and 6.9%, respectively; and*
  - (iii) *within the range of the trailing LTM DYs of the ESR-REIT Units of 6.3% to 14.7% over the 36-month period up to and including the Last Undisturbed Trading Date and above the mean and median of 7.2% and 7.0%, respectively;*
  
5. *The comparison of the LTM Implied NPI Yield of the ESR-REIT Units implied by the Consideration Unit Price (RD) of 5.7% to the trailing LTM Implied NPI Yields of the ESR-REIT Units indicates that the LTM Implied NPI Yield of 5.7% implied by the Consideration Unit Price (RD) is:*
  - (i) *within the range of the trailing LTM Implied NPI Yields of the ESR-REIT Units of 5.3% to 7.7% over the 6-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 6.2% and 6.3%, respectively;*
  - (ii) *within the range of the trailing LTM Implied NPI Yields of the ESR-REIT Units of 4.6% to 7.7% over the 12-month period up to and including the Last Undisturbed Trading Date and in line with the mean and median of 5.6% and 5.3%, respectively; and*
  - (iii) *within the range of the trailing LTM Implied NPI Yields of the ESR-REIT Units of 3.5% to 7.7% over the 36-month period up to and including the Last Undisturbed Trading Date and above with the mean and median of 5.2% and 5.3%, respectively;*

6. *The comparison of valuation multiples implied by the Consideration Unit Price (RD) to those of the Selected Comparable Industrial S-REITs indicates that:*
- (i) the Latest P/NAV multiple implied by the Consideration Unit Price (RD) of 0.98x is within the range of the Latest P/NAV multiples of the Mid-Cap Comparable Industrial S-REITs of 0.78x to 0.99x and above the mean and median of 0.87x and 0.85x, respectively;*
  - (ii) the LTM DY implied by the Consideration Unit Price (RD) of 7.6% is within the range of the LTM DYs of the Mid-Cap Comparable Industrial S-REITs of 7.2% and 8.5% and within the mean and median of 7.7% and 7.3%, respectively; and*
  - (iii) the LTM Implied NPI Yield implied by the Consideration Unit Price (RD) of 5.7% is below the range of the LTM Implied NPI Yields of the Mid-Cap Comparable Industrial S-REITs of 6.4% and 8.0% and below the mean and median of 6.9% and 6.5%, respectively;*
7. *The comparison of premium / (discount) of the ESR-REIT Units as implied by the Consideration Unit Price (RD) to the equivalent premia / (discount) offered in the Precedent Transactions indicates that:*
- (i) the premium of 2.8% implied by the Consideration Unit Price (RD) over the closing price of the ESR-REIT Units on the Last Undisturbed Trading Date is above the range of the equivalent premia / (discount) offered in the Precedent Transactions of (4.4%) and 0.0% and above the mean and median of (1.0%) and 0.0%, respectively;*
  - (ii) the premium of 13.4% implied by the Consideration Unit Price (RD) over the 6-month VWAP of the ESR-REIT Units up to and including the Last Undisturbed Trading Date is above the range of the equivalent premia / (discount) offered in the Precedent Transactions of (4.4%) and 8.9% and above the mean and median of 3.1% and 1.8%, respectively; and*
  - (iii) the premium of 4.4% implied by the Consideration Unit Price (RD) over the 12-month VWAP of the ESR-REIT Units up to and including the Last Undisturbed Trading Date is within the range of the equivalent premia / (discount) offered in the Precedent Transactions of (5.6%) and 12.8% and below the mean and median of 4.8% and 5.8%, respectively;*

*In the evaluation of the Scheme Consideration (RD):*

1. *Liquidity analysis of the Sabana REIT Units and the Top 30 STI Companies indicate that there is reasonable liquidity in the Sabana Units and that the market prices of the Sabana Units should generally reflect the fundamental, market-based value of the Sabana REIT Units;*

2. *The historical market performance and trading activity of the Sabana Units indicate that:*
  - (i) *the Scheme Consideration (RD) of S\$0.377 represents a premium of 4.7% to the closing price of the Sabana Units on the Last Undisturbed Trading Date;*
  - (ii) *the Scheme Consideration (RD) of S\$0.377 represents a premium of 6.1%, 11.2%, 13.5% and 3.4% to the 1-month, 3-month, 6-month and 12-month VWAPs of the Sabana Units up to and including the Last Undisturbed Trading Date, respectively; and*
  - (iii) *the average daily trading volume of the Sabana Units as a percentage of the free float ranged between 0.20% and 0.28%, in the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Undisturbed Trading Date;*
  
3. *The comparison of the Latest P/NAV multiple implied by the Scheme Consideration (RD) of 0.74x to the trailing Latest P/NAV multiples of the Sabana Units indicates that the Latest P/NAV multiple of 0.74x implied by the Scheme Consideration (RD) is:*
  - (i) *within the range of the trailing Latest P/NAV multiples of the Sabana Units of 0.42x to 0.83x over the 6-month period up to and including the Last Undisturbed Trading Date and is above the mean and median of 0.66x and 0.65x, respectively;*
  - (ii) *within the range of the trailing Latest P/NAV multiples of the Sabana REIT Units of 0.42x to 0.84x over the 12-month period up to and including the Last Undisturbed Trading Date and within the mean and median of 0.73x and 0.80x, respectively; and*
  - (iii) *within the range of the trailing Latest P/NAV multiples of the Sabana REIT Units of 0.42x to 0.86x over the 36-month period up to and including the Last Undisturbed Trading Date and is in line with the mean and median of 0.76x and 0.78x, respectively;*
  
4. *The comparison of the LTM DY of the Sabana Units implied by the Scheme Consideration (RD) of 6.9% to the trailing LTM DYs of the Sabana Units indicates that the LTM DY of 6.9% implied by the Scheme Consideration (RD) is:*
  - (i) *within the range of the trailing LTM DYs of the Sabana Units of 6.0% to 11.9% over the 6-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 7.8% and 7.7%, respectively;*

- (ii) *within the range of the trailing LTM DYs of the Sabana Units of 5.8% to 11.9% over the 12-month period up to and including the Last Undisturbed Trading Date and within the mean and median of 6.9% and 6.1%, respectively; and*
  - (iii) *within the range of the trailing LTM DYs of the Sabana Units of 5.8% to 11.9% over the 36-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 7.4% and 7.6%, respectively;*
5. *The comparison of the LTM Implied NPI Yield of the Sabana Units implied by the Scheme Consideration (RD) of 6.3% to the trailing LTM Implied NPI Yields of the Sabana Units indicates that the LTM Implied NPI Yield of 6.3% implied by the Scheme Consideration (RD) is:*
- (i) *within the range of the trailing LTM Implied NPI Yields of the Sabana Units of 6.1% to 8.6% over the 6-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 7.0%;*
  - (ii) *within the range of the trailing LTM Implied NPI Yields of the Sabana Units of 6.1% to 8.6% over the 12-month period up to and including the Last Undisturbed Trading Date and within the mean and median of 6.6% and 6.2%, respectively; and*
  - (iii) *within the range of the trailing LTM Implied NPI Yields of the Sabana Units of 6.0% to 8.6% over the 36-month period up to and including the Last Undisturbed Trading Date and is in line with the mean and median of 6.6%;*
6. *The comparison of valuation multiples implied by the Scheme Consideration (RD) to those of the Selected Comparable Industrial S-REITs indicates that:*
- (i) *the Latest P/NAV multiple implied by the Scheme Consideration (RD) of 0.74x is below the range of the Latest P/NAV multiples of the Mid-Cap Comparable Industrial S-REITs of 0.78x to 0.99x and is below the mean and median of 0.87x and 0.85x, respectively;*
  - (ii) *the LTM DY implied by the Scheme Consideration (RD) of 6.9% is below the range of the LTM DYs of the Mid-Cap Comparable Industrial S-REITs of 7.2% and 8.5% and is below the mean and median of 7.7% and 7.3%, respectively; and*
  - (iii) *the LTM Implied NPI Yield implied by the Scheme Consideration (RD) of 6.3% is below with the range of the LTM Implied NPI Yields of the Mid-Cap Comparable Industrial S-REITs of 6.4% and 8.0% and is below with the mean and median of 6.9% and 6.5%, respectively;*

7. *The comparison of premium / (discount) of the Sabana Units as implied by the Scheme Consideration (RD) to the equivalent premia / (discount) offered in the Precedent Transactions indicates that:*
- (i) the discount of 26.4% implied by the Scheme Consideration (RD) over the prevailing Sabana P/NAV as at the Last Undisturbed Trading Date is below the range of the premia implied by the Precedent Transactions of (0.4%) and 26.4% and is below the mean and median of 10.5% and 7.0%, respectively;*
  - (ii) the premium of 13.5% implied by the Scheme Consideration (RD) over the 6-month VWAP of the Sabana Units up to and including the Last Undisturbed Trading Date is within the range of the equivalent premia / (discount) offered in the Precedent Transactions of 1.5% and 24.2% and is above the mean and median of 7.8% and 3.6%, respectively; and*
  - (iii) the premium of 3.4% implied by the Scheme Consideration (RD) over the 12-month VWAP of the Sabana Units up to and including the Last Undisturbed Trading Date is within the range of the equivalent premia / (discount) offered in the Precedent Transactions of 0.4% and 31.9% and is below the mean and median of 11.5% and 8.2%, respectively;*
8. *The comparison of the premium / (discount) implied by the Scheme Consideration (RD) to that implied by the Selected Precedent Privatisation Transactions indicates that the premia implied by the Scheme Consideration (RD) in connection with the Merger to the VWAPs over the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Undisturbed Trading Date are within the range and below the mean and median of the Selected Precedent Privatisation Transactions;*
9. *The comparison of the independent valuations of Sabana portfolio indicates that the ESR-REIT Independent Valuer (Sabana Portfolio) Valuation is 0.88% lower than the Sabana REIT Independent Valuation;*

*In the evaluation of the Exchange Ratio:*

1. *The comparison of the Exchange Ratio to the exchange ratio as implied by the closing prices of the ESR-REIT Units and Sabana Units indicates that:*
- (i) The Exchange Ratio of 0.940x represents a premia / (discount) of 1.8%, 3.5%, 0.4%, 0.2% and (1.1%) over the implied exchange ratio between the ESR-REIT Units and the Sabana Units of 0.923x, 0.908x, 0.936x, 0.938x, and 0.951x as at the Last Undisturbed Trading Date, and for the 1-month, 3-month, 6-month, and 12-month periods prior to the Last Undisturbed Trading Date respectively; and*

Other relevant considerations which have a significant bearing on our assessment, in relation to:

1. The Merger being an interested person transaction and interested party transaction.

Tables 19 and 20 below summarise the abovementioned key financial analyses performed.

**Table 19. Summary analysis of the Consideration Unit Price (RD)**

Metric	Min <sup>(1)</sup>	Max <sup>(1)</sup>	Mean <sup>(1)</sup>	Median <sup>(1)</sup>	Merger as at RD <sup>(2)</sup>	Min-Max Range <sup>(3),(4)</sup>	Mean - Median Range <sup>(3),(4)</sup>
<b>Summary Analysis of the Consideration Unit Price (RD)</b>							
<b>Historical trading range of the ESR-REIT Units</b>							
Closing price (S\$) - 6-month period up to the LUTD	0.24	0.56	0.41	0.39	0.401	Within	Within
Closing price (S\$) - 12-month period up to the LUTD	0.24	0.56	0.47	0.53	0.401	Within	Below
Closing price (S\$) - 3-year period up to the LUTD	0.24	0.59	0.51	0.53	0.401	Within	Below
<b>Trailing P/NAV multiples</b>							
As at the LUTD	0.95x	0.95x	0.95x	0.95x	0.98x	In line	In line
6-month period up to the LUTD	0.56x	1.29x	0.97x	0.93x	0.98x	Within	In line
12-month period up to the LUTD	0.56x	1.29x	1.07x	1.16x	0.98x	Within	Below
36-month period up to the LUTD	0.56x	1.76x	1.06x	0.98x	0.98x	Within	In line
<b>Trailing Distribution Yields</b>							
As at the LUTD	7.8%	7.8%	7.8%	7.8%	7.6%	In line	In line
6-month period up to the LUTD	6.3%	14.7%	8.6%	8.3%	7.6%	Within	Below
12-month period up to the LUTD	6.3%	14.7%	7.7%	6.9%	7.6%	Within	Within
36-month period up to the LUTD	6.3%	14.7%	7.2%	7.0%	7.6%	Within	Above
<b>Trailing Implied NPI Yields<sup>(5)</sup></b>							
As at the LUTD	5.7%	5.7%	5.7%	5.7%	5.7%	In line	In line
6-month period up to the LUTD	5.3%	7.7%	6.2%	6.3%	5.7%	Within	Below
12-month period up to the LUTD	4.6%	7.7%	5.6%	5.3%	5.7%	Within	In line
36-month period up to the LUTD	3.5%	7.7%	5.2%	5.3%	5.7%	Within	Above
<b>Trading Multiples of Selected Comparable Industrial S-REITs</b>							
<b>Mid-Cap Comparable Industrial S-REITs</b>							
Latest P/NAV Multiples	0.78x	0.99x	0.87x	0.85x	0.98x	Within	Above
LTM Distribution Yield	7.2%	8.5%	7.7%	7.3%	7.6%	Within	Within
LTM Implied NPI Yield <sup>(5)</sup>	6.4%	8.0%	6.9%	6.5%	5.7%	Below	Below
<b>Precedent Transactions of Selected S-REIT Mergers</b>							
Premium / (discount) to Closing price as at last trading date	(4.4%)	0.0%	(1.0%)	0.0%	2.8%	Above	Above
Premium / (discount) over 6-month VWAP	(4.4%)	8.9%	3.1%	1.8%	13.4%	Above	Above
Premium / (discount) over 12-month VWAP	(5.6%)	12.8%	4.8%	5.8%	4.4%	Within	Below

**Sources:** FactSet, Bloomberg, relevant SGX-ST filings and the respective companies' announcements, circulars and offer documents

- (1) Minimum, maximum, mean and median of the respective benchmarks
- (2) Implied by the Merger as at the Reference Date (9 July 2020)
- (3) Parameters implied by the Merger relative to the minimum and maximum, and mean and median range of the respective benchmarks
- (4) A metric is classified as "In line" when the parameters implied by the Merger are within a 5% range of the average of the minimum and maximum or the mean and median, as applicable, of the respective benchmarks
- (5) The LTM Implied NPI Yield is calculated by dividing the net property income over the prior 12 months by the enterprise value implied by the Consideration Unit Price (RD) (please refer to Table 4 in this Letter for more details)

**Table 20. Summary analysis of the Scheme Consideration (RD)**

Metric	Min <sup>(1)</sup>	Max <sup>(1)</sup>	Mean <sup>(1)</sup>	Median <sup>(1)</sup>	Merger as at RD <sup>(2)</sup>	Min-Max Range <sup>(3),(4)</sup>	Mean - Median Range <sup>(3),(4)</sup>
<b>Summary Analysis of the Scheme Consideration (RD)</b>							
<b>Historical trading range of the Sabana Units</b>							
Closing price (S\$) - 6-month period up to the LUTD	0.24	0.47	0.37	0.36	0.377	Within	In line
Closing price (S\$) - 12-month period up to the LUTD	0.24	0.48	0.41	0.45	0.377	Within	Below
Closing price (S\$) - 3-year period up to the LUTD	0.24	0.49	0.42	0.43	0.377	Within	Below
<b>Trailing P/NAV multiples</b>							
As at the LUTD	0.70x	0.70x	0.70x	0.70x	0.74x	In line	In line
6-month period up to the LUTD	0.42x	0.83x	0.66x	0.65x	0.74x	Within	Above
12-month period up to the LUTD	0.42x	0.84x	0.73x	0.80x	0.74x	Within	Within
36-month period up to the LUTD	0.42x	0.86x	0.76x	0.78x	0.74x	Within	In line
<b>Trailing Distribution Yields</b>							
As at the LUTD	7.2%	7.2%	7.2%	7.2%	6.9%	In line	In line
6-month period up to the LUTD	6.0%	11.9%	7.8%	7.7%	6.9%	Within	Below
12-month period up to the LUTD	5.8%	11.9%	6.9%	6.1%	6.9%	Within	Within
36-month period up to the LUTD	5.8%	11.9%	7.4%	7.6%	6.9%	Within	Below
<b>Trailing Implied NPI Yields<sup>(5)</sup></b>							
As at the LUTD	6.5%	6.5%	6.5%	6.5%	6.3%	In line	In line
6-month period up to the LUTD	6.1%	8.6%	7.0%	7.0%	6.3%	Within	Below
12-month period up to the LUTD	6.1%	8.6%	6.6%	6.2%	6.3%	Within	Within
36-month period up to the LUTD	6.0%	8.6%	6.6%	6.6%	6.3%	Within	In line
<b>Trading Multiples of Selected Comparable Industrial S-REITs</b>							
<b>Mid-Cap Comparable Industrial S-REITs</b>							
Latest P/NAV Multiples	0.78x	0.99x	0.87x	0.85x	0.74x	Below	Below
LTM Distribution Yield	7.2%	8.5%	7.7%	7.3%	6.9%	Below	Below
LTM Implied NPI Yield <sup>(5)</sup>	6.4%	8.0%	6.9%	6.5%	6.3%	Below	Below
<b>Precedent Transactions of Selected S-REIT Mergers</b>							
Premium / (discount) to NAV	(0.4%)	26.4%	10.5%	7.0%	(26.4%)	Below	Below
Premium / (discount) over 6-month VWAP	1.5%	24.2%	7.8%	3.6%	13.5%	Within	Above
Premium / (discount) over 12-month VWAP	0.4%	31.9%	11.5%	8.2%	3.4%	Within	Below
<b>Precedent Takeovers Premia</b>							
<b>General Singapore Takeovers</b>							
Premium / (discount) to Closing price as at last trading date	(1.5%)	88.1%	22.8%	19.8%	4.7%	Within	Below
Premium / (discount) over 1-month VWAP	(0.9%)	105.2%	28.6%	24.6%	6.1%	Within	Below
Premium / (discount) over 3-month VWAP	(3.0%)	124.2%	31.4%	25.8%	11.2%	Within	Below
Premium / (discount) over 6-month VWAP	(7.1%)	139.8%	33.2%	27.0%	13.5%	Within	Below

**Sources:** FactSet, Bloomberg, relevant SGX-ST filings and the respective companies' announcements, circulars and offer documents

- (1) Minimum, maximum, mean and median of the respective benchmarks
- (2) Implied by the Merger as at the Reference Date (9 July 2020)
- (3) Parameters implied by the Merger relative to the minimum and maximum, and mean and median range of the respective benchmarks
- (4) A metric is classified as "In line" when the parameters implied by the Merger are within a 5% range of the average of the minimum and maximum or the mean and median, as applicable, of the respective benchmarks
- (5) The LTM Implied NPI Yield is calculated by dividing the net property income over the prior 12 months by the enterprise value implied by the Scheme Consideration (RD) (please refer to Table 4 in this Letter for more details)

After carefully considering the above, and subject to the assumptions and qualifications set out herein and taking into account the prevailing conditions as at the Latest Practicable Date, we are of the opinion that:

**The Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders.**

Accordingly, we advise that the ARCC and the ESR-REIT Recommending Directors recommend that the ESR-REIT Unitholders vote in favour of the Merger."

ESR-REIT Unitholders should further note that the IFA's opinion on the Merger cannot and does not take into account the future trading activity or patterns or price levels that may be established for the ESR-REIT Units and the Sabana Units as these are governed by factors beyond the scope of the IFA's review and would not fall within the IFA's terms of reference in connection with the Merger. ESR-REIT Unitholders should not rely on the IFA's opinion as the sole basis for deciding whether or not to vote in favour of the Merger.

## **17. RECOMMENDATIONS**

### **17.1 The Merger and the Issue of Approximately 989.9 Million Consideration Units Pursuant to the Merger at the Consideration Unit Issue Price**

The ESR-REIT Recommending Directors have considered the relevant factors, including the terms of the Merger and the rationale for the Merger as set out in paragraph 5, as well as the IFA's opinion as set out in the IFA Letter in **Appendix A** to this Circular, and recommend that the Independent ESR-REIT Unitholders **VOTE IN FAVOUR** of Resolution 1, the Ordinary Resolution relating to the Merger, and Resolution 2, the Ordinary Resolution relating to the issue of approximately 989.9 million Consideration Units at the Consideration Unit Issue Price pursuant to the Merger.

### **17.2 No Regard to Specific Objectives**

ESR-REIT Unitholders, in deciding whether to vote in favour of the resolutions set out in the Notice of EGM in **Appendix E** to this Circular, should read carefully the terms, rationale and *pro forma* financial effects of the Merger, and consider carefully the IFA's advice. In giving the above recommendations, the Directors have not had regard to any general or specific investment objectives, financial situations, tax positions or particular needs or constraints of any individual ESR-REIT Unitholder or any specific group of ESR-REIT Unitholders. As different ESR-REIT Unitholders have different investment profiles and objectives, the Directors recommend that any Independent ESR-REIT Unitholder who may require specific advice in relation to his/her investment portfolio should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser.

## **18. STATEMENT OF THE AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE**

Based on the IFA's opinion as set out in the IFA Letter in **Appendix A** to this Circular and the rationale for the Merger as set out in paragraph 5, the ARCC is of the opinion that the Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders.



## **19. ABSTENTIONS FROM VOTING**

### **19.1 The Sponsor to Abstain from Voting**

Paragraph 5.2(b) of the Property Funds Appendix states that where a proposed transaction is equal to or greater than 5% of the property fund's NAV, a person who has an interest, whether commercial, financial or personal, in the outcome of the transaction, other than in his capacity as a participant, will not be allowed to vote on the resolution to approve the transaction.

Rule 748(5) of the Listing Manual also states that the custodian, investment manager, any of their connected persons and any director of the investment fund and investment manager, is prohibited from voting their own shares at, or being part of a quorum for, any meeting to approve any matter in which they have a material interest.

Under Rule 919 of the Listing Manual, where a meeting is held to obtain unitholders' approval of an interested person transaction, the interested person and any associate of the interested person must not vote on a resolution in respect of which such person is interested, nor accept appointments as proxies, unless specific instructions as to voting are given.

Accordingly, as set out in paragraph 12.2, the Sponsor and its associates will abstain from voting on Resolutions 1 and 2 at the EGM. Further, each of them shall decline to accept appointment as proxy to attend and vote at the EGM in respect of Resolutions 1 and 2 unless the ESR-REIT Unitholder concerned has given specific instructions in his proxy form as to the manner in which his votes are to be cast.

### **19.2 Mr. Tong to Abstain from Voting**

As set out in paragraph 12.3, Mr. Tong and his associates will abstain from voting on Resolutions 1 and 2 at the EGM. Further, each of them shall decline to accept appointment as proxy to attend and vote at the EGM in respect of Resolutions 1 and 2 unless the ESR-REIT Unitholder concerned has given specific instructions in his proxy form as to the manner in which his votes are to be cast.

### **19.3 Mitsui to Abstain from Voting**

As set out in paragraph 12.5, Mitsui will abstain from voting on Resolutions 1 and 2 at the EGM. Further, it shall decline to accept appointment as proxy to attend and vote at the EGM in respect of Resolutions 1 and 2 unless the ESR-REIT Unitholder concerned has given specific instructions in his proxy form as to the manner in which his votes are to be cast.

### **19.4 ESR-REIT will disregard any votes cast on a resolution by persons required to abstain from voting.**

## 20. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in **Appendix E** to this Circular (the "**Notice of EGM**"), will be held by electronic means on 4 December 2020 (Friday) at 10.00 a.m. for the purpose of considering and, if thought fit, passing, the resolutions set out in the Notice of EGM.

In line with the provisions of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 gazetted on 13 April 2020 (as amended), unless otherwise requested, no printed copies of this Circular will be despatched to ESR-REIT Unitholders.

For ESR-REIT Unitholders' convenience, printed copies of the Notice of EGM and the Proxy Form have still been despatched to ESR-REIT Unitholders. An electronic copy of this Circular (including the Notice of EGM and the Proxy Form) is available on ESR-REIT's website at <https://merger.esr-reit.com.sg>, and on the SGX-ST's website at <https://www.sgx.com/securities/company-announcements>.

ESR-REIT Unitholders may request for printed copies of this Circular by completing and returning the request form accompanying the Notice of EGM and the Proxy Form to the ESR-REIT Manager by 26 November 2020 (Thursday).

## 21. ACTION TO BE TAKEN BY ESR-REIT UNITHOLDERS

### 21.1 No Attendance in Person

Due to the current COVID-19 restriction orders in Singapore, the EGM will be conducted only by way of electronic means and ESR-REIT Unitholders will not be able to physically attend the EGM.

### 21.2 Alternative Arrangements

Alternative arrangements have been put in place to allow ESR-REIT Unitholders to participate in the EGM as follows:

#### (a) Live Audio-visual Webcast / Live Audio-only Stream

The proceedings of the EGM will be broadcast through a live webcast comprising both video (audio-visual) and audio-only feeds. All ESR-REIT Unitholders who wish to follow the proceedings of the EGM through the live audio-visual webcast / live audio-only stream must **pre-register online at [www.smartagm.sg/esrreitegm2020](http://www.smartagm.sg/esrreitegm2020) (the "Pre-registration Page") which is also accessible by scanning the QR code on the cover page of this Circular by 1 December 2020 (Tuesday), 10.00 a.m.** (being 72 hours before the time appointed for the holding of the EGM) for verification purposes. Following successful verification, a confirmation email which contains unique user credentials and instructions on how to access the live audio-visual webcast / live audio-only stream of the EGM proceedings will be sent to you before the EGM (the "**Confirmation Email**"). ESR-REIT Unitholders **who do not receive the Confirmation Email by 10.00 a.m. on 3 December 2020 (Thursday)**, but have pre-registered for the

live audio-visual webcast / live audio-only stream of the EGM proceedings by the deadline of 10.00 a.m. on 1 December 2020 (Tuesday) **should contact the Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at +65 6536 5355 (during office hours) or at [SRS.teamE@boardroomlimited.com](mailto:SRS.teamE@boardroomlimited.com) immediately.**

(b) **Submission of Questions**

All ESR-REIT Unitholders will not be able to ask questions "live" via the live audio-visual webcast / live audio-only stream of the EGM proceedings. All ESR-REIT Unitholders can and are strongly encouraged to submit questions relating to the business of the EGM up till **1 December 2020 (Tuesday), 10.00 a.m.** (being 72 hours before the time appointed for the holding of the EGM on the Pre-registration Page or via electronic mail to [ir@esr-reit.com.sg](mailto:ir@esr-reit.com.sg) or by post addressed to Investor Relations at 138 Market Street, #26-03/04 CapitaGreen, Singapore 048946. When sending in questions, for verification purposes, please also provide your full name, address, contact telephone number and email, and the manner in which you hold ESR-REIT Units. Questions must be submitted on the Pre-registration Page or must reach the email address or address specified above **not less than 72 hours** before the time appointed for the holding of the EGM. The ESR-REIT Manager will endeavour to address all substantial and relevant questions either prior to or during the EGM. The ESR-REIT Manager will publish the responses to the substantial and relevant questions which the ESR-REIT Manager is unable to address during the EGM, on ESR-REIT's website at <https://merger.esr-reit.com.sg> and on SGXNET prior to the EGM.

(c) **Voting Solely via Appointing Chairman as Proxy (Submit a Proxy Form)**

ESR-REIT Unitholders will only be able to vote at the EGM by appointing the Chairman of the EGM as proxy to vote on their behalf. Duly completed Proxy Forms must be deposited with ESR-REIT (i) via post to the office of the Unit Registrar of ESR-REIT at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, or (ii) via electronic mail to [SRS.TeamE@boardroomlimited.com](mailto:SRS.TeamE@boardroomlimited.com) (e.g. enclosing a clear scanned completed and signed Proxy Form in PDF), and must be received by ESR-REIT by **1 December 2020 (Tuesday), 10.00 a.m.** (being 72 hours before the time appointed for the holding of the EGM). In the Proxy Form, an ESR-REIT Unitholder should specifically direct the proxy on how he/she is to vote for or vote against (or abstain from voting on) the resolutions to be tabled at the EGM. All valid votes cast via proxy on each resolution will be counted. If no specific direction as to voting is given, the Chairman of the EGM will vote or abstain from voting at his/her discretion.

Persons who hold ESR-REIT Units through a Relevant Intermediary (as defined in the ESR-REIT Trust Deed) (the "**Relevant Intermediary Unitholders**") who wish to participate in the EGM by (a) observing and/or listening to the EGM proceedings via the live audio-visual webcast / live audio-only stream; (b) submitting questions in advance of the EGM; and/or (c) appointing the Chairman of the EGM as proxy to vote on their behalf at the EGM, should approach their respective Relevant Intermediary as soon as possible in order to make the necessary arrangements for them to participate in the EGM.

Please refer to the Notice of EGM in **Appendix E** to this Circular for further information, including the steps to be taken by ESR-REIT Unitholders to participate in the EGM.

In view of the rapidly evolving COVID-19 situation, ESR-REIT Unitholders should note that the manner of conduct of the EGM may be subject to further changes at short notice. ESR-REIT Unitholders are advised to check ESR-REIT's website at <https://merger.esr-reit.com.sg> and SGXNET regularly for updates. Alternatively, ESR-REIT Unitholders may sign up for ESR-REIT email alerts here ([https://esr-reit.listedcompany.com/email\\_alerts.html](https://esr-reit.listedcompany.com/email_alerts.html)) to receive the latest updates.

## **22. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors (including those who may have delegated detailed supervision of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Merger and the ESR-REIT Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source (including Sabana REIT, the Sabana Manager and/or the Valuers), the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reflected and reproduced in this Circular in its proper form and context.

## **23. FINANCIAL ADVISERS' RESPONSIBILITY STATEMENT**

Citigroup Global Markets Singapore Pte. Ltd., Maybank Kim Eng Securities Pte. Ltd., RHB Singapore<sup>1</sup> and United Overseas Bank Limited are the financial advisers to the ESR-REIT Manager in respect of the Merger and the Scheme (the "**Financial Advisers**").

To the best of each of the Financial Advisers' knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Merger and the ESR-REIT Group, and each Financial Adviser is not aware of any facts the omission of which would make any statement in this Circular misleading.

## **24. CONSENTS**

The IFA (being Rothschild & Co Singapore Limited) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the IFA Letter set out in **Appendix A** to this Circular and all references thereto and in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.

Each of the Financial Advisers (being Citigroup Global Markets Singapore Pte. Ltd., Maybank Kim Eng Securities Pte. Ltd., RHB Singapore<sup>1</sup> and United Overseas Bank Limited) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein

of its name and all references thereto and in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.

Each of the ESR-REIT Independent Valuers (ESR-REIT Portfolio) (being CBRE Pte. Ltd., Knight Frank Pte Ltd and Savills Valuation and Professional Services (S) Pte. Ltd.) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all references thereto and in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.

The ESR-REIT Independent Valuer (Sabana Portfolio) (being Edmund Tie & Company (SEA) Pte. Ltd.), has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the ESR-REIT Valuation Certificates (Sabana Portfolio) set out in **Appendix C** to this Circular, and all references thereto and in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.

Each of the lending banks referred to in paragraph 7.5 (being United Overseas Bank Limited, Malayan Banking Berhad (Singapore Branch), Sumitomo Mitsui Banking Corporation Singapore Branch and RHB Singapore) (the "**Lending Banks**") has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all references thereto and in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.

The legal adviser to the ESR-REIT Manager (being WongPartnership LLP) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all references thereto and in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.

The legal adviser to the ESR-REIT Trustee (being Dentons Rodyk & Davidson LLP) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all references thereto and in the form and context in which they are included in this Circular and to act in such capacity in relation to this Circular.

## **25. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours<sup>39</sup> at the registered office of the ESR-REIT Manager at 138 Market Street #26-03/04 CapitaGreen, Singapore 048946 from the date of this Circular up to and including the date falling three (3) months after the date of this Circular:

- (a) the Implementation Agreement;
- (b) the IFA Letter set out in **Appendix A** to this Circular;
- (c) the ESR-REIT Valuation Certificates (ESR-REIT Portfolio);

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<sup>39</sup> Prior appointment is required in light of the COVID-19 situation.

- (d) the ESR-REIT Valuation Certificates (Sabana Portfolio) set out in **Appendix C** to this Circular;
- (e) the ESR-REIT Independent Valuation Reports (ESR-REIT Portfolio);
- (f) the ESR-REIT Independent Valuation Reports (Sabana Portfolio); and
- (g) the written consents of each of the IFA, the Financial Advisers, the Valuers, the Lending Banks and the legal advisers to the ESR-REIT Manager and the ESR-REIT Trustee as set out in paragraph 24 above.

The ESR-REIT Trust Deed will be available for inspection during normal business hours at the registered office of the ESR-REIT Manager for so long as ESR-REIT is in existence.

Yours faithfully

ESR Funds Management (S) Limited  
As Manager of ESR-REIT  
(Company Registration No.: 200512804G, Capital Markets Services Licence No.: CMS 100132)

**Adrian Chui**  
Chief Executive Officer and Executive Director

12 November 2020

**Important Notice:**

The value of units in ESR-REIT (the “**ESR-REIT Units**”) and the income derived from them may fall as well as rise. ESR-REIT Units are not investments or deposits in, or liabilities or obligations of the ESR-REIT Manager, the ESR-REIT Trustee, or any of their respective related corporations and affiliates (individually and collectively “**Affiliates**”). An investment in ESR-REIT Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-REIT, the ESR-REIT Manager, the ESR-REIT Trustee nor any of their Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-REIT, any particular rate of return from investing in ESR-REIT, or any taxation consequences of an investment in ESR-REIT. Any indication of ESR-REIT performance returns is historical and cannot be relied on as an indicator of future performance.

Investors should note that they have no right to request the ESR-REIT Manager to redeem or purchase their ESR-REIT Units for so long as the ESR-REIT Units are listed on the SGX-ST. It is intended that investors may only deal in their ESR-REIT Units through trading on the SGX-ST. Listing of the ESR-REIT Units on the SGX-ST does not guarantee a liquid market for the ESR-REIT Units. This Circular may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses, governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support ESR-REIT's future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the ESR-REIT Manager's current view of future events.

This Circular is for information purposes only and does not have regard to your specific investment objectives, financial situation or your particular needs. Any information contained in this Circular is not to be construed as investment or financial advice and does not constitute an offer or an invitation to invest in ESR-REIT or any investment or product of or to subscribe to any services offered by the ESR-REIT Manager, the ESR-REIT Trustee or any of their Affiliates.

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## APPENDIX A

### IFA LETTER

The ARCC, the ESR-REIT Recommending Directors and the ESR-REIT Trustee

ESR Funds Management (S) Limited  
as Manager of ESR-REIT  
138 Market Street  
CapitaGreen #26-03/04  
Singapore 048946

RBC Investor Services Trust Singapore Limited  
as Trustee of ESR-REIT  
8 Marina View  
#26-01 Asia Square Tower 1  
Singapore 018960

12 November 2020

Dear Sir/Madam,

#### INDEPENDENT FINANCIAL ADVICE WITH RESPECT TO:

- (1) **THE PROPOSED MERGER OF ESR-REIT AND SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST BY WAY OF A TRUST SCHEME OF ARRANGEMENT; AND**
- (2) **THE PROPOSED ISSUE OF APPROXIMATELY 989.9 MILLION NEW ESR-REIT UNITS TO THE SABANA UNITHOLDERS AT THE CONSIDERATION UNIT ISSUE PRICE (AS DEFINED BELOW) AS CONSIDERATION FOR THE MERGER**

*For the purposes of this Letter ("Letter"), capitalised terms not otherwise defined herein shall have the same meaning as defined in the circular dated 12 November 2020 issued by ESR Funds Management (S) Limited, in its capacity as manager of ESR-REIT, to the ESR-REIT Unitholders (the "Circular").*

*Please refer to section 1.3 on page 3 for a summary of the key financial analyses performed in this Letter, which should be considered in the context of the entirety of this Letter and the Circular.*

#### 1 INTRODUCTION

##### 1.1 The Merger and the Scheme

On 16 July 2020 (the "**Joint Announcement Date**"), the respective boards of directors of ESR Funds Management (S) Limited, as manager of ESR-REIT (the "**ESR-REIT Manager**"), and 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 "**Sabana Manager**"), jointly announced the proposed merger (the "**Merger**") of ESR-REIT and Sabana REIT (the "**Joint Announcement**") on the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The Merger will be effected through the acquisition by RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (the "**ESR-REIT Trustee**") of all the units of Sabana REIT (the "**Sabana Units**") held by the unitholders of Sabana REIT (the "**Sabana Unitholders**"), in exchange for units in ESR-REIT (the "**ESR-REIT Units**"), by way of a trust scheme of arrangement (the "**Scheme**") in compliance with the Singapore Code on Take-overs and Mergers (the "**Code**").

For further details on the Scheme, please refer to the joint announcement released on 16 July 2020 by the ESR-REIT Manager and the Sabana Manager titled “Proposed Merger Of ESR-REIT And Sabana Shari’ah Compliant Industrial Real Estate Investment Trust By Way Of A Trust Scheme Of Arrangement” and the scheme document dated 12 November 2020 issued by the Sabana Manager on behalf of Sabana REIT to all the Sabana Unitholders in relation to the Merger and the Scheme (the “**Scheme Document**”). On 16 July 2020, the board of directors of the ESR-REIT Manager also released an announcement titled “Proposed Merger of ESR-REIT and Sabana Shari’ah Compliant Industrial Real Estate Investment Trust By Way of a Trust Scheme of Arrangement” (the “**16 July Acquisition Announcement**”).

A copy of the Joint Announcement, the Scheme Document and the 16 July Acquisition Announcement is available on the SGX-ST at [www.sgx.com](http://www.sgx.com).

## 1.2 Summary of Approvals Sought

The Merger constitutes a major transaction under Rule 1014 of the listing manual (the “**Listing Manual**”) of the SGX-ST and accordingly requires the approval of the unitholders of ESR-REIT (the “**ESR-REIT Unitholders**”) under Rule 1014(2) of the Listing Manual.

In addition, the issue of the ESR-REIT Units at the volume weighted average price of the ESR-REIT Units for the one (1) month period ending on and including the last trading day prior to the Effective Date (as defined below) (the “**Consideration Unit Issue Price**”) as consideration for the Merger (the “**Consideration Uexchange nits**”) requires the approval of the ESR-REIT Unitholders by way of an Ordinary Resolution.

Further, the Merger, and the issue of Consideration Units as consideration for the Merger, constitutes an interested person transaction under Chapter 9 of the Listing Manual, as well as an interested party transaction under Appendix 6 of the Code on Collective Investment Schemes (the “**Property Funds Appendix**”) requiring the approval of the Independent ESR-REIT Unitholders.

In light of the above, the ESR-REIT Manager is seeking approval from the ESR-REIT Unitholders on each of the following resolutions at an extraordinary general meeting of the ESR-REIT Unitholders (the “**EGM**”):

- (a) Resolution 1: the Merger; and
- (b) Resolution 2: the proposed issue of approximately 989.9 million new ESR-REIT Units to the Sabana Unitholders at the Consideration Unit Issue Price as consideration for the Merger.

In respect of each of Resolution 1 and Resolution 2, the ESR-REIT Manager is seeking approval by way of Ordinary Resolutions.

ESR-REIT Unitholders should note that Resolution 1 and Resolution 2 are inter-conditional and are also conditional upon the Scheme becoming effective in accordance with its terms.

### 1.3 Appointment of Independent Financial Adviser (“IFA”)

Pursuant to Chapter 9 of the Listing Manual, the ESR-REIT Manager has appointed Rothschild & Co Singapore Limited (“**Rothschild & Co**”) as the independent financial adviser (the “**IFA**”) to advise the ESR-REIT Manager’s Audit, Risk Management and Compliance Committee (the “**ARCC**”), the Directors who are considered independent for the purposes of the Merger as an interested person transaction and interested party transaction, being Mr. Ooi Eng Peng, Mr. Khor Un-Hun, Dr. Leong Horn Kee, Mr. Ronald Lim Cheng Aun, Ms. Stefanie Yuen Thio, Mr. Wilson Ang Poh Seong and Mr. Adrian Chui Wai Yin (the “**ESR-REIT Recommending Directors**”) and the ESR-REIT Trustee (collectively, the “**Addressees**”) as to whether the Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders (the “**Opinion**”).

This Letter sets out, *inter alia*, our Opinion thereon and has been prepared for inclusion in the Circular. As part of our evaluation, we have evaluated whether the exchange ratio of 0.940x implied by the Scheme Consideration (RD) payable for each Sabana Unit (the “**Exchange Ratio**”) is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders and hence whether the Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders.

A summary of the key financial analyses performed by us with respect to the Merger can be found below including our evaluation and advice on the financial terms of the Merger. We would like to highlight that this summary should be read in conjunction with the rest of the Letter. Please refer to section 12 of this Letter on page 19 for more details on the financial analyses performed.

In arriving at our Opinion in respect of the Merger, we have considered, *inter alia*, the following relevant factors below which we considered to be pertinent in our assessment:

***Terms below are defined in more detail in section 12 of this Letter.***

- (a) Historical market performance and trading activity of the ESR-REIT and Sabana Units;
- (b) Liquidity analysis of the ESR-REIT and Sabana Units;
- (c) Trailing P/NAV multiples of the ESR-REIT and Sabana REIT units over the last 36 months relative to the P/NAV implied by the Merger;
- (d) Trailing Distribution Yields of the ESR-REIT and Sabana REIT units over the last 36 months relative to the Distribution Yields implied by the Merger;
- (e) Trailing Implied NPI Yields of the ESR-REIT and Sabana REIT units over the last 36 months compared to the Implied NPI Yields implied by the Merger;
- (f) Valuation multiples of selected Singapore-listed industrial S-REITs which are broadly comparable with ESR-REIT and Sabana REIT relative to those implied by the Merger;
- (g) Recent selected mergers and amalgamations between REITs listed on the SGX-ST whose businesses are broadly comparable to ESR-REIT and Sabana REIT;
- (h) Recent selected successful privatisation take-over transactions involving companies listed on the SGX-ST;

- (i) Property valuation of the Sabana REIT Portfolio; and
- (j) Other relevant considerations in relation to the Merger which may have a significant bearing on our evaluation including the rationale for the Merger and the *pro forma* financial effects of the Merger (elaborated in Section 12.3 of this Letter).

(k)

After carefully considering the information available to us as at the Latest Practicable Date (as defined below), and based upon the monetary, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date, we are of the opinion that **the Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders.**

## 2 TERMS OF REFERENCE

Rothschild & Co has been appointed as the IFA, in compliance with the Listing Manual, to advise the ARCC, the ESR-REIT Recommending Directors and the ESR-REIT Trustee as to whether the Merger is on normal commercial terms and not prejudicial to the interests of ESR-REIT and its minority ESR-REIT Unitholders.

We are not a party to any negotiation in relation to the Merger. We were also not involved in the deliberations leading up to the decision by the ESR-REIT Manager to undertake the Merger. We do not, by this Letter, or otherwise, warrant or make any representation whatsoever in relation to the merits or risks (whether commercial, financial or otherwise) of the Merger, other than to form an opinion as to whether the Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority Unitholders.

In arriving at our Opinion, we have considered, *inter alia*, factors including the financial terms for the Merger, publicly available information of ESR-REIT and Sabana REIT, comparable industrial S-REITs and precedent comparable transactions, independent valuation reports of Sabana REIT properties, the rationale for the Merger and other relevant factors but have not taken into account the legal / strategic / commercial risks and/or merits (if any) of or the timing for the Merger contemplated in the Circular including the structuring or inter-conditionality of the resolutions or the validity of any resolution or its feasibility. We were not requested to and have not provided advice concerning the structure, the specific amount of the consideration, or any other aspects of the Merger, or provided services other than the delivery of this Letter.

The scope of our appointment does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or value of ESR-REIT. We do not express any view as to the price at which the ESR-REIT Units may trade upon completion of the Merger nor on the future value, financial performance or condition of ESR-REIT after the Merger. It is also not within our terms of reference to compare the merits of the Merger to any alternative transactions that were or may have been available to ESR-REIT. Such comparison and consideration remain the sole responsibility of the Directors, the ESR-REIT Manager and their advisors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our Opinion as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and the management of the ESR-REIT Manager ("**Management**"), *inter alia*, regarding their assessment of the rationale for the Merger as well as the existing and future processes or procedures for ESR-REIT in connection with the Enlarged REIT, and have examined and relied to a considerable extent on the information set out in the Circular, publicly available information collated by us including the audited and unaudited financial statements as well as information, representations, opinions, facts and statements including material information or developments pertaining to ESR-REIT and Sabana REIT where applicable (both written and verbal), provided to us by the Directors, Management and professional advisers of the ESR-REIT Management, including its consultants or advisers or solicitors or auditors. We have not independently verified such information but have made such reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept or assume any responsibility for, the accuracy or completeness or reliability or adequacy of such information or the manner it has been classified or presented or the basis of any valuations.

We are not, and do not hold ourselves to be, legal, regulatory or tax experts. We are the independent financial advisers only and have relied on, without independent verification, the assessments made by advisers to ESR-REIT with respect to such issues. In addition, we have assumed that the Merger will be consummated in accordance with the terms set forth in the Circular without any waiver, amendment or delay of any terms or conditions and that no conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Merger. We have further assumed, *inter alia*, that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Merger have been or will be obtained and that no delays, limitations, conditions or restrictions will be imposed that would have any material adverse effect on ESR-REIT or on the contemplated benefits of the Merger.

Our scope does not require us and we have not made any independent evaluation or appraisal of the assets and liabilities (including, without limitation, the real properties) of ESR-REIT, Sabana REIT or the Merger. We have been furnished with the valuation reports for the Sabana REIT portfolio prepared by Edmund Tie & Company (SEA) Pte Ltd (the "**ESR-REIT Independent Valuer (Sabana Portfolio)**"). With respect to such reports, we are not experts, and do not hold ourselves to be experts in the evaluation or appraisal of the assets concerned and have relied solely upon such reports.

We have relied upon the accuracy and completeness of all information given to us and have not independently verified such information, whether written or verbal, and accordingly cannot and do not represent or warrant, expressly or impliedly, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information.

We have relied upon the assurances of the ARCC and the ESR-REIT Recommending Directors to us that the Circular has been reviewed and approved by the Directors (including those who may have delegated detailed supervision of the Circular) who collectively and individually accept full responsibility for the accuracy of the information given in the Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Merger and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source (including without limitation, Sabana REIT, the Sabana Manager and/or the Valuers), the sole

responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context. The foregoing is as set out in the “Directors’ Responsibility Statement” in paragraph 22 of the Letter to ESR-REIT Unitholders.

The Addressees (as appropriate) have been separately advised by their own advisers in the preparation of the Circular. We have had no role or involvement and have not and will not provide any advice (financial or otherwise) whatsoever in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, whether express or implied, on the contents of the Circular (except for this Letter).

We are acting as IFA to the Addressees and will receive a fee for our services in connection with the issuance of this Letter. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. We or our affiliates may also seek to provide services to ESR-REIT and parties acting in concert with ESR-REIT in the future and expect to receive fees for rendering such services.

The issuance of this Letter has been approved by a committee of Rothschild & Co in accordance with our customary practice. This Letter is provided as required under Listing Rule 921(4) as well as to the Addressees for their use and benefit for the purpose of their consideration of the Merger. Our Opinion in relation to the Merger should be considered in the context of the entirety of this Letter and the Circular. Whilst a copy of this Letter and parts thereof may be reproduced in the Circular, no person (including, but not limited to ESR-REIT, its unitholders and the Addressees) may reproduce, disseminate, refer to, or quote this Letter (or any part thereof) for any purposes other than in relation to the Merger, except with our prior written approval. The statements and/or recommendations made by the Addressees shall remain the responsibility of the Addressees.

Our Opinion in this Letter is based upon market, economic, industry, monetary and other conditions prevailing on, and the information made available to us as at the Latest Practicable Date. Such conditions may change significantly over a short period of time. We assume no responsibility to update, revise or reaffirm our Opinion, factors or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our Opinion, factors or assumptions contained herein. ESR-REIT Unitholders should take note of any announcements relevant to their consideration of the Merger which may be released by ESR-REIT and other sources after the Latest Practicable Date.

In rendering our Opinion, we have not had regard to the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual ESR-REIT Unitholder. As each ESR-REIT Unitholder would have different investment objectives and profiles, we would advise the Addressees (as appropriate) to recommend that the ESR-REIT Unitholders read the Circular carefully and that any individual ESR-REIT Unitholder who may require specific advice in the context of his specific investment objectives or portfolio to consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

### 3 INFORMATION ON ESR-REIT AND THE ESR-REIT MANAGER

#### 3.1 ESR-REIT

ESR-REIT is a Singapore-based real estate investment trust ("**REIT**") listed on the Main Board of the SGX-ST on 25 July 2006. The principal activity of ESR-REIT is to invest in quality income-producing industrial properties in Singapore. ESR-REIT has a diversified portfolio which currently comprises 57 properties located across Singapore, close to major transportation hubs and key industrial zones island-wide, with a total gross floor area ("**GFA**") of approximately 15.1 million square feet and an aggregate property value of S\$3.1 billion<sup>1</sup> as at 30 June 2020. The properties are in the following business sectors: Business Park<sup>2</sup>, High-Specs Industrial, Logistics / Warehouse and General Industrial. ESR-REIT has a diversified tenant base of 343 tenants (as at 30 June 2020).

As at the Latest Practicable Date, ESR-REIT has in issue an aggregate of 3,543,157,293 ESR-REIT Units.

#### 3.2 The ESR-REIT Manager

The ESR-REIT Manager was incorporated in Singapore on 14 September 2005 and currently holds a capital markets services licence ("**CMS Licence**") for REIT management pursuant to the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"). ESR-REIT is managed by the ESR-REIT Manager, whose objective is to provide ESR-REIT Unitholders with a stable and secure income stream through the successful implementation of the following strategies: (a) acquisition of value-enhancing properties, (b) proactive asset management, (c) divestment of non-core properties and (d) prudent capital and risk management.

As at the Latest Practicable Date:

- a) the shareholders of the ESR-REIT Manager are:
  - i. ESR Investment Management Pte. Ltd. ("**ESRIM**") (67.3%);
  - ii. Mitsui & Co., Ltd ("**Mitsui**") (7.7%); and
  - iii. Shanghai Summit Pte. Ltd. ("**SSPL**") (25.0%);
- b) the directors of the ESR-REIT Manager are:
  - i. Mr. Ooi Eng Peng (Independent Chairman);
  - ii. Mr. Khor Un-Hun (Independent Non-Executive Director);
  - iii. Dr. Leong Horn Kee (Independent Non-Executive Director);
  - iv. Mr. Ronald Lim Cheng Aun (Independent Non-Executive Director);

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<sup>1</sup> Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 *Leases* which became effective on 1 January 2019.

<sup>2</sup> "**Business Park**" refers to properties that cater to industries or businesses relating to high-technology, research and development value-added and knowledge-intensive sectors.

- v. Ms. Stefanie Yuen Thio (Independent Non-Executive Director);
- vi. Mr. Philip John Pearce (Non-Executive Director);
- vii. Mr. Jeffrey David Perlman (Non-Executive Director);
- viii. Mr. Tong Jinquan (Non-Executive Director) ("**Mr. Tong**");
- ix. Mr. Wilson Ang Poh Seong (Non-Executive Director); and
- x. Mr. Adrian Chui Wai Yin (Chief Executive Officer and Executive Director).

## **4 INFORMATION ON SABANA-REIT AND THE SABANA MANAGER**

### **4.1 Sabana REIT**

Sabana REIT is a REIT listed on the Main Board of the SGX-ST since 26 November 2010, which principally invests in a portfolio of income-producing real estate assets used for industrial purposes in Asia, as well as real estate related assets, in line with Shari'ah investment principles. As at the Latest Practicable Date, Sabana REIT has a diversified portfolio of 18 industrial properties in Singapore with a total portfolio GFA of approximately 4.1 million square feet (as at 30 June 2020), in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors, with an estimated total asset value of approximately S\$0.9 billion as at 30 June 2020.

As at the Latest Practicable Date, Sabana REIT has in issue an aggregate of 1,053,083,530 Sabana Units.

### **4.2 The Sabana Manager**

Sabana REIT is managed by the Sabana Manager, which was incorporated in Singapore on 15 March 2010 and currently holds a CMS Licence for REIT management pursuant to the SFA.

As at the Latest Practicable Date:

- a) the Sabana Manager is wholly-owned by Sabana Investment Partners Pte. Ltd. ("**SIP**"), which in turn is wholly-owned by Perpetual Asia (Limited), acting in its capacity as trustee of Blackwood Trust. The sole beneficiary of Blackwood Trust is InfinitySub Pte. Ltd. (the parent company of ESRIM, which also holds 67.3% of the shares in the ESR-REIT Manager); and
- b) the directors of the Sabana Manager are:
  - i. Mr. Tan Cheong Hin (Chairman and Independent Non-Executive Director);
  - ii. Mr. Wong Heng Tew (Independent Non-Executive Director); and
  - iii. Ms. Ng Shin Ein (Independent Non-Executive Director).

As at the Latest Practicable Date, ESR Cayman Limited (the "**Sponsor**") is the largest Sabana Unitholder holding an aggregate interest (direct and deemed through its associates) in 219,897,309 Sabana Units, representing approximately 20.88% of all Sabana Units.



## 5 THE MERGER AND THE SCHEME

### 5.1 Implementation Agreement

The Merger was first explored between the ESR-REIT Manager and the Sabana Manager in late April 2020. This was followed by a confidential non-binding expression of interest from the ESR-REIT Manager in May 2020, as well as negotiations on the terms of the Merger.

On 16 July 2020, the ESR-REIT Manager, the ESR-REIT Trustee, the Sabana Manager and HSBC Institutional Trust Services (Singapore) Limited (as trustee of Sabana REIT) (the "**Sabana Trustee**") (each, a "**Party**" and collectively the "**Parties**") entered into an implementation agreement (the "**Implementation Agreement**") setting out the terms and conditions on which the Parties will implement the Scheme. Please refer to the Joint Announcement for more information on the terms of the Implementation Agreement.

### 5.2 Scheme Consideration

Pursuant to the Implementation Agreement, each of the ESR-REIT Trustee and the ESR-REIT Manager will, following the Scheme becoming effective in accordance with its terms, pay or procure the payment of a consideration for each unit of Sabana REIT (a "**Sabana Unit**") held by each of the Sabana Unitholders as at the Books Closure Date in accordance with the terms and conditions of the Implementation Agreement, which shall be satisfied by the allotment and issuance of 0.940 Consideration Units (the "**Scheme Consideration**").

No fractions of a Consideration Unit shall be issued to any Sabana Unitholder and fractional entitlements shall be disregarded in the calculation of the Consideration Units to be issued to any Sabana Unitholder pursuant to the Scheme.

**By way of illustration, if the Scheme becomes effective in accordance with its terms, a Sabana Unitholder will receive 94 Consideration Units for every 100 Sabana Units held by it as at the Books Closure Date.**

Based on the illustrative issue price of \$0.401 per Consideration Unit ("**Reference Price**")<sup>3</sup>, the implied aggregate Scheme Consideration is approximately S\$396.9 million (derived by multiplying the aggregate of 1,053,083,530 Sabana Units in issue as at the Joint Announcement Date by the gross exchange ratio of 0.940x and by the Reference Price). For the avoidance of doubt, the Reference Price is for illustrative purposes only and the actual issue price, i.e. the Consideration Unit Issue Price, is to be determined based on the volume weighted average price of the ESR-REIT Units for the one (1) month period ending on and including the last trading day prior to the Effective Date (as defined herein). The Consideration Unit Issue Price may be above or below the Reference Price and there will not be any adjustment to the number of the Consideration Units to be issued for each Sabana Unit to reflect any such price differential. This means that the implied dollar value for each Consideration Unit will be determined based on ESR-REIT's unit price performance during the one-month period leading up to and including the last trading day prior to the Effective Date.

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<sup>3</sup> The Reference Price is determined based on the one-month volume weighted average price of the ESR-REIT Units ending on and including the last trading day one (1) week prior to the Joint Announcement Date, being the 30 calendar day period from 10 June 2020 up to and including 9 July 2020. The one-month volume weighted average price calculation was agreed between the parties through commercial negotiations to be a better representation of the value of ESR-REIT Units given that it takes into account both trading volume and price over a period of time. The implied Scheme Consideration of S\$0.377 per Sabana Unit is derived by multiplying the gross exchange ratio of 0.940x by the Reference Price of S\$0.401.

The Consideration Units shall:

- (a) when issued, be duly authorised, validly issued and credited as fully paid-up and shall rank *pari passu* in all respects with the existing ESR-REIT Units as at the date of their issue;
- (b) be issued at the volume weighted average price of the ESR-REIT Units for the one (1) month period ending on and including the last trading day prior to the Effective Date (i.e. the Consideration Unit Issue Price, and for the avoidance of doubt, not at the Reference Price);
- (c) be issued no later than (7) Business Days from Effective Date; and
- (d) be issued free from all and any Encumbrances and restrictions or transfers and no person has or shall have any rights of pre-emption over the Consideration Units.

The Scheme Consideration, including the exchange ratio of 0.940x, was determined based on commercial negotiations between the ESR-REIT Manager and the Sabana Manager. Factors taken into account in arriving at the Scheme Consideration by determining the exchange ratio include (without limitation): (i) the transaction rationale in respect of the Merger for each REIT; (ii) the prevailing and historical relative market prices of the ESR-REIT Units and Sabana Units over the last two (2) years prior to the date of the Joint Announcement; (iii) the NAVs of each of ESR-REIT and Sabana REIT; (iv) the market value of the respective property portfolios (as reflected by the valuations commissioned by the respective REITs referred in paragraphs 10.1 and 10.3 of the Circular); (v) relevant precedent trust scheme transactions in Singapore; (vi) the prevailing and historical price to NAV per unit of each REIT over the last two (2) years prior to the date of the Joint Announcement; (vii) the prevailing and historical distribution yield of each REIT; (viii) the market capitalisation and trading liquidity of each REIT over the last two (2) years prior to the date of the Joint Announcement; (ix) the capital structure, debt costs and tenor of each REIT; and (x) the resulting *pro forma* financial impact of the Merger on ESR-REIT and Sabana REIT.

As announced by the ESR-REIT Manager on 6 August 2020, the ESR-REIT Manager does not intend to increase the Scheme Consideration and accordingly, the exchange ratio of 0.940x is final, except that the ESR-REIT Manager reserves the right to do so in a competitive situation. Therefore, in accordance with Rule 20.2 of the Code, the ESR-REIT Manager will not be allowed to subsequently increase the Scheme Consideration, in any way, save that the ESR-REIT Manager reserves its right to do so in a competitive situation.

### 5.3 Permitted Distributions

Subject to the terms and conditions of the Implementation Agreement:

- (a) the Sabana Manager is permitted to announce, declare, pay or make distributions to the Sabana Unitholders (the "**Sabana Permitted Distributions**") in the ordinary course of business, in respect of the period from 1 January 2020 up to the day immediately before the Effective Date (including any clean-up distribution in respect of the period from the day following the latest completed financial half year of Sabana REIT preceding the Effective Date for which a distribution has been made, up to the day immediately before the Effective Date); and

- (b) the ESR-REIT Manager is permitted to announce, declare, pay or make distributions to the ESR-REIT Unitholders (the "**ESR-REIT Permitted Distributions**") (i) in respect of the unpaid distribution income that has been announced and retained by the ESR-REIT Manager in respect of the period from 1 January 2020 to 31 March 2020; and (ii) in the ordinary course of business, in respect of the period from 1 April 2020 up to the day immediately before the Effective Date (including any clean-up distribution in respect of the period from the day following the latest completed financial quarter of ESR-REIT preceding the Effective Date for which a distribution has been made, up to the day immediately before the Effective Date).

The Sabana Permitted Distributions and the ESR-REIT Permitted Distributions shall not include distributions declared, paid or made by the Sabana Manager or the ESR-REIT Manager to the Sabana Unitholders or the ESR-REIT Unitholders respectively (A) in respect of proceeds received in connection with the sale of any real properties; and/or (B) gains arising from disposals of investment properties prior to the date of the Implementation Agreement and which have not been distributed to Sabana Unitholders or ESR-REIT Unitholders (as the case may be) prior to the date of the Implementation Agreement .

**The Parties shall be entitled to announce, declare, pay or make the Sabana Permitted Distributions and ESR-REIT Permitted Distributions (as the case may be) without any adjustment to the Scheme Consideration.**

**The Sabana Unitholders shall have the right to receive and retain the Sabana Permitted Distributions in addition to the Scheme Consideration. The Sabana Manager has declared and paid the Sabana Permitted Distributions for the period from 1 January 2020 to 30 June 2020. Assuming the completion of the Scheme, the Sabana Manager intends to declare and pay the Sabana Permitted Distributions from 1 July 2020 up to the day immediately before the Effective Date, details of which will be announced by the Sabana Manager, in due course.**

The ESR-REIT Manager reserves the right to reduce the Scheme Consideration, if and to the extent that any distribution in excess of the Sabana Permitted Distributions is announced, declared, paid or made by the Sabana Manager on or after the date of the Implementation Agreement.

#### **5.4 Scheme Conditions**

The Scheme is conditional upon the satisfaction (or, where applicable, the waiver) of the conditions precedent (the "**Scheme Conditions**") set out in the Implementation Agreement and reproduced in **Appendix B** to the Circular.

The status of each Scheme Condition as at the Latest Practicable Date is also set out in Appendix B to the Circular.

The Scheme will become effective on the date of the written notification to the Monetary Authority of Singapore ("**MAS**") of the grant of the order of the Court (the "**Effective Date**") sanctioning the Scheme under Order 80 of the Rules of Court, Chapter 322, R 5 of Singapore (the "**Scheme Court Order**"), which shall be effected by or on behalf of the ESR-REIT Manager on a date to be mutually agreed in writing between the ESR-REIT Manager and the Sabana Manager, being a date within 25 Business Days from the date on which the last Scheme Condition set out in paragraphs (i), (ii), (iii), (iv) and (v) of **Appendix B** to the Circular is satisfied in accordance with the terms of the Implementation Agreement, provided that the rest of the Scheme Conditions are satisfied or waived on the date falling on the Business Day immediately preceding the Effective Date (the "**Record Date**"), as the case may be, in accordance with the terms of the Implementation Agreement.

## 5.5 Termination

The Implementation Agreement may be terminated with immediate effect by giving notice in writing at any time on or prior to the Record Date (subject to prior consultation with the SIC, and the SIC giving its approval for, or stating that it has no objection to, such termination), in certain circumstances specified in the Implementation Agreement.

## 6 CHAPTER 10 OF THE LISTING MANUAL

Pursuant to Rule 1014(1) of the Listing Manual, where an acquisition of assets is one where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 20% but not 100%, the transaction is classified as a major transaction under Chapter 10 of the Listing Manual.

As shown in paragraph 8 of the Circular, as the relative figures of the Merger on the bases set out in Rule 1006(b), 1006(c) and 1006(d) exceed 20% but not 100%, the Merger is considered a major transaction under Chapter 10 of the Listing Manual. Accordingly, the approval of the ESR-REIT Unitholders is required in respect of the Merger and included as a Scheme Condition.

Paragraph 8 of the Circular sets out the relative figures of the Merger as at the date of the Joint Announcement computed on the bases set out in Rule 1006(b), 1006(c) and 1006(d). ESR-REIT Unitholders are advised to read such paragraphs of the Circular carefully.

## 7 TOTAL ACQUISITION COST AND SOURCE OF FUNDS FOR THE MERGER

The total cost of the Merger is estimated to be approximately S\$777.4 million comprising:

- (a) the implied aggregate Scheme Consideration of approximately S\$396.9 million, derived by multiplying the aggregate of 1,053,083,530 Sabana Units in issue as at the date of the Joint Announcement by the gross exchange ratio of 0.940x and by the Reference Price<sup>4</sup>;
- (b) estimated upfront land premium payable to JTC Corporation ("**JTC**") of approximately S\$58.6 million<sup>5</sup>, funded by the New Facilities;

<sup>4</sup> The implied Scheme Consideration of S\$0.377 per Sabana Unit is derived by multiplying the gross exchange ratio of 0.940x by the Reference Price of S\$0.401.

<sup>5</sup> Under JTC's prevailing terms and conditions, the existing land rental payment scheme will be converted to the upfront land premium scheme when JTC grants approval to the assignment of leases of JTC properties to third-party facility providers. It is expected that upon JTC's approval to the Merger, upfront land premium would be payable to JTC for the remaining part of the lease terms of the JTC properties currently under the land rental payment scheme.

- (c) the acquisition fee payable to the ESR-REIT Manager for the Merger (the "**Acquisition Fee**") which is estimated to be approximately S\$8.3 million;
- (d) the refinancing of Sabana REIT's total borrowings and related interest rate swaps of approximately S\$295.0<sup>6</sup> million, funded by the New Facilities; and
- (e) the estimated professional and other fees, prepayment penalties (being penalties payable in respect of the early repayment of Sabana REIT's existing loans), debt upfront fees and other expenses of approximately S\$18.6 million<sup>7</sup>, funded by the New Facilities.

The cost of the Merger to be funded by the New Facilities is estimated to be approximately S\$372.2 million<sup>8</sup>.

The Scheme Consideration for the Merger will be satisfied through the allotment and issue of approximately 989.9 million Consideration Units at the Consideration Unit Issue Price.

The Consideration Units will be issued and credited as fully paid to the Sabana Unitholders upon the Scheme becoming effective in accordance with its terms. The issue of the Consideration Units at the Consideration Unit Issue Price requires approval of the ESR-REIT Unitholders by way of an Ordinary Resolution.

As the Merger constitutes an interested party transaction under the Property Funds Appendix, the Acquisition Fee is payable in ESR-REIT Units<sup>9</sup> to the ESR-REIT Manager for the Merger, and shall not be sold within one (1) year from the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

In connection with the Merger and the Scheme, the ESR-REIT Trustee has obtained unsecured banking facilities (the "**New Facilities**") of up to S\$460 million from Malayan Banking Berhad (Singapore Branch), RHB Bank Berhad, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Bank Limited.

The proceeds of the New Facilities will be applied towards the following purposes:

- (a) the refinancing in full of the indebtedness under existing loan facilities granted to the Sabana Trustee;
- (b) the payment of upfront land premium to JTC<sup>5</sup>;
- (c) the payment of costs, fees and expenses (including taxes) incurred by or on behalf of the ESR-REIT Trustee in connection with the Scheme; and

<sup>6</sup> Figure as at 30 June 2020. Sabana REIT's total borrowings and related interest rate swaps is S\$282.9 million as at 31 December 2019.

<sup>7</sup> Includes estimated debt upfront fees based on S\$372.2 million of new debt to be drawn from the New Facilities expected for the Merger as at 30 June 2020. For FY2019 *pro forma* financials, the amount is approximately S\$18.4 million due to lower debt upfront fees estimated based on S\$359.9 million of new debt to be drawn from the New Facilities expected for the Merger as at 31 December 2019.

<sup>8</sup> Figure as at 30 June 2020 for 1H2020 *pro forma* financials. For FY2019 *pro forma* financials, total cost of the Merger to be funded by the New Facilities is estimated to be approximately S\$359.9 million (see **Appendix D** to the Circular for details).

<sup>9</sup> Pursuant to the Merger, based on the Reference Price, approximately 20.7 million ESR-REIT Units will be allotted and issued to the ESR-REIT Manager in payment of the Acquisition Fee. For the avoidance of doubt, the actual number of ESR-REIT Units to be issued as payment for the Acquisition Fee will be determined based on the 10-day volume weighted average price of the ESR-REIT Units up to and including the last trading day immediately preceding the Effective Date.

(d) working capital purposes for ESR-REIT.

As at the Latest Practicable Date, the New Facilities have not been utilised. As mentioned in paragraph 7, an amount of approximately S\$372.2 million of the New Facilities is expected to be utilised to part fund the total cost of the Merger.

## **8 THE MERGER AS AN INTERESTED PERSON TRANSACTION AND INTERESTED PARTY TRANSACTION**

### **8.1 Interested Person Transaction and Interested Party Transaction**

Under Chapter 9 of the Listing Manual, where an issuer proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person (as defined in Chapter 9 of the Listing Manual) during the same financial year) is equal to or exceeds 5% of the listed group's latest audited NTA, unitholders' approval is required in respect of the transaction. Further, under Paragraph 5 of the Property Funds Appendix, a property fund is also required to make an immediate announcement and obtain a majority vote at a participants' meeting, if the value of the transaction with an interested party is equal to or exceeds 5% of its NAV.

Based on ESR-REIT's latest audited consolidated financial statements for FY2019, its NTA and NAV as at 31 December 2019 was approximately S\$1,508.6 million. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by ESR-REIT with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to or in excess of S\$75.4 million, such a transaction would be subject to the approval of the ESR-REIT Unitholders.

### **8.2 The Sponsor**

The Sponsor, through its wholly-owned subsidiary, ESRIM, holds 67.3% of the shares in the ESR-REIT Manager, and is therefore a controlling shareholder of the ESR-REIT Manager under both the Listing Manual and the Property Funds Appendix. As such, the Sponsor is (for the purposes of the Listing Manual) an interested person and (for the purposes of the Property Funds Appendix) an interested party of ESR-REIT.

As stated in paragraph 4.2 above, the Sponsor is the largest Sabana Unitholder holding an aggregate interest (direct and deemed through its associates) in 219,897,309 Sabana Units, representing approximately 20.88% of all Sabana Units. Therefore, the acquisition of Sabana Units from the Sponsor and its associates pursuant to the Merger will constitute an interested person transaction under Chapter 9 of the Listing Manual as well as an interested party transaction under the Property Funds Appendix.

The implied aggregate Scheme Consideration is approximately S\$396.9 million (derived by multiplying the aggregate of 1,053,083,530 Sabana Units in issue as at the date of the Joint Announcement by the gross exchange ratio of 0.940x and by the Reference Price). Of this S\$396.9 million, the Scheme Consideration payable by ESR-REIT to the Sponsor and its associates is approximately S\$82.9 million (based on the Reference Price), to be satisfied in the form of new ESR-REIT Units, as consideration for the acquisition of the Sabana Units held by the Sponsor and its associates. The implied aggregate Scheme Consideration represents approximately 26.3% of the latest audited NTA and NAV of ESR-REIT. Of this 26.3%, the Scheme Consideration payable by ESR-REIT to the Sponsor and its associates represents approximately 5.5% of the latest audited NTA and NAV of ESR-REIT.

Accordingly, the Merger will require the approval of the ESR-REIT Unitholders pursuant to Rule 906(1)(a) of the Listing Manual. Pursuant to Paragraph 5.2(b) of the Property Funds Appendix and Rules 748(5) and 919 of the Listing Manual, the Sponsor and its associates will abstain from voting (either in person or by proxy) in respect of the resolutions relating to the Merger at the EGM.

In addition, the total value of interested person transactions, excluding transactions which are less than S\$100,000, between ESR-REIT and the Sponsor and its associates during the course of the current financial year up to the Latest Practicable Date, is approximately S\$23.1 million, comprising fees payable to the ESR-REIT Manager under the ESR-REIT Trust Deed and fees and commissions payable to the property manager of ESR-REIT, ESR Property Management (S) Pte. Ltd. ("**ESR-PM**"), under the property management agreement. As mentioned in paragraph 7 above, the ESR-REIT Manager will also receive an Acquisition Fee payable in ESR-REIT Units pursuant to the Merger, estimated to be approximately S\$8.3 million. The ESR-REIT Manager and ESR-PM are wholly-owned subsidiaries of the Sponsor.

### **8.3 Mr. Tong**

Mr. Tong is a Director and an indirect controlling shareholder of the ESR-REIT Manager. He is also a controlling ESR-REIT Unitholder holding an aggregate interest (direct and deemed through his associates) in 831,976,266 ESR-REIT Units, which is equivalent to approximately 23.48% of the total number of ESR-REIT Units. As such, Mr. Tong is (for the purposes of the Listing Manual) an interested person and (for the purposes of the Property Funds Appendix) an interested party of ESR-REIT.

In this regard, Mr. Tong holds a direct interest in 16,930,200 Sabana Units, which is equivalent to approximately 1.61% of the total number of Sabana Units. Mr. Tong is also the sole ultimate shareholder of Wealthy Fountain Holdings Inc which holds a direct interest in 17,806,800 Sabana Units, representing approximately 1.69% of the total number of Sabana Units. Therefore, the acquisition of Sabana Units from Mr. Tong and his associates pursuant to the Merger will constitute an interested person transaction under Chapter 9 of the Listing Manual as well as an interested party transaction under the Property Funds Appendix.

Pursuant to the Merger, Mr. Tong and his associates will be entitled to receive from ESR-REIT, approximately S\$13.1 million (based on the Reference Price) to be satisfied in the form of new ESR-REIT Units, as consideration for the acquisition of the Sabana Units held by Mr. Tong and his subsidiaries. This represents approximately 0.9% of the latest audited NTA and NAV of ESR-REIT.

Pursuant to Paragraph 5.2(b) of the Property Funds Appendix and Rules 748(5) and 919 of the Listing Manual, Mr. Tong and his associates will abstain from voting (either in person or by proxy) in respect of the resolutions relating to the Merger at the EGM.

Other than the Scheme Consideration payable to Mr. Tong and his associates, there are no other interested person transactions, excluding transactions which are less than S\$100,000, involving Mr. Tong and his associates during the course of the current financial year up to the Latest Practicable Date.

#### **8.4 Other Interested Person Transactions**

During the course of the current financial year up to the Latest Practicable Date, the aggregate value of all interested person transactions, excluding transactions which are less than S\$100,000, between ESR-REIT and its interested persons other than the Sponsor and Mr. Tong and their respective associates, is approximately S\$0.5 million, comprising fees payable to the trustee of ESR-REIT under the ESR-REIT Trust Deed.

#### **8.5 Mitsui**

The MAS and the SGX-ST have also ruled respectively that Mitsui, which holds 7.7% of the issued shares of the ESR-REIT Manager should abstain from voting on the resolutions relating to the Merger pursuant to Paragraph 5.2(b) of the Property Funds Appendix and Rule 748(5) of the Listing Manual. As such, Mitsui will be required to abstain from voting (either in person or by proxy) in respect of the resolutions relating to the Merger at the EGM.

### **9 ISSUE OF CONSIDERATION UNITS**

As consideration for the acquisition of all the Sabana Units pursuant to the Merger, approximately 989.9 million Consideration Units will be issued to the Sabana Unitholders at the Consideration Unit Issue Price.

Rule 805(1) of the Listing Manual provides that an issuer must obtain prior approval of unitholders in a general meeting for the issue of units unless such issue of units is covered under a general mandate obtained from unitholders of the issuer.

The approval of the ESR-REIT Unitholders is required for the proposed issue of the Consideration Units to the Sabana Unitholders as well as for the proposed issue of part of the Consideration Units to certain Sabana Unitholders which are also interested persons or interested parties of ESR-REIT including the controlling unitholders and controlling shareholders of the ESR-REIT Manager (such as the Sponsor and its subsidiaries) pursuant to Chapter 9 of the Listing Manual and the Property Funds Appendix.

Accordingly, the ESR-REIT Manager is seeking the approval of the ESR-REIT Unitholders by way of an Ordinary Resolution of the ESR-REIT Unitholders for the proposed issue of the Consideration Units at the Consideration Unit Issue Price.

As announced by the ESR-REIT Manager on 4 November 2020, the SGX-ST has also granted its in-principle approval for the listing and quotation of up to 989.9 million Consideration Units on the Main Board of the SGX-ST, subject to the following conditions:



- (a) compliance with the SGX-ST's listing requirements
- (b) approval of the Independent ESR-REIT Unitholders being obtained for the Merger and the issue of the Consideration Units; and
- (c) the approval of the Court for the implementation of the Scheme
- (d)

The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the Merger, the Scheme, the Enlarged REIT, the ESR-REIT Units, the Consideration Units, ESR-REIT or its subsidiaries.

## **10 DIRECTORS' SERVICE CONTRACTS**

It is intended that following completion of the Merger, the ESR-REIT Manager will be the manager of the Enlarged REIT and Mr. Adrian Chui will continue to be the CEO of the ESR-REIT Manager. The ESR-REIT Manager intends to engage the current CEO of the Sabana Manager, Mr. Donald Han, as an advisor to the ESR-REIT Manager. The Nominating and Remuneration Committee of the ESR-REIT Manager is also in the process of reviewing, together with the Sponsor, the composition of the board of directors and management of the ESR-REIT Manager (including the feasibility of engaging certain existing employees of the Sabana Manager).

## **11 ABSTENTIONS FROM VOTING**

### **11.1 The Sponsor to Abstain from Voting**

Paragraph 5.2(b) of the Property Funds Appendix states that where a proposed transaction is equal to or greater than 5% of the property fund's NAV, a person who has an interest, whether commercial, financial or personal, in the outcome of the transaction, other than in his capacity as a participant, will not be allowed to vote on the resolution to approve the transaction.

Rule 748(5) of the Listing Manual states that the custodian, investment manager, any of their connected persons and any director of the investment fund and investment manager, is prohibited from voting their own shares at, or being part of a quorum for, any meeting to approve any matter in which they have a material interest.

Under Rule 919 of the Listing Manual, where a meeting is held to obtain unitholders' approval of an interested person transaction, the interested person and any associate of the interested person must not vote on a resolution in respect of which such person is interested, nor accept appointments as proxies, unless specific instructions as to voting are given.

Accordingly, as set out in paragraph 8.2 above, the Sponsor and its associates will abstain from voting on Resolutions 1 and 2 at the EGM. Further, each of them shall decline to accept appointment as proxy to attend and vote at the EGM in respect of Resolutions 1 and 2 unless the ESR-REIT Unitholder concerned has given specific instructions in his proxy form as to the manner in which his votes are to be cast.

**11.2 Mr. Tong to Abstain from Voting**

As set out in paragraph 8.3 above, Mr. Tong and his associates will abstain from voting on Resolutions 1 and 2 at the EGM. Further, each of them shall decline to accept appointment as proxy to attend and vote at the EGM in respect of Resolutions 1 and 2 unless the ESR-REIT Unitholder concerned has given specific instructions in his proxy form as to the manner in which his votes are to be cast.

**11.3 Mitsui to Abstain from Voting**

As set out in paragraph 8.5, Mitsui will abstain from voting on Resolutions 1 and 2 at the EGM. Further, it shall decline to accept appointment as proxy to attend and vote at the EGM in respect of Resolutions 1 and 2 unless the ESR-REIT Unitholder concerned has given specific instructions in his proxy form as to the manner in which his votes are to be cast.

**11.4 ESR-REIT will disregard any votes cast on a resolution by persons required to abstain from voting.**

## 12 FINANCIAL EVALUATION OF THE TERMS OF THE MERGER

As part of our evaluation, we have evaluated whether the Exchange Ratio of 0.940x implied by the Scheme Consideration payable for each Sabana Unit is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders and hence whether the Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders.

We note that the Scheme Consideration does not explicitly stipulate any reference value for the Consideration Units or for the Sabana Units. We have used the Consideration Unit Price (RD) (as defined herewith) and the Scheme Consideration (RD) (as defined herewith) as illustrative reference values on the basis of the prevailing market closing price on the Reference Date for the purpose of the financial analyses in this Letter.

Taking into account a reference value of S\$0.401 per Consideration Unit (the “**Consideration Unit Price (RD)**”), which is based on the one-month volume weighted average price (“**VWAP**”) of the ESR-REIT Units ending on and including the last full market trading day one (1) week prior to the Joint Announcement Date, being the 30 calendar-day period from 10 June 2020 up to and including 9 July 2020, the Scheme Consideration implies a total value of S\$0.377 per Sabana Unit (“the **Scheme Consideration (RD)**”).

In reaching our recommendation in respect of the Merger of ESR-REIT and Sabana REIT, we have given due consideration to the following factors:

**Table 1. Summary of factors (Assessment of the Consideration Unit Price (RD))**

Ref.	Factors	Page ref.
<b>12.1</b>	<b>Whether the ESR-REIT Units as implied by the Consideration Unit Price (RD) are fairly valued</b>	
12.1.1	Liquidity analysis of the ESR-REIT Units and companies that make up the top 30 constituents of the Straits Times Index (“ <b>STI</b> ”) traded on the Main Board of SGX-ST based on market capitalisation (the “ <b>Market Cap</b> ”, and top 30 constituents of STI being the “ <b>Top 30 STI Companies</b> ”)	25
12.1.2	Historical market performance and trading activity of the ESR-REIT Units	26
12.1.3	Trailing Latest P/NAV multiples of the ESR-REIT Units relative to the Latest P/NAV multiples implied by the Consideration Unit Price (RD)	33
12.1.4	Trailing Distribution Yields of the ESR-REIT Units relative to the Distribution Yields implied by the Consideration Unit Price (RD)	35
12.1.5	Trailing Implied Net Property Income Yields of the ESR-REIT Units relative to the Implied Net Property Income Yields implied by the Consideration Unit Price (RD)	36
12.1.6	Valuation multiples of selected Singapore-listed industrial S-REITs (the “ <b>Selected Comparable Industrial S-REITs</b> ”) relative to those implied by the Consideration Unit Price (RD)	37
12.1.7	The premium / (discount) to the closing price as at the last trading date and 6-month and 12-month VWAPs as implied by selected precedent transactions and combinations of SGX-ST listed REITs (“ <b>S-REITs</b> ”) involving scrip as the primary transaction consideration (the “ <b>Precedent Transactions</b> ”) relative to those implied by the Consideration Unit Price (RD)	41

Ref.	Factors	Page ref.
<b>12.2</b>	<b>Whether the Sabana Units as implied by the Scheme Consideration (RD) are fairly valued</b>	
12.2.1	Liquidity analysis of the Sabana Units and the Top 30 STI Companies	44
12.2.2	Historical market performance and trading activity of the Sabana Units	46
12.2.3	Trailing latest P/NAV (as defined herewith) multiples of the Sabana Units related to the latest P/NAV multiples implied by the Scheme Consideration (RD)	52
12.2.4	Trailing Distribution Yields of the Sabana Units relative to the Distribution Yield implied by the Scheme Consideration (RD)	54
12.2.5	Trailing Implied Net Property Income Yields of the Sabana Units relative to the Implied Net Property Income Yields implied by the Scheme Consideration (RD)	55
12.2.6	Valuation multiples of the Selected Comparable Industrial S-REITs relative to those implied by the Scheme Consideration (RD)	57
12.2.7	The premium / (discount) to the prevailing P/NAV as implied by selected precedent transactions and combinations of SGX-ST listed REITs (" <b>S-REITs</b> ") involving scrip as the primary transaction consideration (the " <b>Precedent Transactions</b> ") relative to those implied by the Scheme Consideration (RD); and The premium / (discount) to the 6-month and 12-month VWAPs as implied by the Precedent Transactions relative to those implied by the Scheme Consideration (RD)	59
12.2.8	Premium / (discount) implied by selected substantive/change of control acquisitions involving target companies listed on the SGX-ST (" <b>Selected Precedent Privatisation Transactions</b> ")	61
12.2.9	Independent valuation of Sabana REIT's properties	66
<b>12.3</b>	<b>Other relevant considerations relating to the Merger</b>	
12.3.1	The rationale for the Merger	69
12.3.2	Historical implied exchange ratio between the Sabana Units and ESR-REIT Units	69
12.3.3	The FY2019 and H12020 <i>pro forma</i> consolidated financial effects of the Merger	70
12.3.4	Other relevant considerations which have a significant bearing on our assessment, in relation to the Merger being an interested person transaction and interested party transaction	77

These factors are discussed in greater detail in the ensuing sections

**Table 2. Summary analysis of the Consideration Unit Price (RD)**

Metric	Min <sup>(1)</sup>	Max <sup>(1)</sup>	Mean <sup>(1)</sup>	Median <sup>(1)</sup>	Merger as at RD <sup>(2)</sup>	Min-Max Range <sup>(3),(4)</sup>	Mean - Median Range <sup>(3),(4)</sup>
<b>Summary Analysis of the Consideration Unit Price (RD)</b>							
<b>Historical trading range of the ESR-REIT Units</b>							
Closing price (S\$) - 6-month period up to the LUTD	0.24	0.56	0.41	0.39	0.401	Within	Within
Closing price (S\$) - 12-month period up to the LUTD	0.24	0.56	0.47	0.53	0.401	Within	Below
Closing price (S\$) - 3-year period up to the LUTD	0.24	0.59	0.51	0.53	0.401	Within	Below
<b>Trailing P/NAV multiples</b>							
As at the LUTD	0.95x	0.95x	0.95x	0.95x	0.98x	In line	In line
6-month period up to the LUTD	0.56x	1.29x	0.97x	0.93x	0.98x	Within	In line
12-month period up to the LUTD	0.56x	1.29x	1.07x	1.16x	0.98x	Within	Below
36-month period up to the LUTD	0.56x	1.76x	1.06x	0.98x	0.98x	Within	In line
<b>Trailing Distribution Yields</b>							
As at the LUTD	7.8%	7.8%	7.8%	7.8%	7.6%	In line	In line
6-month period up to the LUTD	6.3%	14.7%	8.6%	8.3%	7.6%	Within	Below
12-month period up to the LUTD	6.3%	14.7%	7.7%	6.9%	7.6%	Within	Within
36-month period up to the LUTD	6.3%	14.7%	7.2%	7.0%	7.6%	Within	Above
<b>Trailing Implied NPI Yields<sup>(5)</sup></b>							
As at the LUTD	5.7%	5.7%	5.7%	5.7%	5.7%	In line	In line
6-month period up to the LUTD	5.3%	7.7%	6.2%	6.3%	5.7%	Within	Below
12-month period up to the LUTD	4.6%	7.7%	5.6%	5.3%	5.7%	Within	In line
36-month period up to the LUTD	3.5%	7.7%	5.2%	5.3%	5.7%	Within	Above
<b>Trading Multiples of Selected Comparable Industrial S-REITs</b>							
<b>Mid-Cap Comparable Industrial S-REITs</b>							
Latest P/NAV Multiples	0.78x	0.99x	0.87x	0.85x	0.98x	Within	Above
LTM Distribution Yield	7.2%	8.5%	7.7%	7.3%	7.6%	Within	Within
LTM Implied NPI Yield <sup>(5)</sup>	6.4%	8.0%	6.9%	6.5%	5.7%	Below	Below
<b>Precedent Transactions of Selected S-REIT Mergers</b>							
Premium / (discount) to Closing price as at last trading date	(4.4%)	0.0%	(1.0%)	0.0%	2.8%	Above	Above
Premium / (discount) over 6-month VWAP	(4.4%)	8.9%	3.1%	1.8%	13.4%	Above	Above
Premium / (discount) over 12-month VWAP	(5.6%)	12.8%	4.8%	5.8%	4.4%	Within	Below

**Sources:** FactSet, Bloomberg, SGX, company filings on the SGX-ST

- (1) Minimum, maximum, mean and median of the respective benchmarks
- (2) Implied by the Merger as at the Reference Date (9 July 2020)
- (3) Parameters implied by the Merger relative to the minimum and maximum, and mean and median range of the respective benchmarks
- (4) A metric is classified as "In line" when the parameters implied by the Merger are within a 5% range of the average of the minimum and maximum or the mean and median, as applicable, of the respective benchmarks
- (5) The LTM Implied NPI Yield is calculated by dividing the net property income over the prior 12 months by the enterprise value implied by the Consideration Unit Price (RD) (please refer to Table 4 in this Letter for more details)

**Table 3. Summary analysis of the Scheme Consideration (RD)**

Metric	Min <sup>(1)</sup>	Max <sup>(1)</sup>	Mean <sup>(1)</sup>	Median <sup>(1)</sup>	Merger as at RD <sup>(2)</sup>	Min-Max Range <sup>(3),(4)</sup>	Mean - Median Range <sup>(3),(4)</sup>
<b>Summary Analysis of the Scheme Consideration (RD)</b>							
<b>Historical trading range of the Sabana Units</b>							
Closing price (S\$) - 6-month period up to the LUTD	0.24	0.47	0.37	0.36	0.377	Within	In line
Closing price (S\$) - 12-month period up to the LUTD	0.24	0.48	0.41	0.45	0.377	Within	Below
Closing price (S\$) - 3-year period up to the LUTD	0.24	0.49	0.42	0.43	0.377	Within	Below
<b>Trailing P/NAV multiples</b>							
As at the LUTD	0.70x	0.70x	0.70x	0.70x	0.74x	In line	In line
6-month period up to the LUTD	0.42x	0.83x	0.66x	0.65x	0.74x	Within	Above
12-month period up to the LUTD	0.42x	0.84x	0.73x	0.80x	0.74x	Within	Within
36-month period up to the LUTD	0.42x	0.86x	0.76x	0.78x	0.74x	Within	In line
<b>Trailing Distribution Yields</b>							
As at the LUTD	7.2%	7.2%	7.2%	7.2%	6.9%	In line	In line
6-month period up to the LUTD	6.0%	11.9%	7.8%	7.7%	6.9%	Within	Below
12-month period up to the LUTD	5.8%	11.9%	6.9%	6.1%	6.9%	Within	Within
36-month period up to the LUTD	5.8%	11.9%	7.4%	7.6%	6.9%	Within	Below
<b>Trailing Implied NPI Yields<sup>(5)</sup></b>							
As at the LUTD	6.5%	6.5%	6.5%	6.5%	6.3%	In line	In line
6-month period up to the LUTD	6.1%	8.6%	7.0%	7.0%	6.3%	Within	Below
12-month period up to the LUTD	6.1%	8.6%	6.6%	6.2%	6.3%	Within	Within
36-month period up to the LUTD	6.0%	8.6%	6.6%	6.6%	6.3%	Within	In line
<b>Trading Multiples of Selected Comparable Industrial S-REITs</b>							
<b>Mid-Cap Comparable Industrial S-REITs</b>							
Latest P/NAV Multiples	0.78x	0.99x	0.87x	0.85x	0.74x	Below	Below
LTM Distribution Yield	7.2%	8.5%	7.7%	7.3%	6.9%	Below	Below
LTM Implied NPI Yield <sup>(5)</sup>	6.4%	8.0%	6.9%	6.5%	6.3%	Below	Below
<b>Precedent Transactions of Selected S-REIT Mergers</b>							
Premium / (discount) to NAV	(0.4%)	26.4%	10.5%	7.0%	(26.4%)	Below	Below
Premium / (discount) over 6-month VWAP	1.5%	24.2%	7.8%	3.6%	13.5%	Within	Above
Premium / (discount) over 12-month VWAP	0.4%	31.9%	11.5%	8.2%	3.4%	Within	Below
<b>Precedent Takeovers Premia</b>							
<b>General Singapore Takeovers</b>							
Premium / (discount) to Closing price as at last trading date	(1.5%)	88.1%	22.8%	19.8%	4.7%	Within	Below
Premium / (discount) over 1-month VWAP	(0.9%)	105.2%	28.6%	24.6%	6.1%	Within	Below
Premium / (discount) over 3-month VWAP	(3.0%)	124.2%	31.4%	25.8%	11.2%	Within	Below
Premium / (discount) over 6-month VWAP	(7.1%)	139.8%	33.2%	27.0%	13.5%	Within	Below

**Sources:** FactSet, Bloomberg, SGX, company filings on the SGX-ST

- (1) Minimum, maximum, mean and median of the respective benchmarks
- (2) Implied by the Merger as at the Reference Date (9 July 2020)
- (3) Parameters implied by the Merger relative to the minimum and maximum, and mean and median range of the respective benchmarks
- (4) A metric is classified as "In line" when the parameters implied by the Merger are within a 5% range of the average of the minimum and maximum or the mean and median, as applicable, of the respective benchmarks
- (5) The LTM Implied NPI Yield is calculated by dividing the net property income over the prior 12 months by the enterprise value implied by the Scheme Consideration (RD) (please refer to Table 4 in this Letter for more details)

### General bases and assumptions

The figures and underlying financial data used in our analyses in this Letter, including unit prices, trading volumes, and broker research, have been extracted from, *inter alia*, SGX-ST, Bloomberg, FactSet, and other public filings and documents. Rothschild & Co has not independently verified (nor assumed responsibility or liability for independently verifying) or ascertained and makes no representations or warranties, express or implied, as to the accuracy, completeness or adequacy of such information. We have made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the reliability of such information.

### Relevant benchmark dates

For the purpose of our analyses, we have referred to the relevant benchmark dates, where required, as shown below:

- (i) **9 July 2020**: The last full market trading day one (1) week prior to the Joint Announcement (“**Reference Date**” or “**RD**”) dated 16 July 2020 released by both ESR-REIT and Sabana REIT in relation to the Merger;
- (ii) **15 July 2020**: The last undisturbed full market trading day (“**Last Undisturbed Trading Date**” or “**LUTD**”) prior to the Joint Announcement dated 16 July 2020 released by both ESR-REIT and Sabana REIT in relation to the Merger; and
- (iii) **3 November 2020**: Being the latest practicable date prior to the date of the Circular (“**Latest Practicable Date**” or “**LPD**”).

### Impact of Covid-19

The outbreak of the Novel Coronavirus (“**Covid-19**”), declared by the World Health Organisation (“**WHO**”) as a ‘Global Pandemic’ on 11 March 2020 (“**WHO Announcement Date**”), has impacted global financial markets and market activity in many sectors, including the real estate market.

For the purposes of our analyses, we have evaluated the financial terms of the Merger by comparing the various metrics implied by the Consideration Unit Price (RD) and the Scheme Consideration (RD) against historical benchmarks across a range of different reference time periods, including the 1-month, 3-month, 6-month and 12-month periods up to and including the Reference Date, the Last Undisturbed Trading Date, or the Latest Practicable Date, as applicable. These different time intervals may reflect periods before, within or around and after the peak of the Covid-19 pandemic which may have some impact on the overall analysis. We have not made any adjustments to the underlying metrics and benchmarks to account for Covid-19.

Due to the evolving situation and significant uncertainty, it is not possible for us to assess with any certainty the implications of Covid-19 on ESR-REIT, Sabana REIT or the Enlarged REIT, either in terms of how long the current situation may continue or in terms of Covid-19’s impact, potential or actual, on the business of ESR-REIT, Sabana REIT or the Enlarged REIT.

## Valuation ratios

For the purpose of our evaluation of the financial terms of the Merger and for illustration, we have applied the following valuation metrics to the ESR-REIT Units and the Sabana Units in our analysis of the financial terms of the Merger:

**Table 4. Description of valuation metrics applied**

Valuation Metrics	Description
P/NAV	“NAV” or “net asset value” is the book value of a company’s shareholders’ equity (excluding minority interest). The “P/NAV” or “price-to-NAV” ratio illustrates the ratio of the market price of a company’s units relative to its historical book value per unit as recorded in its latest reported financial statements. Comparisons of companies using their book value are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies
12-month trailing Distribution Yield (“DY”)	The “12-month trailing Distribution Yield” is the aggregate distribution per unit (“DPU”) amount that has been declared for distribution over the prior 12 months, divided by the current unit price. The DPU has been adjusted to exclude the impact of one-off and non-recurring items, which include, <i>inter alia</i> , one-off retention amounts relating to prudent cash flow management as a result of the Covid-19 pandemic and capital gains
12-month trailing Implied Net Property Income Yield (“Implied NPI Yield”)	<p>The “12-month trailing Implied Net Property Income Yield” is calculated by dividing the net property income (“NPI”) over the prior 12 months by the enterprise value (“EV”). The EV is the sum of the company’s market capitalisation, preferred equity, minority interests, short- and long-term debt less its cash and cash equivalents and other investments. The net property income has been adjusted to exclude the impact of one-off and non-recurring items</p> <p>The Implied NPI Yield is an earnings-based valuation methodology that is capital structure neutral and therefore is not influenced by differences in gearing ratios across companies, nor by differences in the accounting treatment of interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a property company relative to its pre-tax and un-leveraged operating cash flow and performance</p>

In relation to the P/NAV multiple, we note that this type of asset-based valuation approach provides an estimate of the value of a trust assuming the hypothetical sale of all its assets over a reasonable period of time, repayment of its liabilities and obligations, and with the balance being available for distribution to its unitholders. While the asset base of a trust can be a basis for valuation, such a valuation does not necessarily imply a realisable market value as the market value of the assets and liabilities may vary depending on prevailing market and economic conditions.

As part of our evaluation of the financial terms of the Merger, we have compared the P/NAV multiple, DY Yield and Implied NPI Yield as implied by the Scheme Consideration (RD) and the Consideration Unit Price (RD), as applicable, to relevant mean and median values as well as relevant minimum and maximum ranges as set out in this Letter.



## 12.1 Evaluation of the Consideration Unit Price (RD)

### 12.1.1 Liquidity analysis of the ESR-REIT Units

In order to evaluate whether the historical market prices of the ESR-REIT Units provide a meaningful reference point for comparison with the Consideration Unit Price (RD), we have considered the liquidity and free float of ESR-REIT relative to the Top 30 STI Companies based on market capitalisation as at the Last Undisturbed Trading Date of 15 July 2020.

**Table 5. Liquidity analysis of ESR-REIT and the Top 30 STI Companies**

Company	Market cap	Latest NOSH <sup>(1)</sup>	Free float <sup>(2)</sup>	Avg daily vol <sup>(3)</sup>	Avg daily vol / Free float <sup>(3)</sup>	Avg daily vol / NOSH <sup>(3)</sup>	Avg daily val / Market cap <sup>(4)</sup>	No. of brokers covering
	(\$m)	(m)	(%)	(m)	(%)	(%)	(%)	(#)
DBS Group Holdings Ltd	56,099	2,564	69.5	5.70	0.32	0.22	0.24	20
Singapore Telecommunications Limited	41,476	16,329	40.2	28.92	0.44	0.18	0.21	18
Oversea-Chinese Banking Corporation Limited	40,868	4,409	72.3	6.53	0.20	0.15	0.16	20
United Overseas Bank Ltd. (Singapore)	34,801	1,668	74.5	3.14	0.25	0.19	0.21	20
Jardine Matheson Holdings Limited	29,408	732	29.6	0.35	0.16	0.05	0.06	6
Wilmar International Limited	27,599	6,403	28.1	6.42	0.36	0.10	0.09	17
Jardine Strategic Holdings Ltd	22,166	1,108	15.1	0.36	0.21	0.03	0.05	3
Thai Beverage Public Co., Ltd	17,079	25,116	28.8	19.07	0.26	0.08	0.09	17
CapitaLand Limited	14,896	5,137	48.1	9.20	0.37	0.18	0.21	14
Ascendas Real Estate Investment Trust	12,092	3,620	83.4	14.80	0.49	0.41	0.37	17
Singapore Airlines Ltd	11,225	2,978	68.2	5.52	0.27	0.19	0.27	13
Keppel Corporation Limited	11,014	1,821	77.7	3.91	0.28	0.21	0.22	13
Singapore Technologies Engineering Ltd	10,273	3,122	48.9	5.72	0.37	0.18	0.21	13
Hongkong Land Holdings Limited	9,336	2,334	49.6	2.89	0.25	0.12	0.15	13
Genting Singapore Limited	9,494	12,094	47.0	26.96	0.47	0.22	0.24	21
Singapore Exchange Ltd	8,916	1,072	74.4	4.00	0.50	0.37	0.39	14
Jardine Cycle & Carriage Limited	8,138	395	24.2	0.45	0.47	0.11	0.15	3
Mapletree Logistics Trust	7,723	3,804	67.4	16.81	0.66	0.44	0.38	14
City Developments Ltd	7,720	909	53.1	2.18	0.45	0.24	0.27	16
CapitaLand Mall Trust	7,528	3,690	69.1	16.82	0.66	0.46	0.52	14
CapitaLand Commercial Trust	6,913	3,862	74.5	13.65	0.47	0.35	0.37	12
Mapletree Commercial Trust	6,427	3,313	63.5	15.06	0.72	0.45	0.50	10
Dairy Farm International Holdings Ltd	6,263	1,353	22.2	1.01	0.34	0.07	0.09	8
UOL Group Ltd	5,863	844	54.5	1.37	0.30	0.16	0.17	11
Venture Corporation Ltd	4,895	290	91.3	1.32	0.50	0.45	0.42	13
Yangzijiang Shipbuilding (Holdings) Ltd	3,795	3,974	62.9	32.54	1.30	0.82	0.86	11
SATS Ltd	3,181	1,124	58.8	4.84	0.73	0.43	0.63	12
Sembcorp Industries Ltd	3,182	1,788	50.0	6.14	0.69	0.34	0.38	8
ComfortDelGro Corporation Ltd	3,207	2,167	98.5	14.03	0.66	0.65	0.90	15
Singapore Press Holdings Ltd	2,021	1,617	94.8	9.66	0.63	0.60	0.89	6
<b>Maximum</b>	<b>56,099</b>	<b>25,116</b>	<b>98.5</b>	<b>32.5</b>	<b>1.30</b>	<b>0.82</b>	<b>0.90</b>	<b>21</b>
<b>Mean</b>	<b>14,453</b>	<b>3,988</b>	<b>58.0</b>	<b>9.31</b>	<b>0.46</b>	<b>0.28</b>	<b>0.32</b>	<b>13</b>
<b>Median</b>	<b>9,126</b>	<b>2,449</b>	<b>60.8</b>	<b>5.93</b>	<b>0.45</b>	<b>0.22</b>	<b>0.24</b>	<b>13</b>
<b>Minimum</b>	<b>2,021</b>	<b>290</b>	<b>15.1</b>	<b>0.3</b>	<b>0.16</b>	<b>0.03</b>	<b>0.05</b>	<b>3</b>
<b>ESR-REIT</b>	<b>1,377</b>	<b>3,531</b>	<b>65.9%</b>	<b>15.08</b>	<b>0.65%</b>	<b>0.43%</b>	<b>0.51%</b>	<b>5</b>

Source: FactSet (as at the Last Undisturbed Trading Date)

- (1) Number of shares outstanding based on FactSet as at the Last Undisturbed Trading Date
- (2) Free float percentages as based on FactSet as at the Last Undisturbed Trading Date
- (3) Average daily trading volume is computed as the 12-month average of daily trading volumes for the respective companies up to and including the Last Undisturbed Trading Date
- (4) Average daily trading value is computed as the average VWAP over the 12-month period up to and including the Last Undisturbed Trading Date multiplied by the average daily trading volume for the respective companies

With respect to the above table, we note the following observations in respect to the ESR-REIT Units:

- a) In the 12-month period leading up to and including the Last Undisturbed Trading Date, ESR-REIT's average daily trading volume represented 0.65% of its free float. These values are within the ranges of 0.16% to 1.30% and above the mean and median of 0.46% and 0.45%, respectively, as represented by the Top 30 STI Companies; and

- b) In the 12-month period leading up to and including the Last Undisturbed Trading Date, ESR-REIT's average daily trading value represented 0.51% of its market capitalisation. These values are within the ranges of 0.05% to 0.90% and above the mean and median of 0.32% and 0.24%, respectively as represented by the Top 30 STI Companies.

The above analysis suggests that the ESR-REIT Units did not suffer from illiquid trading conditions in the 12-month period up to and including the Last Undisturbed Trading Date.

Based on our analysis of the average daily trading volume relative to the Top 30 STI Companies, it appears that there is reasonable liquidity in the ESR-REIT Units. This suggests that the market prices of the ESR-REIT Units should generally reflect the fundamental, market-based value of the ESR-REIT Units.

**We wish to highlight that the above analysis of the historical trading liquidity of the ESR-REIT Units serves only as an illustrative guide and is not an indication of the future trading liquidity of the ESR-REIT Units, which will be governed by amongst other factors, the performance and prospects of the trust, prevailing economic conditions, economic outlook, and stock market conditions and sentiment.**

#### **12.1.2 Market Prices and Trading Activity of the ESR-REIT Units**

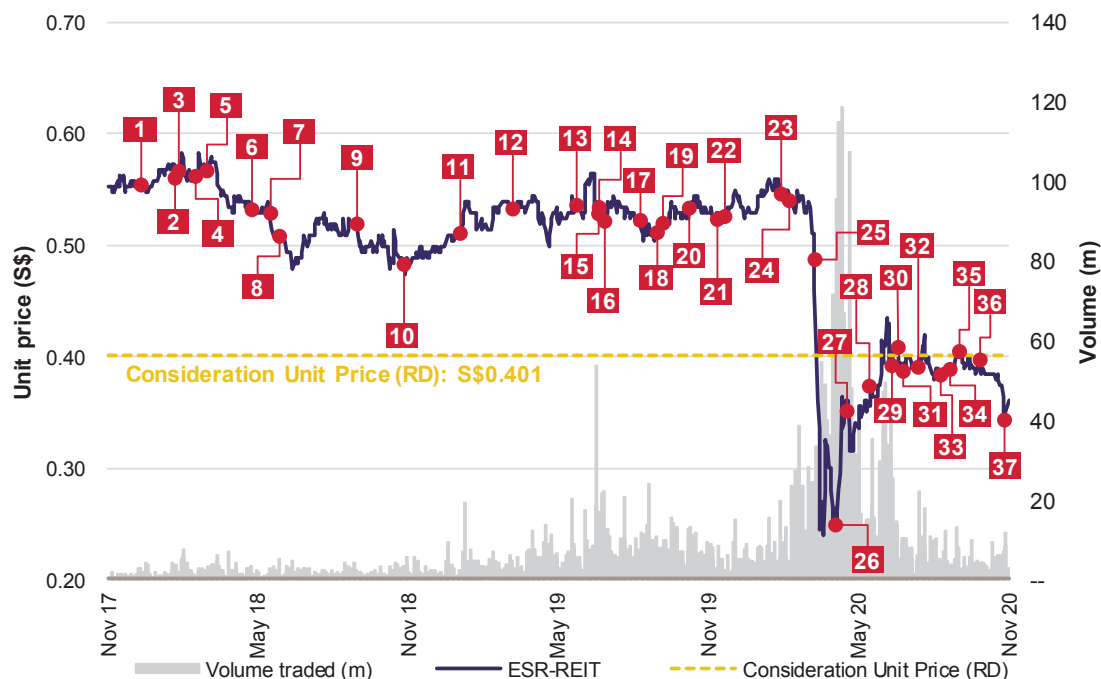
Pursuant to the Implementation Agreement and subject to the Scheme becoming effective in accordance with its terms, the Scheme Consideration (RD) shall be satisfied by the allotment and issue by ESR-REIT of new Consideration Units. Accordingly, we have considered the current and historical trading performance of the ESR-REIT Units for the period between the 36-month period up to the Latest Practicable Date of 3 November 2020.

We set out in Chart 1 the daily closing prices and trading volume of the ESR-REIT Units for the 36-month period up to the Latest Practicable Date.

We note the following:

- a) The closing prices of the ESR-REIT Units have traded between S\$0.24 and S\$0.59 per ESR-REIT Unit in the 36-month period up to the Latest Practicable Date based on the daily closing prices; and
- b) The WHO announced on 11 March 2020 that the Covid-19 situation can be characterised as a pandemic. We note that from the WHO Announcement Date up to the Latest Practicable Date, the closing prices of the ESR-REIT Units have traded between S\$0.24 and S\$0.50 per ESR-REIT Unit based on the daily closing prices. The Consideration Unit Price (RD) represents a premium of 67.1% above the lowest transacted price and a discount of 19.8% to the highest transacted price.

**Chart 1. ESR-REIT Unit price performance over the 36-month period up to the Latest Practicable Date**



Sources: FactSet (as at the Latest Practicable Date), company filings on the SGX-ST, public sources

A summary of the selected salient announcements made by ESR-REIT and key market events which occurred during the period between the 36-months up to the Latest Practicable Date are set out below:

No.	Date	Event
(1)	14 December 2017	The ESR-REIT Manager announced the acquisition of an 80% stake in 7000 AMK Pte. Ltd, which owns a leasehold interest in 7000 Ang Mo Kio Avenue 5 Singapore 569877 (together with the buildings and plant and equipment thereon) for a purchase consideration of S\$240.0 million. The ESR-REIT Manager also proposed to undertake an equity fund raising to issue up to 263.0 million new ESR-REIT Units to balance its capital structure
(2)	26 January 2018	Bloomberg Article Date – Bloomberg published an article titled “Warburg-Backed ESR-REIT is said to plan Viva Industrial Merger”, which cited that ESR-REIT was in talks to merge with Viva Industrial Trust to expand its portfolio of Singapore warehouses and business parks
(3)	29 January 2018	The ESR-REIT Manager announced that it has submitted a proposal for the proposed merger of all the issued and paid-up stapled securities of Viva Industrials Trust by way of a trust scheme of arrangement
(4)	6 February 2018	The ESR-REIT Manager announced that it has entered into an option to purchase agreement with MSS Bukit Batok Pte. Ltd. and / or its subsidiaries for the sale of 9 Bukit Batok Street 22 Singapore 659585 for S\$23.9 million (excluding divestment costs and applicable goods and services tax)
(5)	27 February 2018	The ESR-REIT Manager announced the <i>pro rata</i> and non-renounceable preferential offering of up to approximately 262.8 million new units in ESR-REIT on the basis of 188 new units for every 1,000 existing units in ESR-REIT at the issue price of S\$0.54 per new unit to raise gross proceeds of up to approximately S\$141.9 million
(6)	24 April 2018	The ESR-REIT Manager announced that ESR-REIT Trustee had entered into a conditional put and call option agreement with Tampines Distrihub Pte. Ltd. in connection with the proposed acquisition of 15 Greenwich Drive Singapore 534022 (together with the mechanical and electrical equipment). The estimated purchase price of the acquisition is S\$95.8 million which includes the consideration of S\$86.2 million and estimated upfront land premium payable of S\$9.6 million for the balance lease term

No.	Date	Event
(7)	18 May 2018	The ESR-REIT Manager and the managers of Viva Industrial Trust (“VIT”) announced the proposed merger by the acquisition of all the issued and paid-up stapled securities of VIT held by the stapled security holders of VIT by way of a trust scheme of arrangement in compliance with the Code
(8)	24 May 2018	In connection to an announcement released by Hyflux Ltd on 22 May entitled “Commencement of Court Supervised Process for Reorganisation”, the ESR-REIT Manager made an announcement that Hyflux Membrane Manufacturing (S) Pte. Ltd., one of the five subsidiaries named in the announcement, is a tenant of ESR-REIT at the property at 8 Tuas South Lane and certain related details. Please refer to the announcement released by ESR-REIT Manager on 24 May 2018 entitled “Announcement Regarding Hyflux Membrane Manufacturing (S) Pte. Ltd.”
(9)	31 August 2018	The ESR-REIT Manager released the results of the Extraordinary General Meeting held on 31 August 2018 which showed shareholder approval of the merger between ESR-REIT and VIT, the proposed issue of ESR-REIT Units as part of the consideration for the merger and certain related details. Please refer to the release by ESR-REIT Manager on 31 August 2018 entitled “Results of Extraordinary General Meeting Held on 31 August 2018”
(10)	25 October 2018	The ESR-REIT Manager announced that the ESR-REIT Trustee has exercised the call option under the put and call option agreement dated 23 April 2018 and the completion of the acquisition of 15 Greenwich Drive Singapore 534022 for a purchase price of S\$95.8 million. In connection with the acquisition, the ESR-REIT manager announced that the ESR-REIT Trustee has entered into a S\$100 million unsecured term loan facility agreement with BNP Paribas, acting through its Singapore branch as original lender and as facility agent. The proceeds will be applied towards general corporate funding purposes
(11)	31 December 2018	The ESR-REIT Manager announced it has entered into a property management agreement (“ <b>ESR-REIT PMA</b> ”) with the ESR-REIT Trustee and ESR Property Management (S) Pte. Ltd., the existing property manager for the properties of ESR-REIT (the “ <b>Property Manager</b> ”), in connection with the provision of property management services for all properties located in Singapore which are directly owned by ESR-REIT. Simultaneous with the entry into the ESR-REIT PMA, ESR Funds Management (S) Limited, as manager of Viva Trust (a wholly-owned sub-trust of ESR-REIT), and Perpetual (Asia) Limited, as trustee of Viva Trust, have also entered into a property management agreement with the Property Manager in respect of the nine properties which Viva Trust holds. The Property Manager is deemed an “interested person” and an “interested party” of ESR-REIT
(12)	5 March 2019	The ESR-REIT Manager announced that it has on 1 March 2019 filed proofs of claim against Hyflux Ltd and Hyflux Membrane Manufacturing (S) Pte. Ltd. in connection with the notices dated 22 February 2019 given for meeting(s) to be held for considering and voting on a compromise of arrangement involving the obligations owed by Hyflux and Hyflux Membrane. Hyflux Membrane is one of ESR-REIT’s top 10 tenants who accounted for approximately 3.5% of the total rental income for December 2018. The rental income from Hyflux Membrane for 4Q2018 was approximately S\$2.1 million. As at the date of this announcement, Hyflux Membrane has not defaulted in its payment of rental pursuant to the lease agreements entered into with ESR-REIT in relation to the property located at 8 Tuas South Lane. Additionally, The ESR-REIT Manager announced that the ESR-REIT Trustee has entered into a S\$155 million unsecured loan facility agreement with Australia and New Zealand Banking Group Limited, Singapore branch; CTBC Bank Co., Ltd., acting through its Singapore branch; and Standard Chartered Bank, Singapore branch, as lenders and Australia and New Zealand Banking Group Limited as facility agent. The proceeds will be applied towards general corporate funding purposes

No.	Date	Event
(13)	29 May 2019	The ESR-REIT Manager announced that the ESR-REIT Trustee has entered into a S\$150 million unsecured loan facility agreement with CIMB Bank Berhad, Singapore branch, as lender. The proceeds will be applied towards general corporate funding purposes
(14)	17 June 2019	<p>The ESR-REIT Manager announced that the ESR-REIT Trustee has entered into a joint venture (the “<b>Joint Venture</b>”) through a limited liability partnership in Singapore known as PTC Logistics Hub LLP (the “<b>LLP</b>”) with Poh Tiong Choon Logistics Limited (“<b>PTC</b>”). ESR-REIT currently holds 49.0% of the partnership interests in the LLP and PTC holds the remaining 51.0% interest of the partnership interests in the LLP. Further to the Joint Venture, the LLP has, on 17 June 2019, entered into a leasehold interest over a property situated at 48 Pandan Road, Singapore 609289 (the “<b>Property</b>”). The purchase consideration for the proposed acquisition of the Property is S\$225.0 million which is expected to be funded through a S\$40.2 million contribution by PTC, a S\$38.6 million contribution by the ESR-REIT Trustee, and debt of approximately S\$146.2 million to be taken out by the LLP. In connection with the proposed acquisition, the total acquisition costs attributable to ESR-REIT is S\$44.4 million. On the completion of the proposed acquisition, the Property shall be leased back by the LLP as landlord to PTC as tenant for a term of ten years with fixed rental escalation per annum.</p> <p>Additionally, The ESR-REIT Manager announced that ESR-REIT has plans to conduct Asset Enhancement Initiatives (“<b>AEIs</b>”) on two existing assets in its portfolio. This includes utilising untapped plot ratios to develop a modern high-specification industrial facility on the site of 7000 Ang Mo Kio Avenue 5 (“<b>7000 AMK</b>”) as part of its strategy to unlock value in its portfolio, and rejuvenation works at UE BizHub EAST to enhance its ‘work-live-play’ factor to attract quality tenants in the Changi Business Park region. Both development works are estimated to cost approximately S\$45.7 million and are expected to provide an estimated yield on cost of up to 9.0%.</p> <p>The ESR-REIT Manager announced the proposed equity fund raising, comprising of new units in ESR-REIT by way of (i) a private placement of up to approximately 195.0 million new units to institutional and other investors at an issue price of between S\$0.515 and S\$0.525 per private placement new unit (both figures inclusive) (the “<b>Private Placement</b>”) to raise gross proceeds of not less than approximately S\$75.0 million, subject to an upsize option to raise additional gross proceeds such that the total gross proceeds of the private placement will amount to not more than approximately S\$100.0 million; and (ii) a non-renounceable preferential offering of new units to the existing holders of units on a <i>pro rata</i> basis to raise gross proceeds of not more than S\$75.0 million (“<b>Preferential Offering</b>”). Pursuant to the fund raising, the ESR-REIT Manager, has no intention of raising aggregate gross proceeds in excess of approximately S\$150.0 million</p>
(15)	26 June 2019	The ESR-REIT Manager announced that pursuant to the Private Placement, 194,174,000 new units will be issued on 26 June 2019 at the issue price of S\$0.515 per new unit, to raise gross proceeds of approximately S\$100.0 million
(16)	28 June 2019	The ESR-REIT Manager announced the ESR-REIT Trustee has completed the divestment of 31 Kian Teck Way today for approximately S\$5.8 million (excluding divestment costs and applicable goods and services tax). The sale consideration represents a premium of 1.7% above the book value of the property of S\$5.7 million
(17)	7 August 2019	The ESR-REIT Manager announced that the conditions precedent under the Option Agreement between PTC Logistics Hub LLP (the “ <b>LLP</b> ”) and Poh Tiong Choon Logistics Limited dated 17 June 2019 have been fulfilled or waived, and the LLP has completed the acquisition of 48 Pandan Road, Singapore 609289 for a purchase price of S\$225.0 million
(18)	5 September 2019	The ESR-REIT Manager announced that P-Way Construction & Engineering Pte Ltd has leased approximately 168,846 square feet at 8 Tuas South Lane to supply steel fabrication works, store railway equipment and parts and provide dormitory services for their employees

No.	Date	Event
(19)	12 September 2019	<p>The ESR-REIT Manager released the results of the Extraordinary General Meeting held on 12 September 2019 whereby subject to certain conditions, the independent ESR-REIT unitholders (Whitewash) waived their rights to receive a Mandatory Offer from ESR Cayman Limited (“<b>Sponsor</b>”) and persons acting in concert or presumed to be acting in concert with it in relation to ESR-REIT, for all the remaining ESR-REIT Units not already owned, controlled or agreed to be acquired provided that the Sponsor’s and the ESR-REIT Manager’s total subscription under the preferential offering will not exceed S\$50.0 million and certain related details. Please refer to the release by ESR-REIT Manager on 12 September 2019 entitled “Notice of Extraordinary General Meeting.”</p> <p>Additionally, the ESR-REIT Manager announced that the S\$750,000,000 Multi Currency Debt Issuance Programme established by ESR-MTN Pte. Ltd. and ESR-REIT Trustee on 2 February 2012 and last updated on 20 October 2017, has been updated with effect from 12 September 2019 to, <i>inter alia</i>, amend the negative pledge, the financial covenants and the cross default threshold under the conditions of the notes and certain related details. Please refer to the release by ESR-REIT Manager on 12 September 2019 entitled “Update of the S\$750,000,000 Multicurrency Debt Issuance Programme”</p>
(20)	10 October 2019	<p>The ESR-REIT Manager announced that as at the close of the preferential offering on 4 October 2019, valid acceptances and excess applications were received for a total of 208,486,188 new units. Pursuant to the preferential offering, a total of 98,117,183 new units at the issue price of S\$0.510 per new unit will be issued to raise gross proceeds of approximately S\$50.0 million. Together with the gross proceeds of approximately S\$100.0 million raised from the private placement, gross proceeds of a total of approximately S\$150.0 million have been raised</p>
(21)	13 November 2019	<p>The ESR-REIT Manager announced that ESR-REIT has today drawn down the bank guarantees furnished by Hyflux Membrane Manufacturing (S) Pte. Ltd. (“<b>Hyflux Membrane</b>”) in relation to the lease agreements entered into with ESR-REIT</p>
(22)	15 November 2019	<p>Activist investor Quarz Capital Management, Ltd. sent an open letter proposing the merger of ESR-REIT and Sabana REIT, citing that ESR Cayman Limited’s controlling stake in the manager of both REITs puts Sabana REIT at a disadvantage given the <u>significant overlap of investment mandates between the two REITs</u></p>
(23)	13 February 2020	<p>The ESR-REIT Manager announced that it has secured a new lease for approximately 48,000 square feet of space at 8 Tuas South Lane. The new lease is entered into with a tenant who is a manufacturer of copper wire</p>
(24)	28 February 2020	<p>The ESR-REIT Manager announced that the ESR-REIT Trustee has entered into a S\$200 million unsecured loan facility agreement with (i) MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation Singapore Branch as mandated lead arrangers and book runners, (ii) MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation Singapore Branch as original lenders and (iii) Sumitomo Mitsui Banking Corporation Singapore Branch, as facility agent. The proceeds will be applied towards general corporate funding purposes</p>
(25)	11 March 2020	<p>The WHO declared Covid-19 as a pandemic. The outbreak of Covid-19 had resulted in the worst crash across global stock markets since 2008. The S&amp;P 500 fell by 7.6%, the Dow Jones Industrial Average declined over 2,000 points to drop by 7.8% and oil prices declined by 24%</p>
(26)	3 April 2020	<p>Singaporean Prime Minister Lee Hsien Loong announced a nationwide partial lockdown (“<b>Circuit Breaker</b>”), as a measure to minimise the spread of Covid-19 in Singapore. It was announced that from 7 April 2020 to 4 May 2020 (inclusive), Singapore will move towards full home-based learning for schools and move work and business to be carried out via telecommuting, <u>except for those in essential services</u></p>
(27)	21 April 2020	<p>Singaporean Prime Minister Lee Hsien Loong announced the extension of the Circuit Breaker period by another 4 weeks until 1 June 2020 (inclusive) as well as tighter measures to be introduced during the Circuit Breaker period, to further reduce the transmission of Covid-19</p>

No.	Date	Event
(28)	19 May 2020	Singaporean Prime Minister Lee Hsien Loong announced plans to reopen the Singapore economy in three phases, starting with Phase 1 on 2 June 2020. Activities that do not pose high risk of transmission will be allowed to resume first, but social, economic and entertainment activities that carry higher risks must remain closed
(29)	15 June 2020	The Multi-Ministry Taskforce announced that Singapore will move into Phase 2 on 19 June 2020 as infection rates have remained stable, cases in migrant worker dormitories have declined and there are no new large clusters emerging. A wider scope of activities will be allowed to resume, while maintaining safe distancing measures, but activities where many people will come into close contact for long period of time will take more time to resume. All employers to ensure telecommuting by default, where possible
(30)	17 June 2020	The ESR-REIT Manager announced that Moody's Investor Service (" <b>Moody's</b> ") has, on 17 June 2020, withdrawn ESR-REIT's Baa3 issuer rating, (P)Baa3 senior unsecured rating on its S\$750.0 million Multicurrency Debt Issuance Programme and the Baa3 ratings on the senior unsecured loans drawn from the programme and its stable outlook. Moody's has decided to withdraw the ratings for its own business reasons
(31)	30 June 2020	The ESR-REIT Manager announced that Pacific Integrated Logistics Pte Ltd and Royal Engineering & Trading (S) Pte. Ltd. have collectively leased an aggregate 284,700 square feet of space at 8 Tuas South Lane, further reducing exposure to Hyflux Membrane (s) Pte. Ltd.
(32)	16 July 2020	Joint Announcement Date – The ESR-REIT Manager and the Sabana Manager jointly announced the proposed merger of ESR-REIT and Sabana REIT effected through the acquisition by ESR-REIT Trustee of all the units of Sabana REIT, in exchange for units in ESR-REIT, by way of a trust scheme of arrangement in compliance with the Code. Additionally, as mentioned in the proposed merger announcement and in connection with the merger and scheme, the ESR-REIT Trustee has entered into a S\$460 million unsecured loan facility agreement with (i) Malayan Banking Berhad, Singapore Branch, RHB Bank Berhad, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Bank Limited, as mandated lead arrangers and book runners, (ii) Malayan Banking Berhad, Singapore Branch, RHB Bank Berhad, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Banking Limited, as original lenders and (iii) United Overseas Bank Limited, as facility agent
(33)	6 August 2020	Referring to the Joint Announcement, the ESR-REIT Manager announced that it does not intend to increase the Scheme Consideration (RD) and accordingly, the exchange ratio of 0.940x is final, except that the ESR-REIT Manager reserves the right to do so in a competitive situation
(34)	7 August 2020	The ESR-REIT Manager and Sabana Manager announced to the unitholders of ESR-REIT and Sabana REIT respectively a corrigendum to Joint Announcement and Sabana investor presentation. The corrigendum is an addendum to and should be read in conjunction with the Joint Announcement and the Sabana investor presentation
(35)	31 August 2020	The ESR-REIT Manager issued a press release affirming that the Merger between ESR-REIT and Sabana REIT presents significant benefits. The ESR-REIT Manager highlighted that the Scheme Consideration (RD) is based on a fixed gross exchange ratio of 0.940x, and not a fixed offer price. The ESR-REIT Manager expressed it believes that the terms of the Merger are fair and will result in a win-win outcome
(36)	28 September 2020	Following an announcement by the Multi-Ministry Taskforce, restrictions at workplaces were significantly eased allowing more employees to return to offices under strict safe management measures
(37)	30 October 2020	The ESR-REIT Manager announced an interim business performance update for the quarter ended 30 September 2020 (Q3 2020). As part of the announcement, ESR-REIT declared a DPU of 0.798 Singapore cents for 3Q2020, including the release of S\$3.5 million distributable income from 1Q2020, which was previously retained in view of Covid-19 uncertainties

## Historical VWAPs of the ESR-REIT Units

We set out in Table 6 below the historical VWAPs of the ESR-REIT Units for various reference periods up to and including the Reference Date, Last Undisturbed Trading Date and the Latest Practicable Date, respectively.

**Table 6. Historical share price and trading volume (ESR-REIT)**

Evaluation of the Consideration Unit Price (RD) (S\$0.401 per ESR-REIT Unit)							
Reference period	Price basis	ADTV ('000s) <sup>(1)</sup>	ADTV / free float (%) <sup>(2)</sup>	Lowest price (S\$)	Highest price (S\$)	VWAP (S\$) <sup>(3)</sup>	Premium / (discount) to VWAP (%)
<b>A) Periods up to the Reference Date (9 July 2020)</b>							
<b>Reference Date (9 July 2020)</b>	Closing price	1,547	0.07	0.390	0.390	0.390	2.8
<b>Last 1 month</b>	VWAP	9,096	0.39	0.385	0.430	0.401	-
<b>Last 3 months</b>	VWAP	23,687	1.02	0.280	0.435	0.354	13.1
<b>Last 6 months</b>	VWAP	23,861	1.03	0.240	0.560	0.361	11.0
<b>Last 12 months</b>	VWAP	15,016	0.65	0.240	0.560	0.392	2.3
<b>B) Periods up to and including the Last Undisturbed Trading Date (15 July 2020)</b>							
<b>LUTD (15 July 2020)</b>	Closing price	6,309	0.27	0.390	0.390	0.390	2.8
<b>Last 1 month</b>	VWAP	7,411	0.32	0.385	0.410	0.391	2.5
<b>Last 3 months</b>	VWAP	15,848	0.68	0.315	0.435	0.362	10.9
<b>Last 6 months</b>	VWAP	24,246	1.04	0.240	0.560	0.354	13.4
<b>Last 12 months</b>	VWAP	15,082	0.65	0.240	0.560	0.384	4.4
<b>C) Period from the Joint Announcement Date up to the Latest Practicable Date (16 July 2020 to 3 November 2020)</b>							
<b>From the Joint Announcement Date up to the Latest Practicable Date</b>	VWAP	5,032	0.22	0.345	0.420	0.389	3.2
<b>As at the Latest Practicable Date</b>	Closing price	1,919	0.08	0.360	0.360	0.360	11.4

Sources: FactSet, Bloomberg

- (1) The average daily trading volume of the ESR-REIT Units is calculated as the average of the daily trading volumes of the ESR-REIT Units for each of the relevant periods
- (2) Free float is based on FactSet and refers to the number of ESR-REIT Units that are available to the public
- (3) The VWAP is weighted based on the volume of the ESR-REIT Units traded and transacted prices of the ESR-REIT Units for the Market Days in the reference periods. VWAP figures shown are rounded to the nearest three decimal places. No adjustments to unit prices have been made for dividends, bonus issues or other corporate transactions in each respective reference period

Based on the above table, we note that:

**(A) Periods up to the Reference Date (9 July 2020):**

- (i) The Consideration Unit Price (RD) of S\$0.401 represents a premium of 2.8% to the closing price of the ESR-REIT Units on the Reference Date;
- (ii) The Consideration Unit Price (RD) of S\$0.401 represents a premium of 13.1%, 11.0% and 2.3% to the 3-month, 6-month and 12-month VWAPs of the ESR-REIT Units up to the Reference Date, respectively;



(B) Periods up to and including the Last Undisturbed Trading Date (15 July 2020):

- (i) The Consideration Unit Price (RD) of S\$0.401 represents a premium of 2.8% to the closing price of the ESR-REIT Units on the Last Undisturbed Trading Date;
- (ii) The Consideration Unit Price (RD) of S\$0.401 represents a premium of 2.5%, 10.9%, 13.4% and 4.4% to the 1-month, 3-month, 6-month and 12-month VWAPs of the ESR-REIT Units for the periods up to and including the Last Undisturbed Trading Date, respectively;

(C) Period from the Joint Announcement Date up to the Latest Practicable Date (16 July 2020 to 3 November 2020):

- (i) The Consideration Unit Price (RD) of S\$0.401 represents a premium of 3.2% over the VWAP of the ESR-REIT Units for the period from the Joint Announcement Date up to the Latest Practicable Date of S\$0.389; and
- (ii) The Consideration Unit Price (RD) of S\$0.401 represents a premium of 11.4% to the closing price of the ESR-REIT Units on the Latest Practicable Date of S\$0.360.

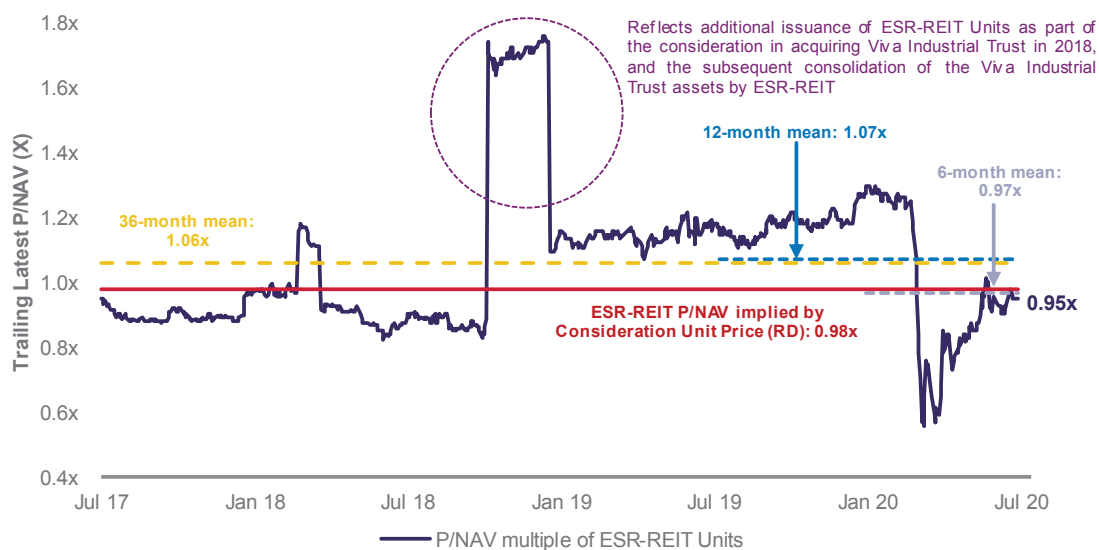
**We note that there is no assurance that the price of the ESR-REIT Units will remain at current levels in the event that the Merger is terminated. We also wish to highlight that the historical trading performance of the ESR-REIT Units serves only as an illustrative guide and should not be relied upon as an indication of the future price performance of the ESR-REIT Units, which will be governed by other factors such as, *inter alia*, the performance and prospects of the Enlarged REIT, prevailing economic conditions, economic outlook, stock market conditions and sentiment.**

**12.1.3 Trailing Latest P/NAV multiples of the ESR-REIT Units relative to the Latest P/NAV multiple implied by the Consideration Unit Price (RD)**

For the purpose of evaluating the financial terms of the Merger, we have made reference to the trailing latest (“**Latest**”) P/NAV multiples (based on the latest reported net asset values) of the ESR-REIT Units to evaluate how the Latest P/NAV multiple implied by the Consideration Unit Price (RD) compares to them.

With reference to Chart 2 below, we have compared the Latest P/NAV multiple implied by the Consideration Unit Price (RD) to the trailing Latest P/NAV multiples of the ESR-REIT Units over the 36-month period up to and including the Last Undisturbed Trading Date.

**Chart 2. Trailing Latest P/NAV multiples of ESR-REIT over the 36-month period up to the LUTD**



Period up to the LUTD	Merger Implied <sup>(1)</sup>	Min	Max	Mean	Median
As at the LUTD (15 July 2020)	0.98x	0.95x	0.95x	0.95x	0.95x
6-month period	0.98x	0.56x	1.29x	0.97x	0.93x
12-month period	0.98x	0.56x	1.29x	1.07x	1.16x
36-month period	0.98x	0.56x	1.76x	1.06x	0.98x

Source: FactSet (as at the Last Undisturbed Trading Date)

(1) Based on the Consideration Unit Price (RD) of S\$0.401 and NAV per ESR-REIT Unit of S\$0.410 as at 30 June 2020

Based on the above, we note that:

- c) The Latest P/NAV multiple implied by the Consideration Unit Price (RD) of 0.98x is within the range of the trailing Latest P/NAV multiples of the ESR-REIT Units of 0.56x to 1.29x and in line with the mean and median of 0.97x and 0.93x, respectively over the 6-month period up to and including the Last Undisturbed Trading Date;
- d) The Latest P/NAV multiple implied by the Consideration Unit Price (RD) of 0.98x is within the range of the trailing Latest P/NAV multiples of the ESR-REIT Units of 0.56x to 1.29x but below the mean and median of 1.07x and 1.16x, respectively, over the 12-month period up to and including the Last Undisturbed Trading Date; and
- e) The Latest P/NAV multiple implied by the Consideration Unit Price (RD) of 0.98x is within the range of the trailing Latest P/NAV multiples of the ESR-REIT Units of 0.56x to 1.76x and in line with the mean and median of 1.06x and 0.98x, respectively over the 36-month period up to and including the Last Undisturbed Trading Date.

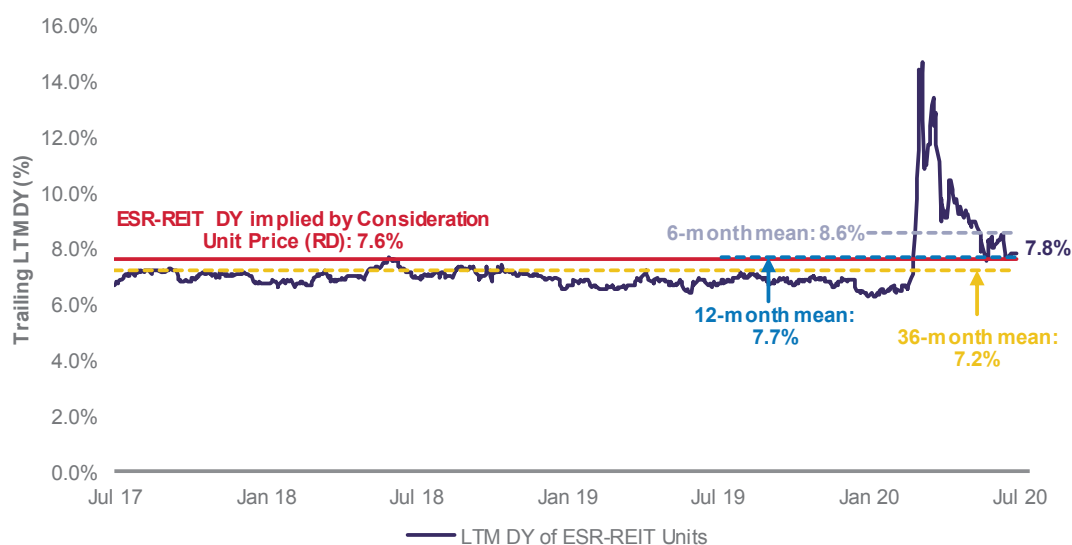
**We wish to highlight that the historical trading patterns or performance of the ESR-REIT Units should not, in any way, be relied upon as an indication of its future trading patterns or performance, which will be governed by, *inter alia*, the performance and prospects of the trust, prevailing economic conditions, economic outlook and market conditions and sentiments.**

### 12.1.4 Trailing LTM DYs of the ESR-REIT Units relative to the LTM DY implied by the Consideration Unit Price (RD)

For the purposes of evaluating the financial terms of the Merger, we have made reference to the trailing last 12-month (“LTM”) DYs of the ESR-REIT Units to evaluate how the LTM DY implied by the Consideration Unit Price (RD) compares to them.

In the chart below we have compared the LTM DY implied by the Consideration Unit Price (RD) to the trailing LTM DYs of the ESR-REIT Units over the 36-month period up to and including the Last Undisturbed Trading Date.

**Chart 3. Trailing LTM DYs<sup>(1)</sup> of ESR-REIT over the 36-month period up to the LUTD**



Period up to the LUTD	Merger Implied <sup>(2)</sup>	Min	Max	Mean	Median
As at the LUTD (15 July 2020)	7.6%	7.8%	7.8%	7.8%	7.8%
6-month period	7.6%	6.3%	14.7%	8.6%	8.3%
12-month period	7.6%	6.3%	14.7%	7.7%	6.9%
36-month period	7.6%	6.3%	14.7%	7.2%	7.0%

Source: FactSet (as at the Last Undisturbed Trading Date)

- (1) DYs are based on the trailing 12-month DPU
- (2) Based on the Consideration Unit Price (RD) of S\$0.401 and LTM distribution per ESR-REIT Unit of 3.060 cents as at 30 June 2020 – computed as the sum of Q2 2020 DPU of 0.662 cents, Q1 2020 DPU of 0.697 cents, Q4 2019 DPU of 0.838 cents and Q3 2019 DPU of 0.864 cents. DPUs have been adjusted to account for retention amounts relating to the Covid-19 pandemic, capital gains and other non-recurring gains

Based on the above, we note that:

- a) The LTM DY implied by the Consideration Unit Price (RD) of 7.6% is within the range of the trailing LTM DYs of the ESR-REIT Units of 6.3% to 14.7% over the 6-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 8.6% and 8.3% respectively;

- b) The LTM DY implied by the Consideration Unit Price (RD) of 7.6% is within the range of the trailing LTM DYs of the ESR-REIT Units of 6.3% to 14.7% over the 12-month period up to and including the Last Undisturbed Trading Date and within with the mean and median of 7.7% and 6.9%. respectively; and
- c) The LTM DY implied by the Consideration Unit Price (RD) of 7.6% is within the range of the trailing LTM DYs of the ESR-REIT Units of 6.3% to 14.7% over the 36-month period up to and including the Last Undisturbed Trading Date and above the mean and median of 7.2% and 7.0%. respectively.

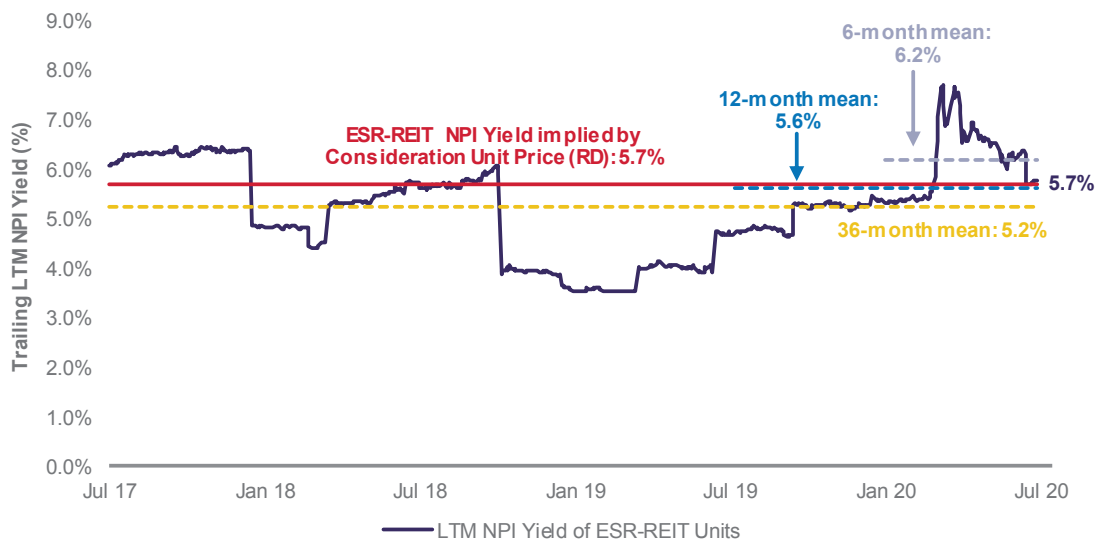
**We wish to highlight that the historical trading patterns or performance of the ESR-REIT Units should not, in any way, be relied upon as an indication of its future trading patterns or performance, which will be governed by, *inter alia*, the performance and prospects of the trust, prevailing economic conditions, economic outlook and market conditions and sentiments.**

**12.1.5 Trailing LTM Implied NPI Yields of the ESR-REIT Units relative to the LTM Implied NPI Yield implied by the Consideration Unit Price (RD)**

For the purposes of evaluating the financial terms of the Merger, we have made reference to the LTM Implied NPI Yields of the ESR-REIT Units to evaluate how the LTM Implied NPI Yield implied by the Consideration Unit Price (RD) compares to them.

With reference to Chart 4 below, we have compared the LTM Implied NPI Yield implied by the Consideration Unit Price (RD) to the trailing LTM Implied NPI Yields of the ESR-REIT Units over the 36-month period up to and including the Last Undisturbed Trading Date.

**Chart 4. Trailing LTM Implied NPI Yields<sup>(1)</sup> of ESR-REIT over the 36-month period up to the LUTD**



Period up to the LUTD	Merger Implied <sup>(2)</sup>	Min	Max	Mean	Median
As at the LUTD (15 July 2020)	5.7%	5.7%	5.7%	5.7%	5.7%
6-month period	5.7%	5.3%	7.7%	6.2%	6.3%
12-month period	5.7%	4.6%	7.7%	5.6%	5.3%
36-month period	5.7%	3.5%	7.7%	5.2%	5.3%

Source: FactSet (Last Undisturbed Trading Date)

(1) Implied NPI Yields are based on the trailing 12-month NPI

(2) Based on the LTM ESR-REIT NPI of S\$171.7m as of 30 June 2020, and the implied EV of ESR-REIT based on the Consideration Unit Price (RD) of S\$0.401

Based on the above, we note that:

- a) The LTM Implied NPI Yield implied by the Consideration Unit Price (RD) of 5.7% is within the range of the trailing LTM Implied NPI Yields of the ESR-REIT Units of 5.3% to 7.7% over the 6-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 6.2% and 6.3%, respectively;
- b) The LTM Implied NPI Yield implied by the Consideration Unit Price (RD) of 5.7% is within the range of the trailing LTM Implied NPI Yields of the ESR-REIT Units of 4.6% to 7.7% over the 12-month period up to and including the Last Undisturbed Trading Date and in line with the mean and median of 5.6% and 5.3%, respectively; and
- c) The LTM Implied NPI Yield implied by the Consideration Unit Price (RD) of 5.7% is within the range of the trailing LTM Implied NPI Yields of the ESR-REIT Units of 3.5% to 7.7% over the 36-month period up to and including the Last Undisturbed Trading Date and above the mean and median of 5.2% and 5.3%, respectively.

**We wish to highlight that the historical trading patterns or performance of the ESR-REIT Units should not, in any way, be relied upon as an indication of its future trading patterns or performance, which will be governed by, *inter alia*, the performance and prospects of the trust, prevailing economic conditions, economic outlook and market conditions and sentiments.**

#### 12.1.6 Valuation multiples of the Selected Comparable Industrial S-REITs

For the purpose of evaluating the Consideration Unit Price (RD), references were made to SGX-ST listed REITs which are engaged in the business of industrial real estate investments and are considered to be broadly comparable to ESR-REIT to provide an indication of the current market expectation with regards to the valuation of such trusts, as implied by their respective closing market prices as at the Latest Practicable Date of 3 November 2020.

For the purpose of our analyses in this Letter, the Selected Comparable Industrial S-REITs are divided into two categories:

- a) industrial S-REITs with total asset size of less than S\$3.0 billion ("**Mid-Cap Comparable Industrial S-REITs**"); and

- b) industrial S-REITs with total asset size of S\$3.0 billion or above (“**Large-Cap Comparable Industrial S-REITs**”).

The statistics for the Selected Comparable Industrial S-REITs are based on their closing prices as at the Latest Practicable Date and their latest publicly available financial results.

We have considered the following as key parameters for the comparison of the implied valuation metrics for the Selected Comparable Industrial S-REITs along with certain financial parameters as set out below:

- a) Latest P/NAV;  
b) LTM DY; and  
c) LTM Implied NPI Yield

The summary description of the Selected Comparable Industrial S-REITs we have reviewed for our analysis is set out below in Table 7.

**Table 7. Brief description of Selected Comparable Industrial S-REITs**

Company	Description	Market Cap <sup>(1)</sup> (S\$m)
<b>Mid-cap Comparable Industrial S-REITs</b>		
AIMS APAC REIT	<ul style="list-style-type: none"> <li>Listed on the Main Board of Singapore Exchange, invests in industrial properties including business parks, light industrial, hi tech and others</li> <li>27 properties in Singapore with a portfolio value of S\$1.5bn</li> </ul>	805
ARA LOGOS Logistics Trust	<ul style="list-style-type: none"> <li>Listed on the Main Board of Singapore Exchange, invests in industrial properties including industrial / consumer goods, e-commerce and cold storage</li> <li>27 properties in Singapore and Australia with a portfolio value of S\$1.3bn</li> </ul>	628
Soilbuild Business Space REIT	<ul style="list-style-type: none"> <li>Invests in properties used primarily for business space, including business parks and industrial properties</li> <li>14 properties in Singapore and Australia with a portfolio value of S\$1.4bn</li> </ul>	586
<b>Large-cap Comparable Industrial S-REITs</b>		
Ascendas REIT	<ul style="list-style-type: none"> <li>Singapore’s first and largest listed business space and industrial REIT</li> <li>198 properties across Singapore, Australia, UK and USA with a portfolio value of S\$12.8bn</li> </ul>	10,897
Mapletree Logistics Trust	<ul style="list-style-type: none"> <li>Singapore’s first Asia Pacific focused logistics REIT</li> <li>145 properties across Singapore, Hong Kong, Japan, China, Australia, South Korea, Malaysia and Vietnam and portfolio value of S\$8.9bn</li> </ul>	8,260
Mapletree Industrial Trust	<ul style="list-style-type: none"> <li>Listed on the Main Board of Singapore Exchange focusing on industrial properties and data centres</li> <li>114 industrial and data centre properties across Singapore and North America with a portfolio value of S\$5.9bn</li> </ul>	7,310
Frasers Logistics and Commercial Trust	<ul style="list-style-type: none"> <li>Invests in properties used for manufacturing, logistics, temperature-controlled warehouses and others</li> <li>99 properties across UK, Germany, Netherlands, Singapore and Australia with a portfolio value of S\$5.7bn</li> </ul>	4,335

Sources: FactSet (as at the Latest Practicable Date) and company filings

(1) Market capitalisation is calculated based on unit prices as at the Latest Practicable Date

Historical trading multiples are related to how a listed entity is perceived by the stock market and subject to market efficiency and rationality, reflect the information relevant to an entity such as its business directions, plans and strategies, expected financial performance, future prospects and potential growth and are susceptible to, amongst other things, the degree of broker coverage of the entity, trading liquidity, investor sentiment and market speculation.

We observe that the Large-Cap Comparable Industrial S-REITs are of larger scale from both a market capitalisation and asset value perspective, as compared to the Mid-Cap Comparable Industrial S-REITs and differ in terms of, *inter alia*, business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. We further note that from a scale perspective, ESR-REIT is more comparable to the Mid-Cap Comparable Industrial S-REITs and is not comparable to the Large-Cap Comparable Industrial S-REITs. As a result, the implied multiples of the Large-Cap Comparable Industrial S-REITs may not be comparable to ESR-REIT and as such, we have not included, as part of our analysis, an assessment of the multiples of ESR-REIT implied by the Consideration Unit Price (RD) relative to the Large-Cap Comparable Industrial S-REITs.

**Table 8. Selected Comparable Industrial S-REITs**

Company	Unit price	Market Cap.	NAV (\$m)	DPU (\$c)	P/NAV	DY	Implied NPI Yield
	S\$	S\$m	Latest <sup>(1)</sup>	LTM <sup>(2)</sup>	Latest <sup>(1)</sup>	LTM <sup>(2)</sup>	LTM <sup>(3)</sup>
<b>Mid-Cap Comparable Industrial S-REITs</b>							
AIMS APAC REIT	1.16	805	945	8.5	0.85x	7.3%	8.0%
ARA LOGOS Logistics Trust	0.58	628	634	4.9	0.99x	8.5%	6.5%
Soilbuild	0.46	586	750	3.3	0.78x	7.2%	6.4%
<b>Maximum</b>					<b>0.99x</b>	<b>8.5%</b>	<b>8.0%</b>
<b>Mean</b>					<b>0.87x</b>	<b>7.7%</b>	<b>6.9%</b>
<b>Median</b>					<b>0.85x</b>	<b>7.3%</b>	<b>6.5%</b>
<b>Minimum</b>					<b>0.78x</b>	<b>7.2%</b>	<b>6.4%</b>
<b>Large-Cap Comparable Industrial S-REITs</b>							
Ascendas REIT	3.01	10,897	7,956	12.5	1.37x	4.1%	4.6%
Mapletree Logistics Trust	2.00	8,260	4,575	6.4	1.81x	3.2%	3.9%
Mapletree Industrial Trust	3.11	7,310	3,982	12.3	1.84x	4.0%	3.6%
Frasers Logistics & Comm Trust	1.27	4,335	2,204	4.0	1.97x	3.2%	3.7%
<b>Maximum</b>					<b>1.97x</b>	<b>4.1%</b>	<b>4.6%</b>
<b>Mean</b>					<b>1.74x</b>	<b>3.6%</b>	<b>4.0%</b>
<b>Median</b>					<b>1.82x</b>	<b>3.6%</b>	<b>3.8%</b>
<b>Minimum</b>					<b>1.37x</b>	<b>3.2%</b>	<b>3.6%</b>
<b>ESR-REIT (LUTD<sup>(4)</sup>) - for reference</b>	0.39	1,377	1,449	3.1	<b>0.95x</b>	<b>7.8%</b>	<b>5.7%</b>
<b>Consideration Unit Price (RD)</b>					<b>0.98x</b>	<b>7.6%</b>	<b>5.7%</b>

Sources: FactSet (as at the Latest Practicable Date), public information

- (1) Reflects latest balance sheet as at the Latest Practicable Date
- (2) Calculated based on the latest declared LTM DPU as at the Latest Practicable Date. LTM DPU is the aggregate of the DPU in the most recent four (4) quarters (if distributions are made quarterly) or the aggregate of the DPU in the most recent two (2) semiannual periods (if distributions are made semiannually). DPU is adjusted to exclude one-off or non-recurring items
- (3) Implied NPI Yield is calculated by dividing the LTM net property income of the respective companies by their enterprise values based on their unit prices and latest balance sheet information as at the Latest Practicable Date
- (4) ESR-REIT trading information based on closing price as at the Last Undisturbed Trading Date

We highlight the following key observations arising from the data presented above:

With respect to the Mid-Cap Comparable Industrial S-REITs:

- (i) The Latest P/NAV multiple of the ESR-REIT Units implied by the Consideration Unit Price (RD) of 0.98x is within the range of the P/NAV multiples of the Mid-Cap Comparable Industrial S-REITs of 0.78x and 0.99x, and above the mean and median of 0.87x and 0.85x, respectively;
- (ii) The LTM DY of the ESR-REIT Units implied by the Consideration Unit Price (RD) of 7.6% is within the range of the LTM DY of the Mid-Cap Industrial S-REITs of 7.2% and 8.5%, and within the mean and median of 7.7% and 7.3%, respectively;
- (iii) The LTM Implied NPI Yield of the ESR-REIT Units implied by the Consideration Unit Price (RD) of 5.7% is below the range of the LTM Implied NPI Yield of the Mid-Cap Industrial S-REITs of 6.4% and 8.0%, and below the mean and median of 6.9% and 6.5%, respectively;

**We recognise, however, that the list of the Selected Comparable Industrial S-REITs is not exhaustive and there may not be any companies listed on the SGX-ST or other stock exchanges that are directly comparable to ESR-REIT in terms of business activities, scale of operations, types of products, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. We also note that the accounting principles used by the respective Selected Comparable Industrial S-REITs and ESR-REIT may be different. Such differences may therefore render any comparisons carried out less useful than if the same accounting principles were being used. As such, any comparison made with respect to the Selected Comparable Industrial S-REITs is therefore intended to serve as an illustrative guide only.**

**We wish to further highlight that the underlying financial data used to calculate the valuation multiples in our analysis have been extracted from Bloomberg, FactSet, published financial statements and annual reports and research analyst reports of the Selected Comparable Industrial S-REITs as at the Latest Practicable Date. Rothschild & Co make no representations or warranties, express or implied, on the accuracy or completeness of such information.**



### 12.1.7 Precedent Transactions of Selected S-REIT Mergers

For the purpose of evaluating the Consideration Unit Price (RD), we have also reviewed selected precedent transactions and combinations of S-REITs involving scrip as the primary transaction consideration for which information is publicly available in the five-year period preceding the Latest Practicable Date.

We wish to highlight that there is a lack of true comparable precedent transactions that can be used in our analysis in terms of mergers in the industrial S-REIT segment and between companies of comparable scale to ESR-REIT and Sabana REIT. As such, we have also considered S-REIT mergers across different REIT segments and which involve S-REITs which may be larger than ESR-REIT and Sabana REIT.

We note that the S-REITs set out in Table 9 below may not be directly comparable to Sabana REIT and may vary in terms of, *inter alia*, capital structure, their business activities, market capitalisation, scale of operations, accounting policies, financial performance, future prospects, geographical markets, track record, asset base, risk profile, customer base and other relevant criteria. Accordingly, the Precedent Transactions may not provide a meaningful basis for valuation comparison.

The summary description of the targets we have reviewed for our analysis is set out below in Table 9:

**Table 9. Brief description of the Precedent Transactions**

Target	Announcement date	Description
CapitaLand Commercial Trust (Commercial)	22 Jan 2020	<ul style="list-style-type: none"> <li>CapitaLand Commercial Trust (“<b>CCT</b>”) is the first and largest commercial REIT listed in Singapore. It owns nine properties located in Singapore’s CBD worth c.S\$11bn and has expanded into Europe</li> <li>The cash and stock merger between CCT and CapitaLand Mall Trust (“<b>CMT</b>”) was effected by way of a trust scheme of arrangement and completed in October 2020</li> </ul>
Frasers Commercial Trust (Commercial)	2 Dec 2019	<ul style="list-style-type: none"> <li>Frasers Commercial Trust (“<b>FCOT</b>”) is a commercial REIT which had six properties in Singapore, Australia and the UK</li> <li>The S\$1.54bn cash and stock merger between Frasers Logistics &amp; Industrial Trust (“<b>FLT</b>”) and FCOT by way of a scheme of arrangement was completed in April 2020</li> </ul>
Ascendas-HTRUST (Hospitality)	3 Jul 2019	<ul style="list-style-type: none"> <li>Ascendas HTrust’s (“<b>A-HTRUST</b>”) had a portfolio of 14 hotel properties in Japan, South Korea, Singapore, and Australia</li> <li>The merger was effected by way of a scheme of arrangement, with Ascott Residence Trust (“<b>Ascott REIT</b>”) acquiring all the units in A-HTRUST through a cash and stock deal. The merger was completed on 31 December 2019</li> </ul>
OUE Hospitality Trust (Hospitality)	8 Apr 2019	<ul style="list-style-type: none"> <li>OUE Hospitality Trust (“<b>OUE-H Trust</b>”) invests in hospitality-based properties in Singapore</li> <li>The S\$1.5bn merger was effected by way of a scheme of arrangement, with OUE Commercial Trust (“<b>OUE-CT</b>”) acquiring all the units in OUE H-Trust through a cash and stock deal. The merger was completed in September 2019</li> </ul>

Target	Announcement date	Description
Viva Industrial Trust (Industrial)	18 May 2018	<ul style="list-style-type: none"> <li>Viva Industrial Trust (“VIT”) focuses on a diversified portfolio of income producing real estate assets including business parks and other assets used for other industrial purposes in Singapore and Asia Pacific</li> <li>The merger was effected by way of a scheme of arrangement, with ESR-REIT acquiring all the units in VIT through a cash and stock deal. The merger was completed in October 2018</li> </ul>

**Sources:** Relevant SGX-ST filings and the respective companies’ announcements, circulars and offer documents

We have conducted our analysis, as set out in Table 10 below, on the basis of the premium of each respective acquirers’ unit issue price for each of the Precedent Transactions over the acquirers’ unit closing price as at the respective last undisturbed trading dates and the 6-month and 12-month VWAPs as implied by the Precedent Transactions relative to those implied by the Consideration Unit Price (RD).

Each transaction must be judged on its own commercial and financial merits. The premium (if any) that an offeror would pay in respect of any particular takeover depends on various factors including, *inter alia*, the offeror’s intention with regard to the target company, the potential synergies that the offeror can derive from acquiring the target company, the presence of competing bids for the target company, prevailing market conditions and sentiments, attractiveness and profitability of the target’s business and assets and existing and desired level of control in the target company. Therefore, the comparison of the Consideration Unit Price (RD) with the Precedent Transactions set out below is for illustrative purposes only.

**Table 10. Precedent Transactions of S-REITs**

Announcement date	Target	Acquirer	Premium / (discount) to closing price as at last trading date	Premium / (discount) to 6M VWAP up to the last trading date	Premium / (discount) to 12M VWAP up to the last trading date
22 Jan 2020	CCT	CMT <sup>(1)</sup>	-	1.4%	7.2%
2 Dec 2019	FCOT	FLT <sup>(2)</sup>	-	1.8%	5.8%
3 Jul 2019	A-HTRUST	Ascott REIT <sup>(3)</sup>	(0.8%)	8.9%	12.8%
8 Apr 2019	OUE H-Trust	OUE-CT <sup>(4)</sup>	-	7.7%	4.0%
18 May 2018	VIT	ESR-REIT <sup>(5)</sup>	(4.4%)	(4.4%)	(5.6%)
<b>Maximum</b>			-	<b>8.9%</b>	<b>12.8%</b>
<b>Mean</b>			<b>(1.0%)</b>	<b>3.1%</b>	<b>4.8%</b>
<b>Median</b>			-	<b>1.8%</b>	<b>5.8%</b>
<b>Minimum</b>			<b>(4.4%)</b>	<b>(4.4%)</b>	<b>(5.6%)</b>
<b>Premium / (Discount) based on Consideration Unit Price (RD)<sup>(6)</sup></b>			<b>2.8%</b>	<b>13.4%</b>	<b>4.4%</b>

Sources: FactSet, Bloomberg, Relevant SGX-ST filings and the respective companies' announcements, circulars and offer documents

- (1) On 22 January 2020, CMT and CCT jointly announced the proposed merger between CMT and CCT by way of a trust scheme of arrangement. The scheme consideration as part of the merger is S\$2.1238 per CCT unit and will be satisfied via a cash consideration of S\$0.259 per CCT unit and the issuance of 0.720 new CMT units at an issue price of S\$2.59 per CMT unit. The premia is calculated based on the closing price and the 6M and 12M VWAPs of the CMT units up to the last full market trading day prior to the joint announcement (21 January 2020) of S\$2.590, S\$2.555 and S\$2.417, respectively and the issue price of S\$2.590 per CMT unit. On 21 October 2020, it was announced that the trust scheme had become effective and binding
- (2) On 2 December 2019, FLT and FCOT jointly announced the proposed merger of FLT and FCOT by way of a trust scheme of arrangement. The scheme consideration as part of the merger is S\$1.680 per FCOT unit and will be satisfied via a cash consideration of S\$0.151 per FCOT unit and the issuance of 1.233 new FLT units at an issue price of S\$1.240 per FLT unit. The premia is calculated based on the closing price and the 6M and 12M VWAPs of the FLT units up to the last full market trading day prior to the joint announcement (27 November 2019) of S\$1.240, S\$1.218 and S\$1.172, respectively and the issue price of S\$1.240 per FLT unit. On 15 April 2020, it was announced that the trust scheme had become effective and binding
- (3) On 3 July 2019, Ascott REIT and A-HTRUST jointly announced the proposed merger of Ascott REIT and A-HTRUST by way of a trust scheme of arrangement. The scheme consideration as part of the merger is S\$1.0868 per A-HTRUST unit and will be satisfied via a cash consideration of S\$0.0543 per stapled unit in A-HTRUST and the issuance of 0.7942 units in a stapled Ascott REIT and Ascott Business Trust issued at a price of S\$1.30 each. The premia is calculated based on the closing price and the 6M and 12M VWAPs of Ascott REIT up to and including the last undisturbed trading date (2 July 2019) of S\$1.310, S\$1.194 and S\$1.152, respectively and the issue price of S\$1.30 per Ascott REIT unit. On 19 December 2019, it was announced that the trust scheme had become effective and binding
- (4) On 8 April 2019, OUE-CT and OUE H-Trust jointly announced the proposed merger of OUE-CT and OUE H-Trust by way of a trust scheme of arrangement. The scheme consideration as part of the merger will be satisfied via a cash consideration of S\$0.04075 per stapled unit in OUE H-Trust and the issuance of 1.3583 OUE-CT units issued at an illustrative issue price of S\$0.520 each. The premia is calculated based on the closing price and the 6M and 12M VWAPs of OUE-CT up to and including the last undisturbed trading date (5 April 2019) of S\$0.520, S\$0.483 and S\$0.500, respectively and the illustrative issue price of S\$0.520 per OUE-CT unit. On 4 September 2019, it was announced that the trust scheme had become effective and binding
- (5) On 18 May 2018, ESR-REIT and VIT jointly announced the proposed merger of ESR-REIT and VIT by way of a trust scheme of arrangement. The scheme consideration as part of the merger will be satisfied via a cash consideration for each VIT unit of S\$0.096 and the issuance of new ESR-REIT units at an issue price of S\$0.540 per unit. The premia is calculated based on the closing price and the 6M and 12M VWAPs of ESR-REIT up to and including the last full and undisturbed market trading day (25 Jan 2018) of S\$0.565, S\$0.565 and S\$0.572 and the issue price of S\$0.540 per ESR-REIT unit. On 15 October 2018, it was announced that the trust scheme had become effective and binding
- (6) Premia is calculated based on the Consideration Unit Price (RD) and the closing price and the 6M and 12M VWAPs of ESR-REIT up to and including the Last Undisturbed Trading Date (15 July 2020) of S\$0.390, S\$0.354 and S\$0.384, respectively

We highlight the following key observations arising from the data presented above:

- a) The premium of 2.8% implied by the Consideration Unit Price (RD) over the closing price of ESR-REIT as at the Last Undisturbed Trading Date is above the range of the premia implied by the Precedent Transactions of (4.4%) to 0.0% and is above the mean and median of (1.0%) and 0.0%, respectively;

- b) The premium of 13.4% implied by the Consideration Unit Price (RD) over the 6-month VWAP of ESR-REIT up to and including the Last Undisturbed Trading Date is above the range of the premia implied by the Precedent Transactions of (4.4%) to 8.9% and above the mean and median of 3.1% and 1.8%, respectively; and
- c) The premium of 4.4% implied by the Consideration Unit Price (RD) over the 12-month VWAP of ESR-REIT up to and including the Last Undisturbed Trading Date is within the range of the premia implied by the Precedent Transactions of (5.6%) to 12.8% and below the mean and median of 4.8% and 5.8%, respectively.

## **12.2 Evaluation of the Scheme Consideration**

### **12.2.1 Liquidity Analysis of the Sabana Units**

In general, share prices may be affected by various factors including free float, relative liquidity and investor interest or market sentiment at a given point in time. We have considered the liquidity and free float of Sabana REIT relative to the 30 constituents of the STI traded on SGX-ST in Singapore based on market capitalisation as at the Last Undisturbed Trading Date of 15 July 2020, in order to evaluate whether the historical market prices of the Sabana Units provide a meaningful benchmark and reference point for comparison with the Scheme Consideration (RD).

**Table 11. Liquidity analysis of Sabana REIT and the Top 30 STI Companies**

Company	Market cap	Latest NOSH <sup>(1)</sup>	Free float <sup>(2)</sup>	Avg daily vol <sup>(3)</sup>	Avg daily vol / Free float <sup>(3)</sup>	Avg daily vol / NOSH <sup>(3)</sup>	Avg daily val / Market cap <sup>(4)</sup>	No. of brokers covering
	(\$m)	(m)	(%)	(m)	(%)	(%)	(%)	(#)
DBS Group Holdings Ltd	56,099	2,564	69.5	5.70	0.32	0.22	0.24	20
Singapore Telecommunications Limited	41,476	16,329	40.2	28.92	0.44	0.18	0.21	18
Oversea-Chinese Banking Corporation Limited	40,868	4,409	72.3	6.53	0.20	0.15	0.16	20
United Overseas Bank Ltd. (Singapore)	34,801	1,668	74.5	3.14	0.25	0.19	0.21	20
Jardine Matheson Holdings Limited	29,408	732	29.6	0.35	0.16	0.05	0.06	6
Wilmar International Limited	27,599	6,403	28.1	6.42	0.36	0.10	0.09	17
Jardine Strategic Holdings Ltd	22,166	1,108	15.1	0.36	0.21	0.03	0.05	3
Thai Beverage Public Co., Ltd	17,079	25,116	28.8	19.07	0.26	0.08	0.09	17
CapitaLand Limited	14,896	5,137	48.1	9.20	0.37	0.18	0.21	14
Ascendas Real Estate Investment Trust	12,092	3,620	83.4	14.80	0.49	0.41	0.37	17
Singapore Airlines Ltd	11,225	2,978	68.2	5.52	0.27	0.19	0.27	13
Keppel Corporation Limited	11,014	1,821	77.7	3.91	0.28	0.21	0.22	13
Singapore Technologies Engineering Ltd	10,273	3,122	48.9	5.72	0.37	0.18	0.21	13
Hongkong Land Holdings Limited	9,336	2,334	49.6	2.89	0.25	0.12	0.15	13
Genting Singapore Limited	9,494	12,094	47.0	26.96	0.47	0.22	0.24	21
Singapore Exchange Ltd	8,916	1,072	74.4	4.00	0.50	0.37	0.39	14
Jardine Cycle & Carriage Limited	8,138	395	24.2	0.45	0.47	0.11	0.15	3
Mapletree Logistics Trust	7,723	3,804	67.4	16.81	0.66	0.44	0.38	14
City Developments Ltd	7,720	909	53.1	2.18	0.45	0.24	0.27	16
CapitaLand Mall Trust	7,528	3,690	69.1	16.82	0.66	0.46	0.52	14
CapitaLand Commercial Trust	6,913	3,862	74.5	13.65	0.47	0.35	0.37	12
Mapletree Commercial Trust	6,427	3,313	63.5	15.06	0.72	0.45	0.50	10
Dairy Farm International Holdings Ltd	6,263	1,353	22.2	1.01	0.34	0.07	0.09	8
UOL Group Ltd	5,863	844	54.5	1.37	0.30	0.16	0.17	11
Venture Corporation Ltd	4,895	290	91.3	1.32	0.50	0.45	0.42	13
Yangzijiang Shipbuilding (Holdings) Ltd	3,795	3,974	62.9	32.54	1.30	0.82	0.86	11
SATS Ltd	3,181	1,124	58.8	4.84	0.73	0.43	0.63	12
Sembcorp Industries Ltd	3,182	1,788	50.0	6.14	0.69	0.34	0.38	8
ComfortDelGro Corporation Ltd	3,207	2,167	98.5	14.03	0.66	0.65	0.90	15
Singapore Press Holdings Ltd	2,021	1,617	94.8	9.66	0.63	0.60	0.89	6
<b>Maximum</b>	<b>56,099</b>	<b>25,116</b>	<b>98.5</b>	<b>32.5</b>	<b>1.30</b>	<b>0.82</b>	<b>0.90</b>	<b>21</b>
<b>Mean</b>	<b>14,453</b>	<b>3,988</b>	<b>58.0</b>	<b>9.31</b>	<b>0.46</b>	<b>0.28</b>	<b>0.32</b>	<b>13</b>
<b>Median</b>	<b>9,126</b>	<b>2,449</b>	<b>60.8</b>	<b>5.93</b>	<b>0.45</b>	<b>0.22</b>	<b>0.24</b>	<b>13</b>
<b>Minimum</b>	<b>2,021</b>	<b>290</b>	<b>15.1</b>	<b>0.3</b>	<b>0.16</b>	<b>0.03</b>	<b>0.05</b>	<b>3</b>
<b>Sabana REIT</b>	<b>379</b>	<b>1,053</b>	<b>66.0%</b>	<b>1.36</b>	<b>0.20%</b>	<b>0.13%</b>	<b>0.15%</b>	<b>1</b>

Source: FactSet (as at the Last Undisturbed Trading Date)

- (1) Number of shares outstanding based on FactSet as at the Last Undisturbed Trading Date
- (2) Free float percentages as based on FactSet as at the Last Undisturbed Trading Date
- (3) Average daily trading volume is computed as the 12-month average of daily trading volumes up to the Last Undisturbed Trading Date
- (4) Average daily trading value is computed as the average VWAP over the 12-month period up to and including the Last Undisturbed Trading Date multiplied by the average daily trading volume for the respective companies

With respect to Table 11 above, we note the following observations in respect to the Sabana Units:

- a) In the 12-month period leading up to and including the Last Undisturbed Trading Date, Sabana REIT's average daily trading volume represented 0.20% of its free float. These values are within the ranges of 0.16% to 1.30% and below the mean and median of 0.46% and 0.45%, respectively, as represented by the Top 30 STI Companies; and
- b) In the 12-month period leading up to and including the Last Undisturbed Trading Date, Sabana REIT's average daily trading value represented 0.15% of its market capitalisation. These values are within the ranges of 0.05% to 0.90% and below the mean and median of 0.32% and 0.24%, respectively, as represented by the Top 30 STI Companies.

The above analysis suggests that the Sabana Units did not suffer from illiquid trading conditions in the 12-month period up to and including the Last Undisturbed Trading Date.

Based on our analysis of the average daily trading volume relative to the Top 30 STI Companies, it appears that there is reasonable liquidity in the Sabana Units. This suggests that the market prices of the Sabana Units should generally reflect the fundamental, market-based value of the Sabana Units.

**We wish to highlight that the above analysis of the historical trading liquidity of the Sabana Units serves only as an illustrative guide and is not an indication of the future trading liquidity of the Sabana Units, which will be governed by other factors such as, *inter alia*, the performance and prospects of the trust, prevailing economic conditions, economic outlook, and stock market conditions and sentiment.**

### **12.2.2 Market Prices and Trading Activity of the Sabana Units**

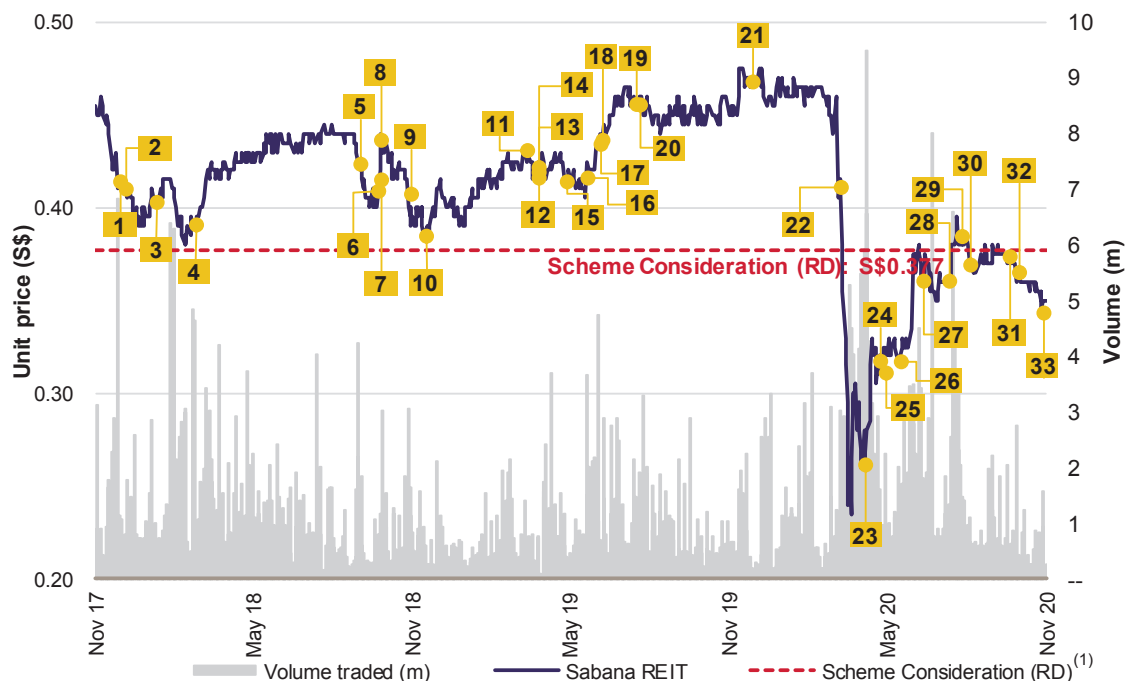
In evaluating the fairness of the Scheme Consideration from a market price perspective, we have compared the Scheme Consideration (RD) to the historical share price performance of the Sabana Units over different observation periods.

We set out in Chart 5 below the daily closing prices and trading volume of the Sabana Units for the 36-month period up to the Latest Practicable Date of 3 November 2020.

We note the following:

- a) The closing prices of the Sabana Units have traded between S\$0.24 and S\$0.49 per Sabana Unit in the 36-month period up to the Latest Practicable Date based on the daily closing prices; and
- b) From the WHO Announcement Date up to the Latest Practicable Date, the closing prices of the Sabana Units have traded between S\$0.24 and S\$0.41 per Sabana Unit based on the daily closing prices. The Scheme Consideration (RD) represents a premium of 60.4% above the lowest transacted price and a discount of 8.1% to the highest transacted price.

**Chart 5 Sabana REIT Unit price performance over the 36-month period up to the Latest Practicable Date**



**Sources:** Company filings on the SGX-ST and FactSet (as at the Latest Practicable Date)

(1) Based on the Scheme Consideration (RD) of S\$0.377

A summary of the salient announcements made by Sabana REIT and the key market events which occurred during the period between the 36-months prior up to the Latest Practicable Date are set out below:

No.	Date	Event
(1)	25 November 2017	The Sabana Manager announced that discussions between the Sabana Manager and ESR-REIT Manager in relation to its strategic review have ceased. However, the Sabana Manager remains open to considering proposals from proactive strategic partners which will further strengthen Sabana REIT
(2)	28 November 2017	The Sabana Manager announced that the Sabana Trustee has, on 28 November 2017, entered into a facility agreement with United Overseas Bank Limited (as lender), in relation to a S\$30.0 million secured four-year term loan facility. The terms loan will be utilised to repay existing borrowings and for working capital purposes
(3)	28 December 2017	The Sabana Manager announced that the Sabana Trustee has, on 28 December 2017, entered into a financing agreement with CIMB Bank Berhad, Singapore Branch (as bank) for new Commodity Murabaha facilities of up to S\$100.0 million. The proceeds will be used to partially refinance trust certificates and Sabana REIT's general investments and corporate funding purposes
(4)	28 February 2018	The Sabana Manager announced that the Sabana Trustee has, on 28 February 2018, entered into a conditional sale and purchase agreement for the proposed divestment of 6 Woodlands Loop, Singapore 738346 with Systematic Holdings Pte. Ltd. for the sum of S\$13.8 million. The sale consideration is approximately 7.0% above the property's book value of S\$12.9 million as at 31 December 2017
(5)	31 August 2018	The Sabana Manager refers to 10 Changi South Street 2, Singapore 486596, which is currently leased to Adviva Distribution Pte. Ltd. ("Adviva Distribution") under a lease agreement dated 15 December 2014 has been supplemented by a supplemental lease agreement dated 30 November 2017, between Sabana Trustee and the Adviva Distribution. The Sabana Manager announced it has, on 31 August 2018, issued a notice of termination to Adviva Distribution, arising from Adviva Distribution's failure to pay rent and other sums payable under the lease

No.	Date	Event
		agreement
(6)	24 September 2018	Further to the announcement made by the Sabana Manager on 31 August 2018, the Sabana Manager announced that following discussions with Adviva Distribution, the Sabana Trustee has received a cashier's order of S\$2,153,755.04 from Adviva Distribution, which would be applied towards the settlement of the outstanding rental arrears and late payment charges as at 31 August 2018. Following negotiations, the Sabana Trustee and Adviva Distribution have on 21 September 2018 entered into an agreement to vary the terms of the lease agreement
(7)	26 September 2018	The Sabana Manager announced that the Sabana Trustee has, on 26 September 2018, entered into a conditional sale and purchase agreement for the proposed divestment of 9 Tai Seng Drive, Geo-Tele Centre, Singapore 535227 with Perpetual (Asia) Limited in its capacity as trustee of ADC Singapore Trust for the sum of S\$99.6 million. The sale consideration represents an excess of \$60.0 million over the book value of the property
(8)	28 September 2018	The Sabana Manager announced that the Sabana Trustee has, on 28 September 2018, entered into a conditional sale and purchase agreement for the proposed divestment of 1 Tuas Avenue 4, Singapore 639382 with Kim Soon Lee (Lim) Heavy Transport Pte. Ltd. for the sum of S\$11.18 million. The sale consideration is 52.0% below the property's current book value of S\$23.3 million as at 30 June 2018
(9)	26 October 2018	The Sabana Manager announced that the Sabana Trustee has, on 26 October 2018, entered into three master leases, following an exercise of the option to renew in accordance with the relevant terms of the existing master leases and parties' agreement on the respective rental rates for the relevant term under the relevant master leases
(10)	21 November 2018	The Sabana Manager announced that it has received notification from InfinitySub Pte. Ltd ("InfinitySub") and two shareholders of Blackwood Investment Pte. Ltd. ("Blackwood") that on 15 November 2018, InfinitySub and two shareholders entered into separate conditional sale and purchase agreements in respect of InfinitySub's proposed acquisition of the respective individual shareholder's 420 ordinary shares in Blackwood, collectively representing 60% of the issued and paid-up share capital of Blackwood. Blackwood holds a 45% stake in Sabana Investment Partners Pte. Ltd, which in turn is the sole legal and beneficial owner of the Sabana Manager
(11)	15 March 2019	Further to the announcement made by the Sabana Manager on 24 September 2018 relating to the "Payment in Rental Arrears in relation to 10 Changi South Street 2, Singapore 486596", the Sabana Manager announced that the Sabana Trustee had on 13 March 2019 received a Notice of Special Event dated 13 March 2019 from Adviva Distribution. Adviva Distribution has notified the Sabana Trustee that there is a change of shareholder and it is now wholly-owned by Meztoire Pte Ltd. Following the issuance of the Notice of Special Event, the lease will terminate on 12 December 2019 subject to conditions as JTC may impose
(12)	23 March 2019	Further to the announcement dated 28 September 2018, the Sabana Manager announced that one of the conditions precedent under the sale and purchase agreement has not been fulfilled. Kim Soon Lee (Lim) Heavy Transport Pte. Ltd. is not prepared to further extend the long stop date of the sale and purchase agreement
(13)	25 March 2019	Further to the announcements dated 23 March 2019 and 28 September 2018, the Sabana Manager announced that it has received a notice of rescission to rescind the sale and purchase agreement from Kim Soon Lee (Lim) Heavy Transport Pte. Ltd. ("Kim Soon Lee"). Following receipt of the notice, the Sabana Trustee shall refund the Kim Soon Lee the aggregate cash deposit of S\$1.118 million
(14)	28 March 2019	The Sabana Manager refers to the S\$100.0 million Murabaha Facility Agreement entered into on 28 December 2017 by Sabana REIT and CIMB Bank Berhad, Singapore Branch ("Murabaha Agreement"). The Sabana Manager announced that the Sabana Trustee has, on 28 March 2019, obtained a new revolving Commodity Murabaha facility of up to S\$23.0 million under the Murabaha Agreement which will be used for Sabana REIT's general investments and corporate funding purposes
(15)	7 May 2019	The Sabana Manager announced that the Sabana Trustee has entered into a master lease with Freight Links Express Logisticpark Pte Ltd for the property located at 33 & 35 Penjuru Lane, Singapore 609200/609202, following an exercise of the option to renew in accordance with the relevant terms of the existing master leases and parties' agreement on the respective rental rate for the relevant term under the relevant master lease



No.	Date	Event
(16)	22 May 2019	Vibrant Group Limited, the sponsor of Sabana REIT, released an announcement titled "Disposal of Shares in Sabana Investment Partners Pte. Ltd., and Units in Sabana Shari'ah Compliant Industrial Real Estate Investment Trust". As disclosed in the announcement, conditional sale and purchase agreements have been entered into by the Vibrant Group Limited on 22 May 2019
(17)	6 June 2019	With reference to the announcement made on 22 May 2019, on 6 June 2019, Vibrant Group Limited, the sponsor of Sabana REIT, announced that the disposal of an aggregate of 68,596,763 units by Vibrant Group Limited and Singapore Enterprises Private Limited to e-Shang Infinity Cayman Limited has been completed
(18)	28 June 2019	With reference to the announcement made on 22 May 2019, on 28 June 2019, Vibrant Group Limited, the sponsor of Sabana REIT, announced that the disposal of 51.0% of the entire issued and paid-up capital in Sabana Investment Partners Pte. Ltd. to InfinitySub Pte. Ltd. has been completed
(19)	17 July 2019	With reference to the announcement made on 22 May 2019, on 17 July 2019, Vibrant Group Limited, the sponsor of Sabana REIT, announced that the disposal of an aggregate of 15,606,000 units by Vibrant Group Limited to e-Shang Infinity Cayman Limited has been completed
(20)	18 July 2019	Further to the announcements dated 24 September 2018 and 15 March 2019, the Sabana Manager announced that the Sabana REIT Trustee has, on 18 July 2019, entered into a settlement deed relating to the premises at 10 Changi South Street 2, Singapore 486596 ("Settlement Deed") with Adviva Distribution. Pursuant to the Settlement Deed, the existing lease shall cease and determine with effect from 18 July 2019 and Adviva Distribution shall pay to the Sabana Trustee a total sum of approximately S\$2.99 million in accordance with the terms of the Settlement Deed
(21)	22 November 2019	The Sabana Manager announced that the Sabana Trustee, on 22 November 2019, entered into a financing agreement with The Hong Kong and Shanghai Banking Corporation Limited, Singapore Branch ("HSBC") (as facility agent), HSBC Amanah Malaysia Berhad (as commodity agent) and HSBC Amanah Malaysia Berhad, Malayan Banking Berhad, Singapore Branch and United Overseas Bank Limited (as participants), for a new Commodity Murabaha facility of up to \$161.0 million which will be utilised to refinance existing facilities and to finance asset enhancement initiative works in relation to 151 Lorong Chuan
(22)	11 March 2020	The WHO declared Covid-19 as a pandemic. The outbreak of Covid-19 had resulted in the worst crash across global stock markets since 2008. The S&P 500 fell by 7.6%, the Dow Jones Industrial Average declined over 2,000 points to drop by 7.8% and oil prices declined by 24%
(23)	3 April 2020	Singaporean Prime Minister Lee Hsien Loong announced a nationwide partial lockdown ("Circuit Breaker"), as a measure to minimise the spread of Covid-19 in Singapore. It was announced that from 7 April 2020 to 4 May 2020 (inclusive), Singapore will move towards full home-based learning for schools and move work and business to be carried out via telecommuting, except for those in essential services
(24)	21 April 2020	Singaporean Prime Minister Lee Hsien Loong announced the extension of the Circuit Breaker period by another 4 weeks until 1 June 2020 (inclusive) as well as tighter measures to be introduced during the Circuit Breaker period, to further reduce the transmission of Covid-19
(25)	24 April 2020	The Sabana Manager announced that the Sabana Trustee, on 24 April 2020, entered into a secured three-year term of S\$30.0 million facility agreement with The Hong Kong and Shanghai Banking Corporation Limited (as lender), which will be utilised to finance capital expenditures and other asset enhancement initiatives
(26)	19 May 2020	Singaporean Prime Minister Lee Hsien Loong announced plans to reopen the Singapore economy in three phases, starting with Phase 1 on 2 June 2020. Activities that do not pose high risk of transmission will be allowed to resume first, but social, economic and entertainment activities that carry higher risk must remain closed
(27)	15 June 2020	The Multi-Ministry Taskforce announced that Singapore will move into Phase 2 on 19 June 2020 as infection rates have remained stable, cases in migrant worker dormitories have declined and there are no new large clusters emerging. A wider scope of activities will be allowed to resume, while maintaining safe distancing measures, but activities where many people will come into close contact for long period of time will take more time to resume. All employers to ensure telecommuting by default, where possible

No.	Date	Event
(28)	16 July 2020	Joint Announcement Date – The ESR-REIT Manager and the Sabana Manager jointly announced the proposed merger of ESR-REIT and Sabana REIT effected through the acquisition by ESR-REIT Trustee of all the units of Sabana REIT, in exchange for units in ESR-REIT, by way of a trust scheme of arrangement in compliance with the Code
(29)	5 August 2020	The Sabana REIT board of directors and the Sabana Manager issued an announcement responding to The Business Times article dated 30 July 2020 regarding Quarz Capital Management's views on the Merger. The response expresses that the terms of the Merger have been reviewed and negotiated at length between the Sabana REIT board of directors and ESR-REIT Manager. The response also affirmed that the Sabana REIT board of directors and the Sabana Manager believes the Merger represents a credible offer
(30)	7 August 2020	The ESR-REIT Manager and Sabana Manager announced to the unitholders of ESR-REIT and Sabana REIT respectively a corrigendum to the Joint Announcement and Sabana investor presentation. The corrigendum is an addendum to and should be read in conjunction with the Joint Announcement and the Sabana investor presentation
(31)	22 September 2020	The Sabana Manager released an announcement to the the Sabana Unitholders that, pursuant to an application in HC/OS 881/2020, leave of the Court to convene the Scheme Meeting had been obtained
(32)	28 September 2020	Following an announcement by the Multi-Ministry Taskforce, restrictions at workplaces were significantly eased allowing more employees to return to offices under strict safe management measures
(33)	30 October 2020	Sabana REIT announced its interim business performance update for the quarter ended 30 September 2020 (Q3 2020)

**We note that there is no assurance that the price of the Sabana Units will remain at current levels in the event that the Merger is terminated. We also wish to highlight that the historical trading performance of the Sabana Units serves only as an illustrative guide and should not be relied upon as an indication of the future price performance of the Sabana Units, which will be governed by amongst other factors such as, *inter alia*, the performance and prospects of the Enlarged Trust, prevailing economic conditions, economic outlook, market conditions and sentiments.**

**We further wish to highlight that underlying financial data used in our analysis has been extracted from announcements released by Sabana REIT on the SGX-ST and various press releases as at the Latest Practicable Date. We make no representations or warranties, express or implied, on the accuracy or completeness of such information.**

## Historical VWAPs of the Sabana Units

We set out in Table 12 below the historical VWAPs of the Sabana Units for various reference periods up to and including the Reference Date, the Last Undisturbed Trading Date and the Latest Practicable Date, respectively.

**Table 12. Historical share price and trading volume (Sabana REIT)**

Reference period	Price basis	Evaluation of the Scheme Consideration (RD) (S\$0.377 per Sabana Unit)					
		ADTV ('000s) <sup>(1)</sup>	ADTV / free float (%) <sup>(2)</sup>	Lowest price (S\$)	Highest price (S\$)	VWAP (S\$) <sup>(3)</sup>	Premium / (discount) to VWAP (%)
<b>A) Periods up to the Reference Date (9 July 2020)</b>							
Reference Date (9 July 2020)	Closing price	1,853	0.27	0.360	0.360	0.360	4.7
Last 1 month	VWAP	1,462	0.21	0.350	0.375	0.362	4.0
Last 3 months	VWAP	1,651	0.24	0.280	0.380	0.332	13.4
Last 6 months	VWAP	1,821	0.26	0.235	0.470	0.339	11.3
Last 12 months	VWAP	1,297	0.19	0.235	0.475	0.371	1.6
<b>B) Periods up to and including the Last Undisturbed Trading Date (15 July 2020)</b>							
LUTD (15 July 2020)	Closing price	2,537	0.37	0.360	0.360	0.360	4.7
Last 1 month	VWAP	1,694	0.24	0.350	0.375	0.355	6.1
Last 3 months	VWAP	1,712	0.25	0.305	0.380	0.339	11.2
Last 6 months	VWAP	1,944	0.28	0.235	0.470	0.332	13.5
Last 12 months	VWAP	1,358	0.20	0.235	0.475	0.365	3.4
<b>C) Period from the Joint Announcement Date up to the Latest Practicable Date (16 July 2020 to 3 November 2020)</b>							
From the Joint Announcement Date up to the Latest Practicable Date	VWAP	922	0.13	0.345	0.395	0.371	1.7
As at the Latest Practicable Date	Closing price	270	0.04	0.350	0.350	0.350	7.7

Sources: FactSet, Bloomberg

- (1) The average daily trading volume of the Sabana Units is calculated as the average of the daily trading volumes of the Sabana Units for each of the relevant periods
- (2) Free float is based on FactSet and refers to the number of Sabana Units that are available to the public
- (3) The VWAP is weighted based on the volume of the Sabana Units traded and transacted prices of the Sabana Units for the Market Days in the reference periods. VWAP figures shown are rounded to the nearest three decimal places. No adjustments to unit prices have been made for dividends, bonus issues or other corporate transactions in each respective reference period

Based on the above table, we note that:

**(A) Periods up to the Reference Date (9 July 2020):**

- (i) The Scheme Consideration (RD) of S\$0.377 represents a premium of 4.7% to the closing price of the Sabana Units on the Reference Date;
- (ii) The Scheme Consideration (RD) of S\$0.377 represents a premium of 4.0%, 13.4%, 11.3% and 1.6% to the 1-month, 3-month, 6-month and 12-month VWAPs of the Sabana Units for the periods up to and including the Reference Date, respectively;

(B) Periods up to and including the Last Undisturbed Trading Date (15 July 2020):

- (i) The Scheme Consideration (RD) of S\$0.377 represents a premium of 4.7% to the closing price of the Sabana Units on the Last Undisturbed Trading Date;
- (ii) The Scheme Consideration (RD) of S\$0.377 represents a premium of 6.1%, 11.2%, 13.5% and 3.4% to the 1-month, 3-month, 6-month and 12-month VWAPs of the Sabana Units for the periods up to and including the Last Undisturbed Trading Date, respectively;

(C) Period from the Joint Announcement Date up to the Latest Practicable Date (16 July 2020 to 3 November 2020):

- (i) The Scheme Consideration (RD) of S\$0.377 represents a premium of 1.7% over the VWAP of the Sabana Units for the period from the Joint Announcement Date up to the Latest Practicable Date of S\$0.371; and
- (ii) The Scheme Consideration (RD) of S\$0.377 represents a premium of 7.7% to the closing price of the Sabana Units on the Latest Practicable Date of S\$0.350.

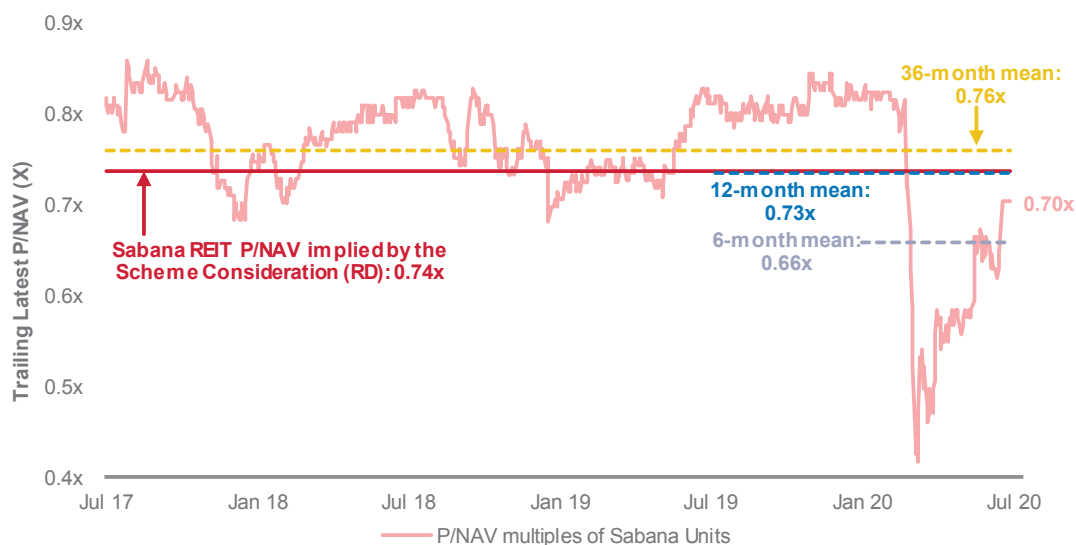
**We note that there is no assurance that the price of the Sabana Units will remain at current levels in the event that the Merger is terminated. We also wish to highlight that the historical trading performance of the Sabana Units serves only as an illustrative guide and should not be relied upon as an indication of the future price performance of the Sabana Units, which will be governed by other factors such as, *inter alia*, the performance and prospects of the Enlarged REIT, prevailing economic conditions, economic outlook, stock market conditions and sentiment.**

**12.2.3 Trailing Latest P/NAV multiples of the Sabana Units relative to the Latest P/NAV multiple implied by the Scheme Consideration (RD)**

For the purpose of evaluating the financial terms of the Merger, we have made reference to the Latest P/NAV multiples (based on the latest reported net asset values) of the Sabana Units to evaluate how the Latest P/NAV multiple implied by the Scheme Consideration (RD) compares to them.

With reference to Chart 6 below, we have compared the Latest P/NAV multiple implied by the Scheme Consideration (RD) to the trailing Latest P/NAV multiples of the Sabana Units over the 36-month period up to and including the Last Undisturbed Trading Date.

**Chart 6 Trailing Latest P/NAV multiples of Sabana REIT over the 36-month period up to the LUTD**



Period up to the LUTD	Merger Implied <sup>(1)</sup>	Min	Max	Mean	Median
As at the LUTD (15 July 2020)	0.74x	0.70x	0.70x	0.70x	0.70x
6-month period	0.74x	0.42x	0.83x	0.66x	0.65x
12-month period	0.74x	0.42x	0.84x	0.73x	0.80x
36-month period	0.74x	0.42x	0.86x	0.76x	0.78x

Source: FactSet (as at the Last Undisturbed Trading Date)

(1) Based on the Scheme Consideration (RD) of S\$0.377 and NAV per Sabana unit of S\$0.512 as at 30 June 2020

Based on the above, we note that:

- a) The Latest P/NAV multiple implied by the Scheme Consideration (RD) of 0.74x is within the range of the trailing Latest P/NAV multiples of the Sabana Units of 0.42x to 0.83x and above the mean and median of 0.66x and 0.65x, respectively, over the 6-month period up to and including the Last Undisturbed Trading Date; and
- b) The Latest P/NAV multiple implied by the Scheme Consideration (RD) of 0.74x is within the range of the trailing Latest P/NAV multiples of the Sabana Units of 0.42x to 0.84x and within the mean and median of 0.73x and 0.80x, respectively, over the 12-month period up to and including the Last Undisturbed Trading Date; and
- c) The Latest P/NAV multiple implied by the Scheme Consideration (RD) of 0.74x is within the range of the trailing Latest P/NAV multiples of the Sabana Units of 0.42x to 0.86x and in line with the mean and median of 0.76x and 0.78x, respectively, over the 36-month period up to and including the Last Undisturbed Trading Date.

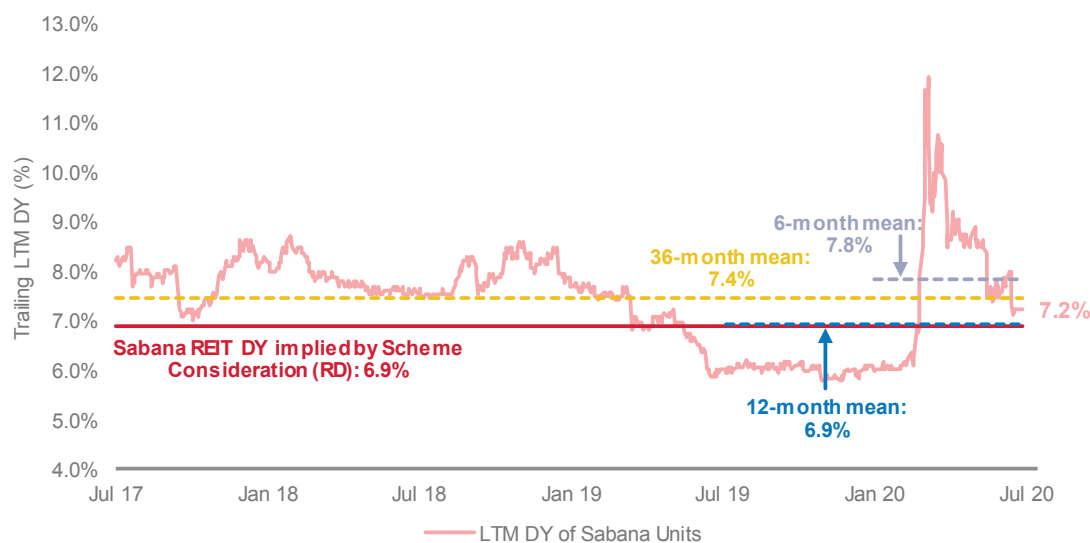
**We wish to highlight that the historical trading patterns or performance of the Sabana Units should not, in any way, be relied upon as an indication of its future trading patterns or performance, which will be governed by, *inter alia*, the performance and prospects of the trusts, prevailing economic conditions, economic outlook and market conditions and sentiments.**

## 12.2.4 Trailing distribution yields of the Sabana Units relative to the distribution yield implied by the Scheme Consideration (RD)

For the purposes of evaluating the financial terms of the Merger, we have made reference to the LTM DYs of the Sabana Units to evaluate how the LTM DY implied by the Scheme Consideration (RD) compares to them.

In the chart below we have compared the LTM DY implied by the Scheme Consideration (RD) to the trailing LTM DYs of the Sabana Units over the 36-month period up to and including the Last Undisturbed Trading Date.

**Chart 7 Trailing LTM DYs<sup>(1)</sup> of Sabana REIT over the 36-month period up to the LUTD**



Period up to the LUTD	Merger Implied <sup>(2)</sup>	Min	Max	Mean	Median
As at the LUTD (15 July 2020)	6.9%	7.2%	7.2%	7.2%	7.2%
6-month period	6.9%	6.0%	11.9%	7.8%	7.7%
12-month period	6.9%	5.8%	11.9%	6.9%	6.1%
36-month period	6.9%	5.8%	11.9%	7.4%	7.6%

Source: FactSet (as at the Last Undisturbed Trading Date)

- (1) DYs are based on the trailing 12-month DPU
- (2) Based on the Scheme Consideration (RD) of S\$0.377 and LTM distribution per Sabana REIT unit of 2.602 cents which incorporates the H1 2020 DPU of 1.052 cents computed based on Sabana REIT's total distributable income of S\$11.1 million for H1 2020, the Q4 2019 DPU of 0.77 cents computed based on Sabana REIT's total distributable income of S\$8.1 million for Q4 2019 and the Q3 2019 DPU of 0.78 cents computed based on Sabana REIT's total distributable income of S\$8.2 million. Of this amount, approximately S\$5.0 million has been announced as distribution to Sabana Unitholders, translating to 0.470 cents per Sabana Unit. The remaining S\$6.1 million has been retained by Sabana REIT for prudent cash flow management in view of the Covid-19 uncertainties

Based on the above, we note that:

- a) The LTM DY implied by the Scheme Consideration (RD) of 6.9% is within the range of the trailing LTM DYs of the Sabana Units of 6.0% to 11.9% over the 6-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 7.8% and 7.7%, respectively;

- b) The LTM DY implied by the Scheme Consideration (RD) of 6.9% is within the range of the trailing LTM DYs of the Sabana Units of 5.8% to 11.9% over the 12-month period up to and including the Last Undisturbed Trading Date and within the mean and median of 6.9% and 6.1%, respectively; and
- c) The LTM DY implied by the Scheme Consideration (RD) of 6.9% is within the range of the trailing LTM DYs of the Sabana Units of 5.8% to 11.9% over the 36-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 7.4% and 7.6%, respectively.

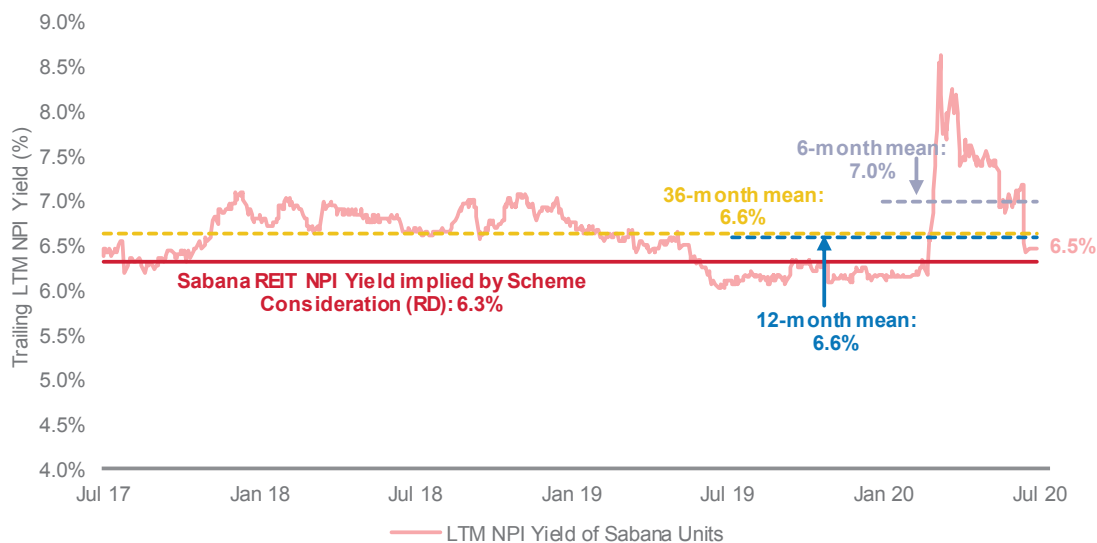
**We wish to highlight that the historical trading patterns or performance of the Sabana Units should not, in any way, be relied upon as an indication of its future trading patterns or performance, which will be governed by, *inter alia*, the performance and prospects of the trust, prevailing economic conditions, economic outlook and market conditions and sentiments.**

#### **12.2.5 Trailing LTM Implied NPI Yields of the Sabana Units relative to the LTM Implied NPI Yield implied by the Scheme Consideration (RD)**

For the purposes of evaluating the financial terms of the Merger, we have made reference to the LTM Implied NPI Yields of the Sabana Units to evaluate how the LTM Implied NPI Yield implied by the Scheme Consideration (RD) compares to them.

With reference to Chart 8 below, we have compared the LTM Implied NPI Yield implied by the Scheme Consideration (RD) to the trailing LTM Implied NPI Yields of the Sabana Units over the 36-month period up to and including the Last Undisturbed Trading Date.

**Chart 8. Trailing LTM Implied NPI Yields<sup>(1)</sup> of Sabana REIT over the 36-month period up to the LUTD**



Period up to the LUTD	Merger Implied <sup>(2)</sup>	Min	Max	Mean	Median
As at the LUTD (15 July 2020)	6.3%	6.5%	6.5%	6.5%	6.5%
6-month period	6.3%	6.1%	8.6%	7.0%	7.0%
12-month period	6.3%	6.1%	8.6%	6.6%	6.2%
36-month period	6.3%	6.0%	8.6%	6.6%	6.6%

Source: FactSet (as at the Last Undisturbed Trading Date)

(1) Implied NPI Yields are based on the trailing 12-month Net Property Income

(2) Based on the LTM NPI of Sabana REIT of S\$47.8m as of 30 June 2020, and the implied EV of Sabana REIT based on the Scheme Consideration (RD) of S\$0.377

Based on the above, we note that:

- a) The LTM Implied NPI Yield implied by the Scheme Consideration (RD) of 6.3% is within the range of the trailing LTM Implied NPI Yields of the Sabana Units of 6.1% to 8.6% over the 6-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 7.0%;
- b) The LTM Implied NPI Yield implied by the Scheme Consideration (RD) of 6.3% is within the range of the trailing LTM Implied NPI Yields of the Sabana Units of 6.1% to 8.6% over the 12-month period up to and including the Last Undisturbed Trading Date and within the mean and median of 6.6% and 6.2% respectively; and
- c) The LTM Implied NPI Yield implied by the Scheme Consideration (RD) of 6.3% is within the range of the trailing LTM Implied NPI Yields of the Sabana Units of 6.0% to 8.6% over the 36-month period up to and including the Last Undisturbed Trading Date and in line with the mean and median of 6.6%.

**We wish to highlight that the historical trading patterns or performance of the Sabana Units should not, in any way, be relied upon as an indication of its future trading patterns or performance, which will be governed by, *inter alia*, the performance and prospects of the trust, prevailing economic conditions, economic outlook and market conditions and sentiments.**



### 12.2.6 Valuation multiples of the Selected Comparable Industrial S-REITs

For the purpose of evaluating the Scheme Consideration (RD), references were made to SGX-ST listed REITs which are engaged in the business of industrial real estate investment and are considered to be broadly comparable to Sabana REIT to provide an indication of the current market expectation with regards to the valuation of such trusts, as implied by their respective closing market prices as at the Latest Practicable Date of 3 November 2020.

The statistics for the Selected Comparable Industrial S-REITs are based on their closing prices and their latest publicly available financial results as at the Latest Practicable Date.

We have considered the following as key parameters for the comparison of the implied valuation metrics for the Selected Comparable Industrial S-REITs along with certain financial parameters as set out below:

- a) Latest P/NAV;
- b) LTM DY; and
- c) LTM Implied NPI Yield

The summary description of the Selected Comparable Industrial S-REITs we have reviewed for our analysis is set out above in Table 7.

Historical trading multiples are related to how a listed entity is perceived by the stock market and subject to market efficiency and rationality, reflect the information relevant to an entity such as its business directions, plans and strategies, expected financial performance, future prospects and potential growth and are susceptible to, amongst other things, the degree of broker coverage of the entity, trading liquidity, investor sentiment and market speculation.

We observe that the Large-Cap Comparable Industrial S-REITs are of larger scale from both a market capitalisation and asset value perspective, as compared to the Mid-Cap Comparable Industrial S-REITs and differ in terms of, *inter alia*, business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. We further note that from a scale perspective, Sabana REIT is more comparable to the Mid-Cap Comparable Industrial S-REITs and is not comparable to the Large-Cap Comparable Industrial S-REITs. As a result, the implied multiples of the Large-Cap Comparable Industrial S-REITs may not be comparable to Sabana REIT and as such, we have not included, as part of our analysis, an assessment of the multiples of Sabana REIT implied by the Scheme Consideration (RD) relative to the Large-Cap Comparable Industrial S-REITs.

**Table 13. Selected Comparable Industrial S-REITs**

Company	Unit price	Market Cap.	NAV (\$m)	DPU (\$c)	P/NAV	DY	Implied NPI Yield
	S\$	S\$m	Latest <sup>(1)</sup>	LTM <sup>(2)</sup>	Latest <sup>(1)</sup>	LTM <sup>(2)</sup>	LTM <sup>(3)</sup>
<b>Mid-Cap Comparable Industrial S-REITS</b>							
AIMS APAC REIT	1.16	805	945	8.5	0.85x	7.3%	8.0%
ARA LOGOS Logistics Trust	0.58	628	634	4.9	0.99x	8.5%	6.5%
Soilbuild	0.46	586	750	3.3	0.78x	7.2%	6.4%
Maximum					<b>0.99x</b>	<b>8.5%</b>	<b>8.0%</b>
Mean					<b>0.87x</b>	<b>7.7%</b>	<b>6.9%</b>
Median					<b>0.85x</b>	<b>7.3%</b>	<b>6.5%</b>
Minimum					<b>0.78x</b>	<b>7.2%</b>	<b>6.4%</b>
<b>Large-Cap Comparable Industrial S-REITS</b>							
Ascendas REIT	3.01	10,897	7,956	12.5	1.37x	4.1%	4.6%
Mapletree Logistics Trust	2.00	8,260	4,575	6.4	1.81x	3.2%	3.9%
Mapletree Industrial Trust	3.11	7,310	3,982	12.3	1.84x	4.0%	3.6%
Frasers Logistics & Comm Trust	1.27	4,335	2,204	4.0	1.97x	3.2%	3.7%
Maximum					<b>1.97x</b>	<b>4.1%</b>	<b>4.6%</b>
Mean					<b>1.74x</b>	<b>3.6%</b>	<b>4.0%</b>
Median					<b>1.82x</b>	<b>3.6%</b>	<b>3.8%</b>
Minimum					<b>1.37x</b>	<b>3.2%</b>	<b>3.6%</b>
Sabana REIT (LUTD <sup>(4)</sup> ) - for reference	0.36	379	539	2.6	<b>0.70x</b>	<b>7.2%</b>	<b>6.5%</b>
Scheme Consideration (RD)					<b>0.74x</b>	<b>6.9%</b>	<b>6.3%</b>

Sources: FactSet (as at the Latest Practicable Date), public information,

- (1) Reflects latest balance sheet as at the Latest Practicable Date
- (2) Calculated based on the latest reported LTM DPU as at the Latest Practicable Date. LTM DPU is the aggregate of the DPU in the most recent 4 quarters (if distributions are made quarterly) or the aggregate of the DPU in the most recent 2 semiannual periods (if distributions are made semiannually). DPU is adjusted to exclude one-off or non-recurring items
- (3) Implied NPI Yield is calculated by dividing the LTM net property income of the respective companies by their enterprise values based on their unit prices and latest balance sheet information as at the Latest Practicable Date
- (4) Sabana REIT trading information based on closing price as of the Last Undisturbed Trading Date

We highlight the following key observations arising from the data presented above:

With respect to the Mid-Cap Comparable Industrial S-REITs:

- (i) The Latest P/NAV multiple of the Sabana Units implied by the Scheme Consideration (RD) of 0.74x is below the range of the P/NAV multiples of the Mid-Cap Industrial S-REITs of 0.78x and 0.99x, and below the mean and median of 0.87x and 0.85x, respectively;
- (ii) The LTM DY of the Sabana Units implied by the Scheme Consideration (RD) of 6.9% is below the range of the LTM DY of the Mid-Cap Industrial S-REITs of 7.2% and 8.5%, and is below the mean and median of 7.7% and 7.3%, respectively;
- (iii) The LTM Implied NPI Yield of the Sabana Units implied by the Scheme Consideration (RD) of 6.3% is below with the range of the LTM Implied NPI Yield of the Mid-Cap Industrial S-REITs of 6.4% and 8.0%, and is below the mean and median of 6.9% and 6.5%, respectively;

We recognise, however, that the list of the Selected Comparable Industrial S-REITs is not exhaustive and there may not be any companies listed on the SGX-ST or other stock exchanges that are directly comparable to Sabana REIT in terms of business activities, scale of operations, types of products, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. We also note that the accounting principles used by the respective Selected Comparable Industrial S-REITs and Sabana REIT may be different. Such differences may therefore render any comparisons carried out less useful than if the same accounting principles were being used. As such, any comparison made with respect to the Selected Comparable Industrial S-REITs is therefore intended to serve as an illustrative guide only.

We wish to further highlight that underlying financial data used to calculate the valuation multiples in our analysis have been extracted from Bloomberg, FactSet, published financial statements and annual reports and research analyst reports of the Selected Comparable Industrial S-REITs as at the Latest Practicable Date. Rothschild & Co make no representations or warranties, express or implied, on the accuracy or completeness of such information.

#### 12.2.7 Precedent Transactions of Selected S-REIT Mergers

For the purpose of evaluating the Scheme Consideration (RD), we have also reviewed selected precedent transactions and combinations of S-REITs involving scrip as the primary transaction consideration for which information is publicly available in the five-year period preceding the Last Undisturbed Trading Date. The summary description of the targets we have reviewed for our analysis is set out above in Table 9.

We have conducted our analysis on the basis of premium to prevailing P/NAV as at the respective last undisturbed trading dates of the Precedent Transactions and on the basis of premium to the 6-month and 12-month VWAP periods prior to the respective last undisturbed trading dates as the key parameters for comparison.

We wish to highlight that there is a lack of true comparable precedent transactions that can be used in our analysis in terms of mergers in the industrial S-REIT segment and between companies of comparable scale to ESR-REIT and Sabana REIT. As such, we have also considered S-REIT mergers across different REIT segments and which involve S-REITs which may be larger than ESR-REIT and Sabana REIT.

We note that the S-REITs set out in Table 14 below may not be directly comparable to either ESR-REIT or Sabana REIT in terms of, *inter alia*, their business activities, market capitalisation, scale of operations, accounting policies, financial performance, future prospects geographical markets, track record, asset base, risk profile, customer base and other relevant criteria.

Each transaction must be judged on its own commercial and financial merits. The premium (if any) that an offeror would pay in respect of any particular takeover depends on various factors including, *inter alia*, the offeror's intention with regard to the target company, the potential synergies that the offeror can derive from acquiring the target company, the presence of competing bids for the target company, prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets and existing and desired level of control in the target company. Therefore, the comparison of the Scheme Consideration (RD) with the Precedent Transactions set out below is for illustrative purposes only.

**Table 14. Precedent Transactions of S-REITs**

Announcement date	Target	Acquirer	Premium to P/NAV <sup>(1)</sup> (%)	Premium / (discount) to 6M VWAP	Premium / (discount) to 12M VWAP
22 Jan 2020	CCT	CMT <sup>(2)</sup>	16.2%	3.0%	8.8%
2 Dec 2019	FCOT	FLT <sup>(3)</sup>	3.1%	3.6%	8.2%
3 Jul 2019	A-HTRUST	Ascott REIT <sup>(4)</sup>	7.0%	24.2%	31.9%
8 Apr 2019	OUE H-Trust	OUE-CT <sup>(5)</sup>	(0.4%)	6.7%	0.4%
18 May 2018	VIT	ESR-REIT <sup>(6)</sup>	26.4%	1.5%	8.0%
<b>Maximum</b>			<b>26.4%</b>	<b>24.2%</b>	<b>31.9%</b>
<b>Mean</b>			<b>10.5%</b>	<b>7.8%</b>	<b>11.5%</b>
<b>Median</b>			<b>7.0%</b>	<b>3.6%</b>	<b>8.2%</b>
<b>Minimum</b>			<b>(0.4%)</b>	<b>1.5%</b>	<b>0.4%</b>
<b>Premium / (Discount) based on Scheme Consideration (RD)<sup>(7)</sup></b>			<b>(26.4%)</b>	<b>13.5%</b>	<b>3.4%</b>

**Sources:** FactSet, Bloomberg, relevant SGX-ST filings and the respective companies' announcements, circulars and offer documents

- (1) Reflects latest balance sheet as at the last undisturbed trading dates for each respective transaction
- (2) On 22 January 2020, CMT and CCT jointly announced the proposed merger of CMT and CCT by way of a trust scheme of arrangement. The premium to P/NAV as at the last undisturbed trading date (21 January 2020) is calculated based on the CCT NAV per unit as at 30 September 2019 of S\$1.828 and the consideration of S\$2.124 per CCT unit. The premia to the 6M and 12M VWAPs is calculated based on the 6M and 12M VWAPs of the CCT units as at the last undisturbed trading date (21 January 2020) of S\$2.061 and S\$1.952, respectively, and the consideration of S\$2.1238 per CCT unit. On 21 October 2020, it was announced that the trust scheme had become effective and binding
- (3) On 2 December 2019, FLT and FCOT jointly announced the proposed merger of FLT and FCOT by way of a trust scheme of arrangement. The premium to P/NAV as at the last undisturbed trading date (27 November 2019) is calculated based on the FCOT NAV per unit as at 30 September 2019 of S\$1.629 and the consideration of S\$1.680 per FCOT unit. The premia to the 6M and 12M VWAPs is calculated based on the 6M and 12M VWAPs of the FCOT units as at the last undisturbed trading date (27 November 2019) of S\$1.622 and S\$1.553, respectively, and the consideration of S\$1.680 per FCOT unit. On 15 April 2020, it was announced that the trust scheme had become effective and binding
- (4) On 3 July 2019, Ascott REIT and A-HTRUST jointly announced the proposed merger of Ascott REIT and A-HTRUST by way of a trust scheme of arrangement. The premium to P/NAV as at the last undisturbed trading date (2 July 2019) is calculated based on A-HTRUST NAV per unit as at 31 March 2019 of S\$1.016 and the consideration of S\$1.0868 per A-HTRUST unit. The premia to the 6M and 12M VWAPs is calculated based on the 6M and 12M VWAPs of the A-HTRUST units as at the last undisturbed trading date (2 July 2019) of S\$0.875 and S\$0.824, respectively, and the consideration of S\$1.0868 per A-HTRUST unit. On 19 December 2019, it was announced that the trust scheme had become effective and binding
- (5) On 8 April 2019, OUE-CT and OUE H-Trust jointly announced the proposed merger of OUE-CT and OUE H-Trust by way of a trust scheme of arrangement. The discount to P/NAV as at the last undisturbed trading date (5 April 2019) is calculated based on OUE H-Trust NAV per unit as at 31 March 2019 of S\$0.75 and the consideration of S\$0.747 per OUE H-Trust unit. The premia to the 6M and 12M VWAPs is calculated based on the 6M and 12M VWAPs up to the last undisturbed trading date (5 April 2019) of S\$0.700 and S\$0.744 and the consideration of S\$0.747 per OUE H-Trust unit. On 4 September 2019, it was announced that the trust scheme had become effective and binding
- (6) On 18 May 2018, ESR-REIT and VIT jointly announced the proposed merger of ESR and VIT by way of a trust scheme of arrangement. The premium to P/NAV as at the last undisturbed trading date (25 January 2018) is calculated based on VIT NAV per unit as at 31 March 2018 of S\$0.760 and the consideration of S\$0.960 per VIT unit. The premia to the 6M and 12M VWAPs is calculated based on the 6M and 12M VWAPs up to the last undisturbed trading date (25 January 2018) of S\$0.946 and S\$0.889, respectively, and the consideration of S\$0.960 per VIT unit. On 15 October 2018, it was announced that the trust scheme had become effective and binding
- (7) Premia is calculated based on the Scheme Consideration (RD) and NAV per Sabana unit of S\$0.512 as at 30 June 2020 and the 6M and 12M VWAPs of Sabana REIT up to and including the Last Undisturbed Trading Date (15 July 2020) of S\$0.332 and S\$0.365, respectively

We highlight the following key observations arising from the data presented above:

- a) The discount of 26.4% implied by the Scheme Consideration (RD) over the prevailing Sabana REIT P/NAV as at the Last Undisturbed Trading Date is below the range of the premia implied by the Precedent Transactions of (0.4%) to 26.4% and is below the mean and median of 10.5% and 7.0%, respectively;
- b) The premium of 13.5% implied by the Scheme Consideration (RD) over the 6-month VWAP of Sabana REIT up to and including the Last Undisturbed Trading Date is within the range of the premia implied by the Precedent Transactions of 1.5% to 24.2% and above the mean and median of 7.8% and 3.6%, respectively; and
- c) The premium of 3.4% implied by the Scheme Consideration (RD) over the 12-month VWAP of Sabana REIT up to and including the Last Undisturbed Trading Date is within the range of the premia implied by the Precedent Transactions of 0.4% to 31.9% and below the mean and median of 11.5% and 8.2%, respectively.

#### **12.2.8 Selected Precedent Privatisation Transactions**

We have compared the financial terms of the Scheme Consideration with those of selected successful transactions announced since July 2017 up to and including the Last Undisturbed Trading Date of 15 July 2020, which were carried out either by way of voluntary delisting exit offers under Rule 1307 of the Listing Manual, by way of a scheme of arrangement under Section 210 of the Companies Act or general takeover offers under the Takeover Code where the offeror has stated its intention to delist the listed company from the SGX-ST ("**Selected Precedent Privatisation Transactions**").

This analysis serves as a general indication of the relevant premium / discount that the offerors had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out the premium or discount represented by each of the respective offer prices to the VWAPs over the last transacted price, the 1-month, 3-month, 6-month and 12-month periods prior to the announcement of the Selected Precedent Privatisation Transactions.

**Table 15. Precedent Singapore Privatisations Since June 2017**

Ann. Date	Target	Note	Premium/(discount) of the offer price prior to announcement <sup>(1),(2)</sup>			
			Last Traded	1-month VWAP	3-month VWAP	6-month VWAP
19-Jun-17	China Flexible Packaging Holdings Limited	(3)	23.2%	24.3%	28.2%	43.5%
28-Jun-17	Croesus Retail Trust	(4)	24.5%	26.2%	32.0%	34.5%
14-Jul-17	Global Logistic Properties Limited	(5)	25.2%	19.4%	17.8%	21.8%
20-Sep-17	Poh Tiong Choon Logistics Limited	(6)	(1.5%)	(0.8%)	(3.0%)	(7.1%)
22-Sep-17	GP Batteries International Limited	(7)	62.5%	62.9%	62.7%	61.1%
2-Oct-17	Rotary Engineering Limited	(8)	20.1%	21.9%	25.1%	19.3%
3-Nov-17	Cogent Holdings Limited	(9)	5.2%	6.2%	12.7%	20.3%
11-Nov-17	Lee Metal Group Ltd	(10)	9.1%	14.1%	21.4%	26.5%
13-Nov-17	Vard Holdings Limited	(11)	0.0%	(0.9%)	2.5%	3.6%
28-Dec-17	CWG International Ltd	(12)	27.5%	29.5%	29.2%	30.8%
9-Feb-18	LTC Corporation Limited	(13)	44.5%	46.1%	45.4%	44.1%
13-Mar-18	Weiye Holdings Limited	(14)	31.3%	41.0%	44.1%	44.4%
26-Apr-18	Tat Hong Holdings Ltd	(15)	42.9%	47.5%	49.1%	40.3%
18-May-18	Viva Industrial Trust	(16)	2.1%	2.1%	0.7%	8.0%
19-Jul-18	Wheelock Properties (Singapore) Limited	(17)	22.7%	29.0%	22.7%	17.8%
27-Sep-18	Keppel Telecommunications & Transportation	(18)	40.4%	39.5%	34.9%	28.1%
27-Sep-18	M1 Limited	(19)	26.3%	29.9%	29.1%	22.0%
29-Oct-18	Cityneon Holdings Limited	(20)	4.1%	6.9%	11.9%	15.7%
4-Jan-19	PCI Limited	(21)	27.9%	44.0%	47.2%	50.9%
3-Apr-19	Ying Li International Real Estate Limited	(22)	1.6%	5.7%	10.5%	17.8%
4-Apr-19	Kingboard Copper Foil Holdings Limited	(23)	9.1%	16.1%	25.3%	27.4%
8-Apr-19	OUE Hospitality Trust	(24)	2.6%	3.0%	4.4%	6.7%
10-Apr-19	Indofood Agri Resources Ltd.	(25)	7.7%	21.5%	26.3%	29.0%
6-May-19	800 Super Holdings	(26)	19.2%	30.8%	31.2%	25.3%
14-May-19	Memtech International Ltd.	(27)	23.9%	31.5%	31.6%	35.6%
15-May-19	Boardroom Limited	(28)	14.3%	18.9%	16.1%	17.6%
28-Jun-19	Hupsteel Limited	(29)	51.9%	58.3%	58.6%	58.6%
3-Jul-19	Ascendas Hospitality Trust	(30)	11.5%	13.8%	19.0%	24.2%
5-Jul-19	Health Management Intl Ltd	(31)	14.1%	24.8%	27.4%	29.7%
29-Jul-19	Delong Holdings Limited	(32)	1.9%	8.0%	17.9%	37.2%
12-Aug-19	TPV Technology Ltd	(33)	41.4%	55.0%	88.3%	139.8%
25-Oct-19	United Engineers Limited	(34)	1.5%	5.3%	4.5%	5.7%
4-Nov-19	PACC Offshore Services Holdings Ltd.	(35)	72.3%	99.4%	93.0%	70.2%
6-Nov-19	Citic Envirotech Limited	(36)	48.6%	61.9%	68.5%	65.5%
2-Dec-19	Frasers Commercial Trust	(37)	0.6%	3.6%	3.1%	3.6%
22-Jan-20	CapitaLand Commercial Trust	(38)	(0.0%)	4.1%	4.0%	3.0%
24-Feb-20	BreadTalk Group Limited	(39)	19.4%	30.1%	24.0%	25.0%
12-Jun-20	Perennial Real Estate Holdings Limited	(40)	88.1%	105.2%	124.2%	112.7%
<b>Maximum</b>			<b>88.1%</b>	<b>105.2%</b>	<b>124.2%</b>	<b>139.8%</b>
<b>Mean</b>			<b>22.8%</b>	<b>28.6%</b>	<b>31.4%</b>	<b>33.2%</b>
<b>Median</b>			<b>19.8%</b>	<b>24.6%</b>	<b>25.8%</b>	<b>27.0%</b>
<b>Minimum</b>			<b>(1.5%)</b>	<b>(0.9%)</b>	<b>(3.0%)</b>	<b>(7.1%)</b>
<b>Scheme Consideration (RD)</b>			<b>4.7%</b>	<b>6.1%</b>	<b>11.2%</b>	<b>13.5%</b>

Sources: FactSet, Bloomberg, relevant SGX-ST filings and the respective companies' announcements, circulars and offer documents

- (1) Reflects date on which the relevant offer was announced. If offer price was revised, then the date of the announcement of the final revision is taken
- (2) Premium calculated based on the last traded price prior to the relevant takeover announcement, or other reference date as described in the notes below
- (3) On 19 June 2017, Harmony Gowell Company Limited ("**Harmony Gowell**"), wholly-owned by Mr Zeng Hanming, the Chairman and Chief Executive Officer of China Flexible Packaging Holdings Limited ("**China Flexible**"), announced a voluntary unconditional cash offer to acquire all the issued and paid-up ordinary shares in the capital of China Flexible, other than those already owned, controlled or agreed to be acquired by Harmony Gowell. The market premia are calculated based on the offer price of S\$1.25 per share. The time reference for calculation of premia is 16 June 2017, being the last trading day of the shares on the SGX-ST prior to the offer announcement

- (4) On 28 June 2017, Cyrus BidCo Pte. Ltd. ("**Cyrus**"), a company incorporated in Singapore by funds managed or advised by affiliates of The Blackstone Group L.P., and Croesus Retail Asset Management Pte. Ltd. (in its position as trustee-manager of Croesus Retail Trust ("**Croesus**")), jointly announced a proposed acquisition of all issued units in Croesus by Cyrus by way of a trust scheme, for a scheme consideration of S\$1.17 per unit. The time reference for calculation of premia is 25 April 2017, being the last trading day immediately prior to the initial holding announcement
- (5) On 14 July 2017, Nesta Investment Holdings Limited ("**Nesta**") and Global Logistic Properties Limited ("**GLP**") jointly announced a proposed acquisition by Nesta of all issued and paid-up ordinary shares in the capital of GLP by way of a scheme of arrangement. The market premia are calculated based on the offer price of S\$3.38 per share. The time reference for calculation of premia is 13 July 2017, being the market day immediately before the joint announcement date
- (6) On 20 September 2017, Respond Logistics Pte. Ltd. ("**Respond Logistics**"), announced a voluntary conditional cash offer to acquire all the issued and paid-up ordinary shares in the capital of Poh Tiong Choon Logistics Limited ("**PTCL**"), other than those already held by Respond Logistics. The market premia are calculated based on the offer price of S\$1.30 per share. The time reference for calculation of premia is 20 September 2017, being the joint announcement date
- (7) On 22 September 2017, GP Industries Limited ("**GP Industries**"), announced a voluntary conditional cash offer to acquire all the issued and paid-up ordinary shares in the capital of GP Batteries International Limited, other than those already owned or agreed to be acquired by GP Industries. The market premia are calculated based on the offer price of S\$1.30 per share. The time reference for calculation of premia is 8 August 2017, being the last trading day of the shares on the SGX-ST prior to the pre-conditional offer announcement
- (8) On 2 October 2017, Orochem Pte. Ltd. ("**Orochem**") and Rotary Engineering Limited ("**Rotary**") jointly announced the proposed voluntary delisting of Rotary by a cash offer to acquire all shares other than those held as treasury shares and those held directly or indirectly by Orochem. The market premia are calculated based on the exit offer price of S\$0.46 per share in cash. The time reference for calculation of premia is 28 September 2017, being the full last trading day of the shares on the SGX-ST prior to the joint announcement.
- (9) On 3 November 2017, COSCO Shipping International (Singapore) Co., Ltd. ("**COSCO Shipping**") announced a voluntary conditional cash offer to acquire all the issued and paid-up ordinary shares in the capital of Cogent Holdings Limited ("**Cogent Holdings**"), other than those already held by COSCO Shipping. The market premia are calculated based on the offer price of S\$1.02 per share. The time reference for calculation of premia is 2 November 2017, being the last full trading day of the shares on the SGX-ST prior to the offer announcement
- (10) On 26 April 2018, BRC Asia Limited ("**BRC**") announced a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of Lee Metal Group Ltd, other than those already owned, controlled or agreed to be acquired by BRC and parties acting in concert with it. The market premia are calculated based on the offer price of S\$0.42 per share. The time reference for calculation of premia is 10 November 2017, being the last full market day prior to the unsolicited approach announcement
- (11) On 13 November 2016, Fincantieri Oil & Gas S.p.A. ("**Fincantieri**"), a direct wholly-owned subsidiary of Fincantieri S.p.A, announced a voluntary conditional cash offer to acquire all the issued and paid-up ordinary shares in the capital of Vard Holdings Limited ("**Vard**") for a price of S\$0.24 per share. On 13 November 2017, Fincantieri and Vard jointly announced the proposed voluntary delisting of Vard at a price of S\$0.25 per share. The market premia are calculated based on the revised offer price of S\$0.25 per share in cash. The time reference for calculation of premia is 10 November 2017, being the last trading day of the shares immediately preceding the joint announcement date of the voluntary delisting
- (12) On 28 December 2017, Elidom Investment Co., Ltd. ("**Elidom**") announced a voluntary conditional cash offer to acquire all the issued and paid-up ordinary shares in the capital of CWG International Ltd. other than those already held, directly or indirectly, by Elidom. The market premia are calculated based on the offer price of S\$0.195 per share. The time reference for calculation of premia is 28 December 2017, being the last trading day of the shares on the SGX-ST prior to the offer announcement
- (13) On 9 February 2018, Mountbatten Enterprises Pte. Ltd. ("**Mountbatten**") announced a voluntary conditional cash offer to acquire all the issued and paid-up ordinary shares in the capital of LTC Corporation Limited, other than those already owned, controlled or agreed to be acquired by Mountbatten. The market premia are calculated based on the offer price of S\$0.925 per share. The time reference for calculation of premia is 8 February 2018, being the last trading day of the shares on the SGX-ST prior to offer announcement
- (14) On 13 March 2018, Fine Skill Holdings Limited and Weiye Holdings Limited ("**Weiye**") jointly announced the proposed voluntary delisting of Weiye. The market premia are calculated based on the exit offer price of S\$0.65 per share in cash. The time reference for calculation of premia is 13 March 2018, being the last day on which the shares were traded on the SGX-ST prior to the joint announcement
- (15) On 11 Jan 2018, THSC Investments Pte. Ltd. ("**THSC**") announced that THSC intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of Tat Hong Holdings Ltd ("**THH**"), other than those already held by THH as treasury shares and those already held directly or indirectly, by THSC. On 9 March 2018, THSC announced an offer price of S\$0.50 per share. On 26 April 2018, THSC announced a revised offer price of S\$0.55 per share. The market premia are calculated based on the revised offer price of S\$0.55 per share. The time reference for calculation of premia is 20 September 2017, being the last full market trading day prior to the announcement dated 21 September 2017 that THH had been approached by certain parties in connection with a potential transaction
- (16) On 18 May 2018, Viva Industrial Trust Management Pte. Ltd. (as manager for Viva Industrial Real Estate Investment Trust) and Viva Asset Management Pte. Ltd. (as trustee-manager of Viva Industrial Business Trust) (together, the "**VIT Managers**"), and ESR Funds Management (S) Limited (as manager for ESR-REIT), jointly announced the proposed merger of ESR-REIT and Viva Industrial Trust ("**VIT**") to be effected through the acquisition by ESR-REIT of all the issued and paid-up stapled securities of VIT by way of a trust scheme of arrangement. The market premia are calculated based on the offer price of S\$0.96 per VIT unit. The time reference for calculation of premia is 25 January 2018, being the last full and undisturbed trading day prior to the article published by Bloomberg on 26 January 2018 titled "Warburg-Backed ESR-REIT is said to plan Viva Industrial Merger" and the initial announcement dated 29 January 2018 by the ESR-REIT Funds Management (S) Limited that it had submitted a proposal for the Merger by way of the Scheme
- (17) On 19 July 2018, Star Attraction Limited ("**Star Attraction**"), a wholly-owned subsidiary of Wheelock Investments Limited, announced a voluntary unconditional general offer to acquire all the issued and paid-up ordinary shares in the capital of Wheelock Properties (Singapore) Limited, other than those already owned or agreed to be acquired by Star Attraction. The market premia are calculated based on the offer price of S\$2.10 per share. The time reference for calculation of premia is 13 July 2018, being the last trading day of the shares on the SGX-ST prior to the offer announcement.
- (18) On 27 September 2018, Keppel Telecommunications & Transportation Ltd ("**Keppel T&T**") and Keppel Corporation Limited ("**Keppel Corp**") jointly announced the proposed acquisition by Keppel Corp of all the issued and paid-up ordinary shares of Keppel T&T, other than those already held by Keppel Corp. The market premia are calculated based on the offer price of S\$1.91 per share. The time reference for calculation of premia is 21 September 2018, being the last trading day prior to the joint announcement

- (19) On 27 September 2018 ("**Pre-Conditional Offer Announcement Date**"), Connectivity. Pte Ltd ("**Konnectivity**"), a jointly-owned entity of Keppel Corporation Limited and Singapore Press Holding Limited, announced that subject to the satisfaction of the conditions as stated in the Pre-Conditional Offer Announcement (the "**Pre-Condition**"), it intends to make a voluntary conditional general offer to acquire (i) all the shares in the capital of M1 Limited ("**M1**"), other than those already owned, controlled or agreed to be acquired by Konnectivity, (ii) all new shares in the capital of M1 unconditionally issued or to be issued prior to the 4 February 2019 ("**Closing Date**"). The Closing Date being the last day for the lodgement of acceptances of the offer. On 28 December 2018, Konnectivity announced that the Pre-Condition had been met and accordingly, it intended to make the offer. The market premia are calculated based on the offer price of S\$2.06 per share. The time reference for calculation of premia is 21 September 2018, being the last trading day prior to the Pre-Conditional Offer Announcement Date
- (20) On 29 October 2018, West Knighton Limited ("**WKL**") announced a mandatory unconditional cash offer to acquire all the shares in the capital of Cityneon Holdings Limited, other than those already owned, controlled or agreed to be acquired by WKL. The market premia are calculated based on the offer price of S\$1.30 per share. The time reference for calculation of premia is 24 October 2018, being the last full market day immediately prior to the offer announcement
- (21) On 4 January 2019, PCI Limited ("**PCI**") and Pagani III Holding Limited ("**Pagani III**"), which is a wholly-owned indirect subsidiary of PE Pagani Holding Limited which in turn is owned by investment funds and entities affiliated with and advised by Platinum Equity Advisors LLC and its subsidiaries, made a joint announcement in relation to the proposed acquisition by Pagani III of all the issued and paid-up ordinary shares in the capital of PCI by way of a scheme of arrangement, at an offer price of S\$1.33 per share. The time reference for the calculation of premia is 17 September 2018, being the last full market day preceding 18 September 2018, which is the date PCI made an announcement in response to a SGX-ST query regarding an approach by a third party to PCI's controlling shareholder in relation to a potential transaction involving PCI's securities
- (22) On 3 April 2019, State Alpha Limited ("**State Alpha**"), a wholly-owned indirect subsidiary of China Everbright Limited, announced a mandatory unconditional cash offer to acquire all the issued and paid-up ordinary shares in the capital of Ying Li International Real Estate Limited, other than those already held directly or indirectly, by State Alpha and parties acting or deemed to be acting in concert with it. The market premia are calculated based on the offer price of S\$0.140 per share. The time reference for the calculation of premia is 3 April 2019, being the last trading day prior to the offer announcement
- (23) On 4 April 2019, Excel First Investments Limited ("**Excel First**"), a wholly-owned subsidiary of Kingboard Laminates Holdings Limited, announced a voluntary unconditional cash offer to acquire all of the issued and paid-up ordinary shares in the capital of Kingboard Copper Foil Holdings Limited, other than those already owned, controlled or agreed to be acquired by Excel First or parties acting or deemed to be acting in concert with it. The market premia are calculated based on the offer price of S\$0.60 per share. The time reference for the calculation of the premia is 1 April 2019, being the last full trading day of the shares on the SGX-ST prior to the offer announcement
- (24) On 8 April 2019, the respective board of directors of OUE Commercial REIT Management Pte. Ltd. (as manager for OUE Commercial Real Estate Investment Trust), OUE Hospitality REIT Management Pte. Ltd. (as manager for OUE Hospitality Real Estate Investment Trust) and OUE Hospitality Trust Management Pte. Ltd. (as trustee-manager of OUE Hospitality Business Trust) jointly announced the proposed merger of OUE Commercial Real Estate Investment Trust ("**OUE-CT**") and OUE Hospitality Trust ("**OUE H-Trust**"), which comprises OUE Hospitality Real Estate Investment Trust and OUE Hospitality Business Trust, to be effected through the acquisition by OUE-CT Trustee of all the issued and paid-up stapled securities in OUE H-Trust by way of a trust scheme of arrangement. The market premia are calculated based on the implied offer price of S\$0.747 per stapled security. The time reference for calculation of premia is 5 April 2019, being the last full market trading day prior to the joint announcement
- (25) On 10 April 2019, PT Indofood Sukses Makmur Tbk ("**Indofood Sukses**") announced a voluntary conditional cash offer to acquire all the shares other than those already held by Indofood Sukses and its related corporations in the capital of Indofood Agri Resources Ltd. The market premia are calculated based on the offer price of S\$0.28 per share. The time reference for the calculation of the premia is 5 April 2019, being the last market day immediately prior to the offer announcement
- (26) On 6 May 2019, 8S Capital Holdings Pte. Ltd. ("**8S Capital**"), which is wholly-owned by KKR Credit Advisors (US) LLC and its affiliates, which are affiliates of Kohlberg Kravis Roberts & Co. L.P., announced a voluntary conditional cash offer to acquire all the issued and paid-up ordinary shares in the capital of 800 Super Holdings Limited, other than those already held, directly or indirectly, by 8S Capital. The market premia are calculated based on the offer price of S\$0.90 per share. The time reference for the calculation of the premia is 26 April 2019, being the last full market day immediately prior to the offer announcement.
- (27) On 14 May 2019, M-Universe Investments Pte. Ltd. ("**M-Universe**"), a bid vehicle wholly-owned by the Chuang Family and Universal Scientific Industrial (Shanghai) Co., Ltd., announced a voluntary conditional cash offer to acquire all of the shares in the capital of Memtech International Ltd. ("**Memtech**"), other than those already owned, controlled or agreed to be acquired by M-Universe, its related corporations or their respective nominees. The market premia are calculated based on the offer price of S\$1.35 per share. The time reference for the calculation of the premia is 10 May 2019, being the last full market day immediately prior to the offer announcement
- (28) On 15 May 2019, Salacca Pte. Ltd. ("**Salacca**"), a wholly-owned subsidiary of G. K. Goh Holdings Limited, announced a voluntary unconditional cash offer to acquire all the issued shares in the capital of Boardroom Limited, other than those already owned or agreed to be acquired by Salacca or parties acting or deemed to be acting in concert with it. The market premia are calculated based on the offer price of S\$0.88 per share. The time reference for the calculation of the premia is 3 May 2019, being the last market day on which the shares were traded prior to the offer announcement
- (29) On 28 June 2019, Hercules Pte. Ltd. ("**Hercules**"), a bid vehicle for the founding Lim family, announced a voluntary conditional cash offer to acquire all the shares in the capital of Hupsteel Limited, other than any shares held in treasury and shares held, directly or indirectly, by Hercules. The market premia are calculated based on the offer price of S\$1.20 per share. The time reference for the calculation of the premia is 27 June 2019, being the last trading day prior to the offer announcement
- (30) On 3 July 2019, Ascott Residence Trust Management Limited (as manager for Ascott Residence Trust), Ascendas Hospitality Fund Management Pte. Ltd. (as manager for Ascendas Hospitality Real Estate Investment Trust) and Ascendas Hospitality Trust Management Pte. Ltd. (as manager for Ascendas Hospitality Business Trust), jointly announced the proposed acquisition by Ascott Residence Trust of all the stapled securities held by Ascendas Hospitality Trust, which comprises Ascendas Hospitality Real Estate Investment Trust and Ascendas Hospitality Business Trust, by way of scheme of arrangement. The market premia are calculated based on the scheme consideration of S\$1.0868 per share. The time reference for the calculation of the premia is 2 July 2019, being the last market day immediately preceding the joint announcement.
- (31) On 5 July 2019, PanAsia Health Limited ("**PanAsia**"), an indirectly wholly-controlled entity of EQT Mid Market Asia III GP B.V., acting in capacity as a general partner of EQT Mid Market Asia III Limited Partnership, and Health Management International Ltd ("**Health Management**") made a joint announcement in relation to the proposed acquisition of all the issued ordinary shares in the capital of Health Management which will be effected by way of scheme of arrangement, at an offer price of S\$0.73 per share. The time reference for the calculation of the premia is 14 June 2019, being the last full trading day immediately prior to the announcement date



- (32) On 27 September 2018, Best Grace Holdings Pte. Ltd. ("**Best Grace**"), which is wholly-owned by Mr. Ding Ligu, the Executive Chairman and Chief Executive Officer of Delong Group and a controlling shareholder of Delong Holdings Limited ("**Delong**"), announced a voluntary conditional cash offer to acquire all the issued and paid-up ordinary shares in the capital of Delong, other than those already held by Best Grace, its related corporations and their nominees, at an offer price of S\$7.00 per share. This offer was subsequently withdrawn on 11 October 2018. On 29 July 2019, Best Grace announced a revised voluntary conditional cash offer on substantively similar terms at an offer price of S\$7.00 per share. The market premia is calculated based on the offer price of S\$7.00 per share. The time reference for the calculation of the premia is 26 September 2018, being the last full trading day immediately prior to the announcement of the original offer
- (33) On 12 August 2019, CEIEC (H.K.) Limited ("**CEIECL**"), a wholly-owned indirect subsidiary of China Electronics Corporation, and TPV Technology Limited ("**TPV**") jointly announced the proposed privatisation of TPV by way of scheme of arrangement, at a price of HK\$3.86. The time reference for the calculation of the premia is 8 August 2019, being the last full trading day prior to the trading halt of TPV shares pending the issue of the announcement
- (34) On 25 October 2019, Yanlord Investment (Singapore) Pte. Ltd ("**Yanlord**"), a bid vehicle owned by Yanlord Land Group Limited, Perennial UW Pte. Ltd. and Heng Yue Holdings Limited, announced a mandatory unconditional cash offer to acquire all the issued and paid-up shares in the capital of United Engineers Limited, other than those already owned, controlled or agreed to be acquired by Yanlord and parties acting in concert with it, at an offer price of S\$2.60 per share. On 12 November 2019, Yanlord announced a revised offer price of S\$2.70 per share. The market premia are calculated based on the price of S\$2.70 per share. The time reference for the calculation of the premia is 21 October 2019, being the last trading day for the shares on the SGX-ST prior to the offer announcement
- (35) On 4 November 2019, Quetzal Capital Pte. Ltd. ("**Quetzal**"), which is owned by Kuok (Singapore) Limited, Trendfield Inc. which is owned by Kuok Brothers Sdn Bhd, and Merry Voyage Limited which is owned by Kerry Holdings Limited, announced a voluntary conditional cash offer to acquire all the issued and outstanding shares in the capital of PACC Offshore Services Holdings Ltd, including any shares owned controlled or agreed to be acquired by parties acting in concert or deemed to be acting in concert with Quetzal. The market premia are calculated based on the offer price of S\$0.215 per share. The time reference for the calculation of the premia is 30 October 2019, being the last trading day for the shares on the SGX-ST prior to the halt and release of the offer announcement.
- (36) On 6 November 2019, CKM (Cayman) Company Limited ("**CKM**"), a wholly-owned indirect subsidiary of CITIC Limited, and CITIC Envirotech Ltd. ("**CITIC**") announced the proposed voluntary delisting by the acquisition of all the shares in the capital of CITIC, other than those already owned, controlled or agreed to be acquired by CKM and parties acting with it. The market premia are calculated based on the offer price of S\$0.55 per share. The time reference for the calculation of the premia is 1 November 2019, being the last full trading day for the shares on the SGX-ST immediately prior to the release of the offer announcement
- (37) On 2 December 2019, Frasers Logistics & Industrial Asset Management Pte. Ltd. (as manager of Frasers Logistics & Industrial Trust) and Frasers Commercial Asset Management Ltd. (as manager of Frasers Commercial Trust), jointly announced the proposed merger effected through the acquisition by Perpetual (Asia) Limited, in its capacity as trustee of Frasers Logistics & Industrial Trust, of all the issued and paid-up units in Frasers Commercial Trust by way of a trust scheme of arrangement. The market premia are calculated based on the scheme consideration of S\$1.680 per unit. The time reference for the calculation of the premia is 27 November 2019, being the last trading day prior to the joint announcement
- (38) On 22 January 2020, the respective board of directors of CapitaLand Mall Trust Management Limited (as manager of CapitaLand Mall Trust) and CapitaLand Commercial Trust Management Limited (as manager of CapitaLand Commercial Trust) announced the proposed merger of CapitaLand Mall Trust ("**CMT**") and CapitaLand Commercial Trust ("**CCT**") effected through the acquisition by CMT of all the issued and paid-up units of CCT by way of a trust scheme of arrangement. The market premia are calculated based on the scheme consideration of S\$2.1238 per share. The time reference for the calculation of the premia is 21 January 2020, being the last full market day prior to the release of the offer announcement
- (39) On 24 February 2020, BTG Holding Company Pte. Ltd ("**BTG**"), a bid vehicle for Dr. George Quek Meng Tong, Ms. Katherine Lee Lih Leng and wholly-owned subsidiaries of Minor International PCL, announced a voluntary conditional cash offer to acquire all the issued shares in the capital of Breadtalk Group Limited ("**Breadtalk**"), other than those already owned, controlled or agreed to be acquired by BTG. The market premia are calculated based on the offer price of S\$0.77 per share. The time reference for the calculation of the premia is 21 February 2020, being the last full market day prior to the release of the offer announcement
- (40) On 12 June 2020, Primero Investment Holdings Pte. Ltd. ("**Primero**"), which is wholly-owned by Mr. Kuok Khoon Hong, Wilmar International Limited, Mr. Ron Sim and Mr. Pua Seck Guan, announced a voluntary conditional cash offer for all the issued and paid-up shares in the capital of Perennial Real Estate Holdings Limited ("**Perennial**"), including all the shares already owned, controlled or agreed to be acquired by the parties acting or deemed to be acting in concert with Primero. The market premia are calculated based on the offer price of S\$0.95 per share. The time reference for the calculation of the premia is 15 May 2020, being the last full trading day prior to the release of the voluntary announcement dated 18 May 2020 by Perennial that certain of its substantial shareholders were reviewing the options in relation to their holdings in Perennial

Based on the above, we note that:

The premia implied by the Scheme Consideration (RD) in connection with the Merger to the closing price as at Last Undisturbed Trading Date and to the VWAPs over the 1-month, 3-month and 6-month periods up to and including the Last Undisturbed Trading Date are within the minimum to maximum range and below the mean and median of the corresponding premia of the Selected Precedent Privatisation Transactions. This may in part be explained by the fact that the Scheme Consideration in connection with the Merger does not include a control premium typically seen in the Selected Precedent Privatisation Transactions and the Scheme is a Merger whereby Sabana Unitholders obtain a new security which will in time be listed on the SGX-ST.

We wish to highlight that the target companies involved in the Selected Precedent Privatisation Transactions as set out in the analysis above may not be directly comparable to Sabana REIT in terms of market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits.

The premium or discount (if any) that an offeror pays in any particular privatisation transaction varies in different specific circumstances depending on, *inter alia*, factors such as the potential synergies the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence or absence of competing bids for the target company, and the existing and desired level of control in the target company.

The list of the Selected Precedent Privatisation Transactions is by no means exhaustive and as such any comparison made only serves as an illustration. Conclusions drawn from the comparisons made may not necessarily reflect the perceived or implied market valuation of Sabana REIT.

#### 12.2.9 Independent valuation of Sabana REIT's properties

We set out below a summary of the carrying value of the property portfolio (the "**Sabana Portfolio**") owned by Sabana REIT, on the following basis:

- a) The independent desktop-valuations of the Sabana Portfolio as at 30 June 2020 conducted by Cushman & Wakefield VHS Pte Ltd, Savills Valuation and Professional Services (S) Pte Ltd and SRE Global Pte Ltd (the "**Sabana Independent Valuers**"), extracted from an announcement released by Sabana REIT on 16 July 2020 titled "Asset Valuation" ("**Sabana REIT Independent Valuation**") and
- b) the independent valuations of the Sabana Portfolio by Edmund Tie & Company (SEA) Pte Ltd (the "**ESR-REIT Independent Valuer (Sabana Portfolio)**"), commissioned by the ESR-REIT Manager to conduct a full independent valuation of Sabana REIT's properties, as at 30 June 2020 for the purposes of the Merger (the "**ESR-REIT Independent Valuer (Sabana Portfolio) Valuation**").

We wish to highlight that we have not been furnished with the valuation reports prepared by the Sabana Independent Valuers and have relied on publicly available information. Rothschild & Co make no representations or warranties, express or implied, on the accuracy or completeness of such information.

**Table 16. Carrying value of the Sabana Portfolio**

Carrying value of the Sabana Portfolio (S\$m)					
#	Location	Effective Percentage of Sabana Shareholding	A: Sabana Independent Valuers Portfolio Valuation	B: ESR-REIT Independent Valuer Portfolio Valuation	Differential (B minus A)
<b>A High-tech industrial</b>					
1	151 Lorong Chuan	100%	323.4	323.0	(0.4)
2	8 Commonwealth Lane	100%	54.0	53.1	(0.9)
3	15 Jalan Kilang Barat	100%	22.0	21.7	(0.3)
4	1 Tuas Avenue 4	100%	8.5	8.0	(0.5)
5	23 Serangoon North Avenue 5	100%	31.0	35.8	4.8
6	508 Chai Chee Lane	100%	63.8	63.6	(0.2)
<b>Subtotal</b>			<b>502.7</b>	<b>505.2</b>	<b>2.5</b>
<b>B Chemical Warehouse &amp; Logistics</b>					
7	33 & 35 Penjuru Lane	100%	43.2	41.8	(1.4)
8	18 Gul Drive	100%	20.0	18.7	(1.3)
<b>Subtotal</b>			<b>63.2</b>	<b>60.5</b>	<b>(2.7)</b>
<b>C Warehouse &amp; Logistics</b>					
9	34 Penjuru Lane	100%	33.7	34.8	1.1
10	51 Penjuru Road	100%	35.6	32.4	(3.2)
11	26 Loyang Drive	100%	24.7	24.1	(0.6)
12	3A Joo Koon Circle	100%	34.7	33.3	(1.4)
13	2 Toh Tuck Link	100%	30.0	29.3	(0.7)
14	10 Changi South Street 2	100%	36.0	40.3	4.3
<b>Subtotal</b>			<b>194.7</b>	<b>194.2</b>	<b>(0.5)</b>
<b>D General Industrial</b>					
15	123 Genting Lane	100%	16.8	15.2	(1.6)
16	30 & 32 Tuas Avenue 8	100%	24.4	23.5	(0.9)
17	39 Ubi Road 1	100%	20.4	17.0	(3.4)
18	21 Joo Koon Crescent	100%	14.7	13.9	(0.8)
<b>Subtotal</b>			<b>76.3</b>	<b>69.6</b>	<b>(6.7)</b>
<b>Sabana Property Portfolio</b>			<b>836.9</b>	<b>829.5</b>	<b>(7.4)</b>
<b>% differential (B vs. A)</b>					<b>(0.88%)</b>

Sources: Edmund Tie & Company (SEA) Pte Ltd, Sabana REIT announcement titled "Asset Valuation" dated 16 July 2020

The carrying value of the Sabana Portfolio is S\$836.9 million based on the Sabana REIT Independent Valuation and S\$829.5 million based on the ESR-REIT Independent Valuer (Sabana Portfolio) Valuation.

Based on the above, we note the ESR-REIT Independent Valuer (Sabana Portfolio) Valuation is S\$7.4 million or 0.88% lower than the Sabana REIT Independent Valuation.

We note that the valuation certificates of the Sabana Portfolio, as prepared by the ESR-REIT Independent Valuer (Sabana Portfolio), contain disclaimers which highlight that the property valuations prepared are current as at the date of the valuation certificates and that there is uncertainty around the potential future impact that Covid-19 may or may not have on the real estate market. Further details on the valuation certificates prepared by the ESR-REIT Independent Valuer (Sabana Portfolio) are set out in **Appendix C** of the Circular and ESR-REIT Unitholders are advised to read the information carefully.

We wish to highlight that we have sought clarification from the ESR-REIT Independent Valuer (Sabana Portfolio) on the qualification statement included in the valuation certificates and the impact this may have on the reliability of the valuation conclusion, if any.

We provide a summary of the reasons and the bases of the qualification as stated by the ESR-REIT Independent Valuer (Sabana Portfolio) in the table below. The table below also extracts the clarification statement provided by the ESR-REIT Independent Valuer (Sabana Portfolio).

**Table 17. Clarification from the ESR-REIT Independent Valuer (Sabana Portfolio)**

Independent Valuer	Qualification statement provided in valuation certificates	Clarification statement
Edmund Tie & Company (SEA) Pte Ltd	<p><i>“The outbreak of the Novel Coronavirus (COVID-19) was declared as a ‘Global Pandemic’ by the World Health Organisation on 11 March 2020. Like the financial market, the real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). We recommend that you keep the valuation of this subject property under frequent review.”</i></p>	<p>“We performed this valuation to the best of our knowledge and capabilities, based on the information provided and data available. It represents our objective, professional opinion of the assets at the time of the report. Nevertheless, the virus situation remains fluid, and new developments could warrant re-valuation only. We therefore reiterate that the assessment herein should be understood in the context in which it was provided.”</p>

Source: Edmund Tie & Company (SEA) Pte Ltd

The above analysis serves as one factor considered by us in our evaluation and may not on its own be meaningful. Consequently, the ARCC, the ESR-REIT Recommending Directors and the ESR-REIT Trustee should note that the above comparison serves as a general guide only.

## **12.3 Other Relevant Considerations Relating To The Merger**

### **12.3.1 The Rationale for the Merger**

We have considered the rationale and key benefits that the ESR-REIT Manager believes the Merger will bring to the ESR-REIT Unitholders, key points of which have been extracted from the Circular and are set out in italics below:

- (i) DPU and NAV accretive for ESR-REIT Unitholders on a Historical Pro Forma Basis*
- (ii) Enhances Diversification and Resilience of the Enlarged REIT Platform*
  - a. Increase Exposure to the High-Specs and Logistics / Warehouse Segments*
  - b. Larger Tenant Base Reduces Concentration Risks*
- (iii) 100% Pure-Play Singapore REIT Post-Merger*
  - a. Deepens Singapore presence in key industrial clusters*
  - b. Operational synergies and portfolio optimisation potential*
  - c. Organic asset enhancement initiative growth opportunities to realise unutilised GFA*
  - d. Lease-up opportunities for organic growth*
- (iv) Size does matter*
  - a. Solidifies position amongst top 5 industrial S-REITs*
  - b. Larger Size Leads to More Competitive Cost of Capital Underpinned by an Evenly-Distributed and Resilient Debt Maturity Profile*
  - c. Potential Inclusion in Key Indices*
- (v) Leveraging the ESR Group's and ESR-REIT's Operating Platform to Improve Growth Prospects*

We note that ESR-REIT Manager's rationale for the Merger is set out in paragraph 5 of the Letter to ESR-REIT Unitholders. We recommend that the ARCC and the ESR-REIT Recommending Directors advise the ESR-REIT Unitholders to read this information carefully.

### **12.3.2 Historical implied exchange ratio between the Sabana Units and ESR-REIT Units**

We have analysed the historical implied exchange ratio between the Sabana Units and ESR-REIT Units based on their VWAPs for the selected reference periods up to and including the Last Undisturbed Trading Date. We have compared the premium or discount between the implied exchange ratio at each reference period and the Exchange Ratio (defined as the exchange ratio of 0.940x implied by the Scheme Consideration payable for each Sabana Unit) to evaluate the financial terms of the Scheme Consideration as set out in the table below.

**Table 18. Historical Exchange Ratio**

Reference period	VWAP (\$\$)		Implied exchange ratio	Exchange Ratio	Implied premium / (discount) (%) <sup>(2)</sup>
	ESR-REIT	Sabana REIT			
<b>For periods up to and including the Last Undisturbed Trading Date (15 July 2020)<sup>(1)</sup></b>					
<b>LUTD</b>	0.390	0.360	0.923x	0.940x	1.8
<b>1 month</b>	0.391	0.355	0.908x	0.940x	3.5
<b>3 months</b>	0.362	0.339	0.936x	0.940x	0.4
<b>6 months</b>	0.354	0.332	0.938x	0.940x	0.2
<b>12 months</b>	0.384	0.365	0.951x	0.940x	(1.1)

Sources: FactSet, Bloomberg

(1) Periods analysed are as follows – Closing price as at the Last Undisturbed Trading Date; 1 month up to the Last Undisturbed Trading Date (inclusive): 15 June 2020 up to and including 15 July 2020; 3 months up to the Last Undisturbed Trading Date (inclusive): 16 April 2020 up to and including 15 July 2020; 6 months up to the Last Undisturbed Trading Date (inclusive): 17 January 2020 up to and including 15 July 2020; and 12 months up to the Last Undisturbed Trading Date (inclusive): 24 July 2019 up to and including 15 July 2020

(2) Refers to the premium of the Exchange Ratio to the implied exchange ratio based on the respective VWAPs for each period

The observations we make in respect to the implied premium or discount as compared to the Exchange Ratio are as follows:

The Exchange Ratio of 0.940x represents a premia / (discount) of 1.8%, 3.5%, 0.4%, 0.2% and (1.1%) over the implied exchange ratio between the ESR-REIT Units and the Sabana Units of 0.923x, 0.908x, 0.936x, 0.938x, and 0.951x as at the Last Undisturbed Trading Date, and for the 1-month, 3-month, 6-month, and 12-month periods prior to the Last Undisturbed Trading Date respectively.

**We wish to highlight that our analysis of the past price performance of the Sabana Units and ESR-REIT Units is not indicative of their future price performance, which will be governed by other factors such as, *inter alia*, the performance and prospects of the Enlarged REIT, prevailing economic conditions, economic outlook, market conditions and sentiments.**

### 12.3.3 *Pro forma* financial effects of the Merger

#### 12.3.3.1 *Pro forma consolidated financial effects of the Merger for the year ended 31 December 2019*

The *pro forma* financial effects of the Merger (and the related transactions in connection therewith) on (a) ESR-REIT's DPU, (b) the NAV per ESR-REIT Unit, (c) the NTA per ESR-REIT Unit, and (d) the aggregate leverage of ESR-REIT as set out in Paragraph 11 to the Letter to ESR-REIT Unitholders are for illustrative purposes only and do not reflect the actual financial performance or position of ESR-REIT after the Merger. The financial effects of the Merger have been prepared based on ESR-REIT's and Sabana REIT's audited consolidated financial statements for the financial year ended 31 December 2019 ("**FY2019**") and the unaudited consolidated financial statements for the half year ended 30 June 2020 ("**1H2020**"), after making certain adjustments that are directly attributable to the Merger.

We recommend the ARCC and the ESR-REIT Recommending Directors to advise the ESR-REIT Unitholders to read those pages of the Letter to ESR-REIT Unitholders carefully, in particular the bases and assumptions relating to the preparation of the *pro forma* financial effects of the Merger as set out in Appendix D of the Circular.

We set out below the following *pro forma* financial analysis of the Merger that is prepared for illustrative purposes only.

**“PRO FORMA FINANCIAL EFFECTS OF THE MERGER**

**(a) Pro Forma DPU for FY2019**

The *pro forma* financial effects of the Merger on ESR-REIT's DPU for FY2019, assuming that the Merger had been completed on 1 January 2019, are as follows

	Effects of the Merger		
	Before the Merger		After the Merger
	DPU including capital gains paid	DPU excluding capital gains paid	DPU excluding capital gains paid
Amount available for distribution (S\$'000)	132,566	116,466	156,997
Applicable Number of ESR-REIT Units ('000)	3,305,061	3,300,255	4,316,750
DPU (cents)	4.011	3.529	3.637
Accretion (%)			3.1%

**(b) Pro Forma DPU for 1H2020**

The *pro forma* financial effects of the Merger on ESR-REIT's DPU for 1H2020, assuming that the Merger had been completed on 1 January 2019, are as follows

	Effects of the Merger					
	1H2020			1H2020 Annualised		
	Before the Merger		After the Merger	Before the Merger		After the Merger
	DPU excluding retained distributable income	DPU including retained distributable income	DPU including retained distributable income	DPU excluding retained distributable income	DPU including retained distributable income	DPU including retained distributable income
Amount available for distribution (S\$'000)	47,829	47,829	63,727	95,658	95,658	127,455
Less: Retained distributable income (S\$'000)	(6,922)	-	-	(13,844)	-	-
Amount to be distributed (S\$'000)	40,907	47,829	63,727	81,814	95,658	127,455
Applicable Number of ESR-REIT Units ('000)	3,519,426	3,519,426	4,533,252	3,519,426	3,519,426	4,533,252
DPU (cents)	1.162	1.359	1.406	2.324	2.718	2.812
Accretion (%)						3.5%

**(c) NAV per ESR-REIT Unit for FY2019**

*The pro forma financial effects of the Merger on the NAV per ESR-REIT Unit as at 31 December 2019, assuming that the Merger had been completed on 31 December 2019, are as follows*

	Effects of the Merger	
	Before the Merger	After the Merger
NAV (S\$'000)	1,508,576	2,028,375
Number of issued ESR-REIT Units ('000)	3,487,316	4,497,900
NAV per ESR-REIT Unit (cents)	43.3	45.1
Accretion (%)		4.2%

**(d) NAV per ESR-REIT Unit for 1H2020**

*The pro forma financial effects of the Merger on the NAV per ESR-REIT Unit as at 30 June 2020, assuming that the Merger had been completed on 30 June 2020, are as follows*

	Effects of the Merger	
	Before the Merger	After the Merger
NAV (S\$'000)	1,448,721	1,960,315
Number of issued ESR-REIT Units ('000)	3,530,945	4,541,530
NAV per ESR-REIT Unit (cents)	41.0	43.2
Accretion (%)		5.2%

**(e) NTA per ESR-REIT Unit for FY2019**

*The pro forma financial effects of the Merger on the NTA per ESR-REIT Unit as at 31 December 2019, assuming that the Merger had been completed on 31 December 2019, are as follows*

	Effects of the Merger	
	Before the Merger	After the Merger
NTA (S\$'000)	1,508,576	2,028,375
Number of issued ESR-REIT Units ('000)	3,487,316	4,497,900
NTA per ESR-REIT Unit (cents)	43.3	45.1
Accretion (%)		4.2%



**(f) NTA per ESR-REIT Unit for 1H2020**

The pro forma financial effects of the Merger on the NTA per ESR-REIT Unit as at 30 June 2020, assuming that the Merger had been completed on 30 June 2020, are as follows

	Effects of the Merger	
	Before the Merger	After the Merger
NTA (S\$'000)	1,448,721	1,960,315
Number of issued ESR-REIT Units ('000)	3,530,945	4,541,530
NTA per ESR-REIT Unit (cents)	41.0	43.2
Accretion (%)		5.2%

**(g) Aggregate Leverage for FY2019**

The pro forma financial effects of the Merger on the aggregate leverage of ESR-REIT as at 31 December 2019, assuming that the Merger had been completed on 31 December 2019, are as follows

	Effects of the Merger	
	Before the Merger	After the Merger
Aggregate leverage (%)	41.5%	41.2%

**(h) Aggregate Leverage for 1H2020**

The pro forma financial effects of the Merger on the aggregate leverage of ESR-REIT as at 30 June 2020, assuming that the Merger had been completed on 30 June 2020, are as follows

	Effects of the Merger	
	Before the Merger	After the Merger
Aggregate leverage (%)	41.8%	41.7%

For illustrative purposes only, we note the following from the tables above

- a) With respect to the pro forma financial impact of the Merger on ESR-REIT based on the audited consolidated financial statements for FY2019:
- (i) the pro forma DPU for FY2019 (excluding capital gains paid) of ESR-REIT would increase from 3.529 Singapore cents to 3.637 Singapore cents, representing an accretion of 3.1%;
  - (ii) the pro forma NAV per ESR-REIT Unit for FY2019 would increase from 43.3 Singapore cents to 45.1 Singapore cents, representing an accretion of 4.2%;
  - (iii) the pro forma NTA per ESR-REIT Unit for FY2019 would increase from 43.3 Singapore cents to 45.1 Singapore cents, representing an accretion of 4.2%; and
  - (iv) the pro forma aggregate leverage of ESR-REIT for FY2019 would decrease from 41.5% to 41.2%, representing a decline of 0.3%.

- b) With respect to the pro forma financial impact of the Merger on ESR-REIT based on the unaudited consolidated financial statements for 1H2020:
- (i) the pro forma DPU for 1H2020 (on an annualised basis and including retained distributable income) of ESR-REIT would increase from 2.718 Singapore cents to 2.812 Singapore cents, representing an accretion of 3.5%;
  - (ii) the pro forma NAV per ESR-REIT Unit for 1H2020 would increase from 41.0 Singapore cents to 43.2 Singapore cents, representing an accretion of 5.2%;
  - (iii) the pro forma NTA per ESR-REIT Unit for 1H2020 would increase from 41.0 Singapore cents to 43.2 Singapore cents, representing an accretion of 5.2%; and
  - (iv) the pro forma aggregate leverage of ESR-REIT for 1H2020 would decrease from 41.8% to 41.7%, representing a decline of 0.1%.

**12.3.3.2 Basis and assumptions underlying pro forma financial effects of the merger on the Enlarged REIT**

The bases and assumptions on which the *pro forma* financial effects of the Merger have been prepared are also set out in **Appendix D** to this Circular. Summarised extracts are set out in italics below:

***“BASES AND ASSUMPTIONS UNDERLYING PRO FORMA FINANCIAL EFFECTS OF THE MERGER ON THE ENLARGED REIT***

***Bases of Preparation***

*The unaudited pro forma consolidated financial effects of the Merger on the Enlarged REIT have been prepared for illustrative purposes only, and based on certain assumptions directly attributable to the Merger after making certain adjustments, to show the pro forma financial effects of the Merger on:*

- (a) *the unaudited pro forma NAV, NTA and aggregate leverage of the Enlarged REIT as at 31 December 2019 as if the Merger had occurred on 31 December 2019; and*
- (b) *the unaudited pro forma DPU of the Enlarged REIT for the year ended 31 December 2019 as if the Merger had occurred on 1 January 2019.*
- (c) *the unaudited pro forma NAV, NTA and aggregate leverage of the Enlarged REIT as at 30 June 2020 as if the Merger had occurred on 30 June 2020; and*
- (d) *the unaudited pro forma DPU of the Enlarged REIT for the half year ended 30 June 2020 as if the Merger had occurred on 1 January 2019.*

*The unaudited pro forma consolidated financial effects, because of its nature, may not give a true picture of the actual financial position and financial results of the Enlarged REIT.*

*The unaudited pro forma consolidated financial effects of the Merger on the Enlarged REIT for the year ended 31 December 2019 have been prepared based on the following:*

- (i) the audited consolidated financial statements of ESR-REIT for the year ended 31 December 2019, which were prepared in accordance with Singapore Financial Reporting Standards and are presented in accordance with the relevant presentation principles of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts";*
- (ii) the audited consolidated financial statements of Sabana REIT for the year ended 31 December 2019, which were prepared in accordance with Singapore Financial Reporting Standards and are presented in accordance with the relevant presentation principles of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"; and*
- (iii) the auditors' reports on the consolidated financial statements of ESR-REIT and Sabana REIT do not contain any qualifications.*

*The unaudited pro forma consolidated financial effects of the Merger on the Enlarged REIT for the half year ended 30 June 2020 have been prepared based on the following:*

- (A) the unaudited consolidated financial statements of ESR-REIT for the half year ended 30 June 2020, which were prepared in accordance with Singapore Financial Reporting Standards and are presented in accordance with the relevant presentation principles of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"; and*
- (B) the unaudited consolidated financial statements of Sabana REIT for the half year ended 30 June 2020, which were prepared in accordance with Singapore Financial Reporting Standards and are presented in accordance with the relevant presentation principles of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts".*

### **Assumptions**

*The pro forma financial effects of the Merger on the Enlarged REIT have been prepared on the following key assumptions:*

#### **For pro forma financial effects of the Merger for the year ended 31 December 2019**

- (a) the consideration for the Merger is settled by way of approximately 989.9 million new ESR-REIT Units at the Reference Price of S\$0.401<sup>10</sup> with no cash consideration;*
- (b) Sabana REIT draws down an additional S\$6.0 million of debt to finance its Merger related transaction fees prior to the Merger;*
- (c) Sabana REIT's total borrowings and related interest rate swaps of approximately S\$282.9 million, which includes the additional S\$6.0 million of debt referred to in paragraph (b) above of this Appendix D, as at 31 December 2019, are replaced with the New Facilities at a weighted*

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<sup>10</sup> The Reference Price is determined based on the one-month volume weighted average price of the ESR-REIT Units ended on and including the last trading day one (1) week prior to the date of the Joint Announcement (as defined herein), being the 30 calendar day period from 10 June 2020 up to and including 9 July 2020. The one-month volume weighted average price calculation was agreed between the parties through commercial negotiations to be a better representation of the value of ESR-REIT Units as it takes into account both trading volume and price over a period of time. The implied Scheme Consideration of S\$0.377 per Sabana Unit is derived by multiplying the gross exchange ratio of 0.940x by the Reference Price of S\$0.401.

average "all-in" finance cost of 2.5% per annum;

- (d) *estimated upfront land premium of approximately S\$58.6 million is paid to JTC at completion of the Merger and the Enlarged REIT does not incur any land rent expenses for the Sabana REIT portfolio for FY2019<sup>5</sup>;*
- (e) *acquisition fees of approximately S\$8.3 million in respect of the acquisition of Sabana REIT's assets pursuant to the Merger are paid by way of approximately 20.7 million new ESR-REIT Units<sup>11</sup> at the Reference Price of S\$0.401<sup>10</sup>;*
- (f) *Sabana REIT's fee structures for the asset management, property management and trustee fees are replaced with the fee structures in the ESR-REIT Trust Deed and approximately 59.3% of Sabana REIT's asset management fees are paid in units as per the proportion that ESR-REIT paid out for FY2019;*
- (g) *estimated professional and other fees and expenses of approximately S\$18.4 million are funded by the New Facilities at a weighted average "all-in" finance cost of 2.5% per annum; and*
- (h) *there is no distribution of capital gains by both ESR-REIT and Sabana REIT for FY2019.*

**For pro forma financial effects of the Merger for 1H2020**

- (i) *ESR-REIT does not retain distributable income of S\$7.0 million and distributes 100% of its total distributable income of S\$47.8 million for 1H2020;*
- (ii) *Sabana REIT does not retain distributable income of S\$6.1 million and distributes 100% of its total distributable income of S\$11.1 million for 1H2020;*
- (iii) *the consideration for the Merger is settled by way of approximately 989.9 million new ESR-REIT Units at the Reference Price of S\$0.401<sup>10</sup> with no cash consideration;*
- (iv) *Sabana REIT draws down an additional S\$6.0 million of debt to finance its Merger related transaction fees prior to the Merger;*
- (v) *Sabana REIT's total borrowings and related interest rate swaps of approximately S\$295.0 million, which includes the additional S\$6.0 million of debt referred to in paragraph (iv) above of this Appendix D, as at 30 June 2020, are replaced with the New Facilities at a weighted average "all-in" finance cost of 2.5% per annum;*
- (vi) *estimated upfront land premium of approximately S\$58.6 million is paid to JTC at completion of the Merger and the Enlarged REIT does not incur land rent expenses for the Sabana REIT portfolio for 1H2020<sup>5</sup>;*
- (vii) *acquisition fees of approximately S\$8.3 million in respect of the acquisition of Sabana REIT's*

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<sup>11</sup> Pursuant to the Merger, based on the Reference Price, approximately 20.7 million ESR-REIT Units will be allotted and issued to the ESR-REIT Manager in payment of the Acquisition Fee. For the avoidance of doubt, the actual number of ESR-REIT Units to be issued as payment for the Acquisition Fee will be determined based on the 10-day volume weighted average price of the ESR-REIT Units up to and including the last trading day immediately preceding the Effective Date

assets pursuant to the Merger are paid by way of approximately 20.7 million new ESR-REIT Units<sup>11</sup> at the Reference Price of S\$0.401<sup>10</sup>;

- (viii) Sabana REIT's fee structures for the asset management, property management and trustee fees are replaced with the fee structures in the ESR-REIT Trust Deed and approximately 60.0% of Sabana REIT's asset management fees are paid in units as per the proportion that ESR-REIT paid out for 1H2020; and
- (ix) estimated professional and other fees and expenses of approximately S\$18.6 million are funded by the New Facilities at a weighted average "all-in" finance cost of 2.5% per annum.

#### **12.3.4 Other relevant considerations which have a bearing on our assessment**

##### **12.3.4.1 Future Intentions for the Enlarged REIT**

Paragraph 6 of the Circular sets out certain information relating to the future intentions for the Enlarged REIT, assuming the completion of the Merger:

- (a) "the ESR-REIT Manager will be the manager of the Enlarged REIT after completion of the Merger and Mr. Adrian Chui will continue to be the Chief Executive Officer ("CEO") of the ESR-REIT Manager. The ESR-REIT Manager intends to engage the current CEO of the Sabana Manager, Mr. Donald Han, as an advisor to the ESR-REIT Manager. The Nominating and Remuneration Committee of the ESR-REIT Manager is also in the process of reviewing, together with the Sponsor, the composition of the board of directors and management of the ESR-REIT Manager (including the feasibility of engaging certain existing employees of the Sabana Manager);
- (b) the fee structure of the Enlarged REIT will be based on the existing fee structure of ESR-REIT. The Sabana Manager will be entitled to the applicable manager's fee accruing up to the date of delisting of Sabana REIT in accordance with the existing trust deed of Sabana REIT. There will be no double counting of management fees to the Sabana Manager and the ESR-REIT Manager in respect of the Sabana REIT portfolio between the Effective Date and the date of delisting;
- (c) the ESR-REIT Manager does not intend to retain Sabana REIT's Shari'ah compliant status and accordingly, Sabana REIT will be renamed "Sabana Trust"; and
- (d) it is intended that the existing outstanding loan facilities granted to Sabana REIT will be refinanced.

The Enlarged REIT's larger portfolio will provide the opportunity and flexibility to re-evaluate the scale and risk-return profile of the AEs to be undertaken, for both the existing ESR-REIT portfolio and the Sabana REIT portfolio of real estate assets. This re-evaluation will include, amongst others, a review of the projected construction costs of identified AEI projects, given the better bargaining power of the Enlarged REIT with service providers and reduced portfolio financial impact when undertaking AEs, while taking into consideration the supply and demand dynamics of the industrial market currently and over the next two (2) to three (3) years.

The ESR-REIT Manager retains the flexibility to, at any time, consider options or opportunities which may present themselves, or may be required, and which it regards to be in the best interests of the

*Enlarged REIT."*

#### **12.3.4.2 Financing**

We note that in connection with the Merger and the Scheme, the ESR-REIT Trustee has entered into a S\$460 million unsecured loan facility agreement with (i) Malayan Banking Berhad, Singapore Branch, RHB Bank Berhad, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Bank Limited, as mandated lead arrangers and bookrunners, (ii) Malayan Banking Berhad, Singapore Branch, RHB Bank Berhad, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Bank Limited, as original lenders and (iii) United Overseas Bank Limited, as facility agent.

The unsecured loan facility consists of a S\$460 million term loan facility (the "**Facility**"). The proceeds of the Facility will be applied towards:

- (a) the refinancing in full of the indebtedness under existing loan facilities granted to the Sabana Trustee (in its capacity as trustee of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust);
- (b) the payment of upfront land premium to JTC<sup>5</sup>;
- (c) the payment of costs, fees and expenses (including taxes) incurred by or on behalf of the Trustee in connection with the Scheme; and
- (d) working capital purposes for ESR-REIT.

#### **12.3.4.3 Break fee and reverse break fee**

Paragraphs 8.4 and 8.5 of the Joint Announcement sets out certain information relating to the break fee and reverse break fee applicable to Sabana REIT and ESR-REIT, respectively.

##### Break fee (payable to ESR-REIT)

- (a) *subject to paragraph 4.9(c) above, "the Sabana Trustee agrees and undertakes that it shall compensate the ESR-REIT Trustee and/or the ESR-REIT Manager for costs and expenses reasonably incurred by or on behalf of the ESR-REIT Trustee and/or the ESR-REIT Manager in connection with the Merger and/or the Scheme (including without limitation, the fees and disbursements of counsel, auditors and advisers engaged by or on behalf of the ESR-REIT Trustee and/or the ESR-REIT Manager in connection with the Merger and/or the Scheme) (the "Break Fee"), if any of the following (the "Break Fee Events") occurs:*
  - (i) *in the event the ESR-REIT Trustee or the ESR-REIT Manager terminates the Implementation Agreement pursuant to paragraph 8.1(b)(i) above; and/or*

- (ii) *in the event a Sabana Competing Proposal becomes or is declared unconditional in all respects or is completed or becomes effective (or the equivalent in respect of any of the foregoing), provided that the Break Fee shall be subject to a maximum amount of 1% of the value of the aggregate Scheme Consideration (which, for purposes of determining the Break Fee, shall be calculated based on the volume weighted average price of the ESR-REIT Units for the one (1) month period ending on and including the last trading day prior to the date of the relevant Break Fee Event multiplied by the number of ESR-REIT Units that would have otherwise been issued pursuant to the Scheme (assuming the Scheme became effective and the Books Closure Date falls on the date of the relevant Break Fee Event)); and*
- (b) *the obligation to pay the Break Fee as described in this paragraph 8.4 shall survive termination of the Implementation Agreement and remain in effect until all liabilities of the Sabana Trustee described in this paragraph 8.4, if any, have been satisfied.*

Reverse Break fee (payable to Sabana REIT)

- (a) *the ESR-REIT Trustee agrees and undertakes that it shall compensate the Sabana Trustee and/or the Sabana Manager for costs and expenses reasonably incurred by or on behalf of the Sabana Trustee and/or the Sabana Manager in connection with the Merger and/or the Scheme (including without limitation, the fees and disbursements of counsel, auditors and advisers engaged by or on behalf of the Sabana Trustee and/or the Sabana Manager in connection with the Merger and/or the Scheme) (the "Reverse Break Fee"), if any of the following (the "Reverse Break Fee Events") occurs:*
  - (i) *in the event the Sabana Trustee or the Sabana Manager terminates the Implementation Agreement pursuant to paragraph 8.1(b)(ii) above; and/or*
  - (ii) *in the event an ESR-REIT Competing Proposal becomes or is declared unconditional in all respects or is completed or becomes effective (or the equivalent in respect of any of the foregoing),*

*provided that the Reverse Break Fee shall be subject to a maximum amount of 1% of the value of the aggregate Scheme Consideration (which, for purposes of determining the Reverse Break Fee, shall be calculated based on the volume weighted average price of the ESR-REIT Units for the one (1) month period ending on and including the last trading day prior to the date of the relevant Reverse Break Fee Event multiplied by the number of ESR-REIT Units that would have otherwise been issued pursuant to the Scheme (assuming the Scheme became effective and the Books Closure Date falls on the date of the relevant Reverse Break Fee Event)); and*

- (b) *the obligation to pay the Reverse Break Fee as described in this paragraph 8.5 shall survive termination of the Implementation Agreement and remain in effect until all liabilities of the ESR-REIT Trustee described in this paragraph 8.5, if any, have been satisfied."*

We note that the cap of the Break Fee (payable to ESR-REIT) of 1.0% is equal to the cap of the Reverse Break Fee (payable to Sabana REIT) pursuant to the Implementation Agreement.

#### **12.3.4.4 Conditions to complete the Merger**

We note that the Scheme is conditional upon the satisfaction (or, where applicable, the waiver) of certain conditions precedents.

**We wish to highlight to ESR-REIT Unitholders that should any of these conditions not be met (or where applicable, waived), the Scheme will not proceed notwithstanding that the Merger has been approved by ESR-REIT Unitholders at the EGM. Please refer to Appendix B of the Circular for the full list of conditions precedent to the Scheme.**

#### **12.3.4.5 Permitted distribution**

Paragraph 4.4 of the Letter to ESR-REIT Unitholders sets out certain information relating to permitted distributions.

We note that, if and to the extent that any distribution in excess of the Sabana Permitted Distributions is announced, declared, paid or made by the Sabana Manager on or after the date of the Implementation Agreement the ESR-REIT Manager reserves the right to reduce the Scheme Consideration.



### 13 RECOMMENDATION

In arriving at our Opinion as to whether the Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority ESR-REIT Unitholders, we evaluated whether the gross exchange ratio of 0.940x is fair and reasonable based on whether the Consideration Units and Sabana Units are fairly valued based on the Consideration Unit Price (RD) and the Scheme Consideration (RD), respectively, and have considered, *inter alia*, the following factors below which should be read in conjunction with, and interpreted, in the full context of this Letter:

- (a) Based on both the FY2019 and the 1H2020 *pro forma* financials, the Merger is accretive to ESR-REIT Unitholders on a DPU, an NAV per ESR-REIT Unit and an NTA per ESR-REIT Unit basis;
- (b) As disclosed in the Circular, the completion of the Merger, the Enlarged REIT will solidify its position amongst the top 5 industrial S-REITs, with the overall asset size increasing to approximately S\$4.1 billion from approximately S\$3.2 billion prior to the Merger. As a result of an increase in market capitalisation, the Enlarged REIT may experience an increase in trading liquidity, investor coverage and inclusion in indices, which offers the potential benefits of a wider and more diversified investor base, higher trading liquidity, increased analyst coverage and a potential positive re-rating of its unit price, which would be beneficial to the Enlarged REIT unitholders; and
- (c) The Merger may also potentially provide ESR-REIT Unitholders with asset class diversification benefits, operational synergies and portfolio optimisation potential, organic AEI growth opportunities, more competitive costs of capital, supporting the future growth of the Enlarged REIT as compared to ESR-REIT on a standalone basis.

#### In the evaluation of the Consideration Unit Price (RD):

- 1. Liquidity analysis of the ESR-REIT Units and the Top 30 STI Companies indicate that there is reasonable liquidity in the ESR-REIT Units and that the market prices of the ESR-REIT Units should generally reflect the fundamental, market-based value of the ESR-REIT Units;
- 2. The historical market performance and trading activity of the ESR-REIT Units indicate that:
  - (i) the Consideration Unit Price (RD) of S\$0.401 represents a premium of 2.8% to the closing price of the ESR-REIT Units on the Last Undisturbed Trading Date;
  - (ii) the Consideration Unit Price (RD) of S\$0.401 represents a premium of 2.5%, 10.9%, 13.4% and 4.4% to the 1-month, 3-month, 6-month and 12-month VWAPs of the ESR-REIT Units up to and including the Last Undisturbed Trading Date, respectively; and
  - (iii) the average daily trading volume of the ESR-REIT Units as a percentage of the free float ranged between 0.32% and 1.04%, in the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Undisturbed Trading Date;

3. The comparison of the Latest P/NAV multiple implied by the Consideration Unit Price (RD) of 0.98x to the trailing Latest P/NAV multiples of the ESR-REIT Units indicates that the Latest P/NAV multiple of 0.98x implied by the Consideration Unit Price (RD) is:
  - (i) within the range of the trailing Latest P/NAV multiples of the ESR-REIT Units of 0.56x to 1.29x over the 6-month period up to and including the Last Undisturbed Trading Date and in line with the mean and median of 0.97x and 0.93x, respectively;
  - (ii) within the range of the trailing Latest P/NAV multiples of the ESR-REIT Units of 0.56x to 1.29x over the 12-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 1.07x and 1.16x, respectively; and
  - (iii) within the range of the trailing Latest P/NAV multiples of the ESR-REIT Units of 0.56x to 1.76x over the 36-month period up to and including the Last Undisturbed Trading Date and is in line with the mean and median of 1.06x and 0.98x, respectively;
  
4. The comparison of the LTM DY of the ESR-REIT Units implied by the Consideration Unit Price (RD) of 7.6% to the trailing LTM DYs of the ESR-REIT Units indicates that the LTM DY of 7.6% implied by the Consideration Unit Price (RD) is:
  - (i) within the range of the trailing LTM DYs of the ESR-REIT Units of 6.3% to 14.7% over the 6-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 8.6% and 8.3%, respectively;
  - (ii) within the range of the trailing LTM DYs of the ESR-REIT Units of 6.3% to 14.7% over the 12-month period up to and including the Last Undisturbed Trading Date and is within the mean and median of 7.7% and 6.9%, respectively; and
  - (iii) within the range of the trailing LTM DYs of the ESR-REIT Units of 6.3% to 14.7% over the 36-month period up to and including the Last Undisturbed Trading Date and above the mean and median of 7.2% and 7.0%, respectively;
  
5. The comparison of the LTM Implied NPI Yield of the ESR-REIT Units implied by the Consideration Unit Price (RD) of 5.7% to the trailing LTM Implied NPI Yields of the ESR-REIT Units indicates that the LTM Implied NPI Yield of 5.7% implied by the Consideration Unit Price (RD) is:
  - (i) within the range of the trailing LTM Implied NPI Yields of the ESR-REIT Units of 5.3% to 7.7% over the 6-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 6.2% and 6.3%, respectively;
  - (ii) within the range of the trailing LTM Implied NPI Yields of the ESR-REIT Units of 4.6% to 7.7% over the 12-month period up to and including the Last Undisturbed Trading Date and in line with the mean and median of 5.6% and 5.3%, respectively; and
  - (iii) within the range of the trailing LTM Implied NPI Yields of the ESR-REIT Units of 3.5% to 7.7% over the 36-month period up to and including the Last Undisturbed Trading Date and above with the mean and median of 5.2% and 5.3%, respectively;

6. The comparison of valuation multiples implied by the Consideration Unit Price (RD) to those of the Selected Comparable Industrial S-REITs indicates that:
  - (i) the Latest P/NAV multiple implied by the Consideration Unit Price (RD) of 0.98x is within the range of the Latest P/NAV multiples of the Mid-Cap Comparable Industrial S-REITs of 0.78x to 0.99x and above the mean and median of 0.87x and 0.85x, respectively;
  - (ii) the LTM DY implied by the Consideration Unit Price (RD) of 7.6% is within the range of the LTM DYs of the Mid-Cap Comparable Industrial S-REITs of 7.2% and 8.5% and within the mean and median of 7.7% and 7.3%, respectively; and
  - (iii) the LTM Implied NPI Yield implied by the Consideration Unit Price (RD) of 5.7% is below the range of the LTM Implied NPI Yields of the Mid-Cap Comparable Industrial S-REITs of 6.4% and 8.0% and below the mean and median of 6.9% and 6.5%, respectively;
  
7. The comparison of premium / (discount) of the ESR-REIT Units as implied by the Consideration Unit Price (RD) to the equivalent premia / (discount) offered in the Precedent Transactions indicates that:
  - (i) the premium of 2.8% implied by the Consideration Unit Price (RD) over the closing price of the ESR-REIT Units on the Last Undisturbed Trading Date is above the range of the equivalent premia / (discount) offered in the Precedent Transactions of (4.4%) and 0.0% and above the mean and median of (1.0%) and 0.0%, respectively;
  - (ii) the premium of 13.4% implied by the Consideration Unit Price (RD) over the 6-month VWAP of the ESR-REIT Units up to and including the Last Undisturbed Trading Date is above the range of the equivalent premia / (discount) offered in the Precedent Transactions of (4.4%) and 8.9% and above the mean and median of 3.1% and 1.8%, respectively; and
  - (iii) the premium of 4.4% implied by the Consideration Unit Price (RD) over the 12-month VWAP of the ESR-REIT Units up to and including the Last Undisturbed Trading Date is within the range of the equivalent premia / (discount) offered in the Precedent Transactions of (5.6%) and 12.8% and below the mean and median of 4.8% and 5.8%, respectively;

In the evaluation of the Scheme Consideration (RD):

1. Liquidity analysis of the Sabana REIT Units and the Top 30 STI Companies indicate that there is reasonable liquidity in the Sabana Units and that the market prices of the Sabana Units should generally reflect the fundamental, market-based value of the Sabana REIT Units;
  
2. The historical market performance and trading activity of the Sabana Units indicate that:
  - (i) the Scheme Consideration (RD) of S\$0.377 represents a premium of 4.7% to the closing price of the Sabana Units on the Last Undisturbed Trading Date;
  
  - (ii) the Scheme Consideration (RD) of S\$0.377 represents a premium of 6.1%, 11.2%, 13.5% and 3.4% to the 1-month, 3-month, 6-month and 12-month VWAPs of the Sabana Units up to and including the Last Undisturbed Trading Date, respectively; and

- (iii) the average daily trading volume of the Sabana Units as a percentage of the free float ranged between 0.20% and 0.28%, in the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Undisturbed Trading Date;
3. The comparison of the Latest P/NAV multiple implied by the Scheme Consideration (RD) of 0.74x to the trailing Latest P/NAV multiples of the Sabana Units indicates that the Latest P/NAV multiple of 0.74x implied by the Scheme Consideration (RD) is:
- (i) within the range of the trailing Latest P/NAV multiples of the Sabana Units of 0.42x to 0.83x over the 6-month period up to and including the Last Undisturbed Trading Date and is above the mean and median of 0.66x and 0.65x, respectively;
  - (ii) within the range of the trailing Latest P/NAV multiples of the Sabana REIT Units of 0.42x to 0.84x over the 12-month period up to and including the Last Undisturbed Trading Date and within the mean and median of 0.73x and 0.80x, respectively; and
  - (iii) within the range of the trailing Latest P/NAV multiples of the Sabana REIT Units of 0.42x to 0.86x over the 36-month period up to and including the Last Undisturbed Trading Date and is in line with the mean and median of 0.76x and 0.78x, respectively;
4. The comparison of the LTM DY of the Sabana Units implied by the Scheme Consideration (RD) of 6.9% to the trailing LTM DYs of the Sabana Units indicates that the LTM DY of 6.9% implied by the Scheme Consideration (RD) is:
- (i) within the range of the trailing LTM DYs of the Sabana Units of 6.0% to 11.9% over the 6-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 7.8% and 7.7%, respectively;
  - (ii) within the range of the trailing LTM DYs of the Sabana Units of 5.8% to 11.9% over the 12-month period up to and including the Last Undisturbed Trading Date and within the mean and median of 6.9% and 6.1%, respectively; and
  - (iii) within the range of the trailing LTM DYs of the Sabana Units of 5.8% to 11.9% over the 36-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 7.4% and 7.6%, respectively;
5. The comparison of the LTM Implied NPI Yield of the Sabana Units implied by the Scheme Consideration (RD) of 6.3% to the trailing LTM Implied NPI Yields of the Sabana Units indicates that the LTM Implied NPI Yield of 6.3% implied by the Scheme Consideration (RD) is:
- (i) within the range of the trailing LTM Implied NPI Yields of the Sabana Units of 6.1% to 8.6% over the 6-month period up to and including the Last Undisturbed Trading Date and below the mean and median of 7.0%;
  - (ii) within the range of the trailing LTM Implied NPI Yields of the Sabana Units of 6.1% to 8.6% over the 12-month period up to and including the Last Undisturbed Trading Date and within the mean and median of 6.6% and 6.2%, respectively; and

- (iii) within the range of the trailing LTM Implied NPI Yields of the Sabana Units of 6.0% to 8.6% over the 36-month period up to and including the Last Undisturbed Trading Date and is in line with the mean and median of 6.6%;
6. The comparison of valuation multiples implied by the Scheme Consideration (RD) to those of the Selected Comparable Industrial S-REITs indicates that:
- (i) the Latest P/NAV multiple implied by the Scheme Consideration (RD) of 0.74x is below the range of the Latest P/NAV multiples of the Mid-Cap Comparable Industrial S-REITs of 0.78x to 0.99x and is below the mean and median of 0.87x and 0.85x, respectively;
  - (ii) the LTM DY implied by the Scheme Consideration (RD) of 6.9% is below the range of the LTM DYs of the Mid-Cap Comparable Industrial S-REITs of 7.2% and 8.5% and is below the mean and median of 7.7% and 7.3%, respectively; and
  - (iii) the LTM Implied NPI Yield implied by the Scheme Consideration (RD) of 6.3% is below with the range of the LTM Implied NPI Yields of the Mid-Cap Comparable Industrial S-REITs of 6.4% and 8.0% and is below with the mean and median of 6.9% and 6.5%, respectively;
7. The comparison of premium / (discount) of the Sabana Units as implied by the Scheme Consideration (RD) to the equivalent premia / (discount) offered in the Precedent Transactions indicates that:
- (i) the discount of 26.4% implied by the Scheme Consideration (RD) over the prevailing Sabana P/NAV as at the Last Undisturbed Trading Date is below the range of the premia implied by the Precedent Transactions of (0.4%) and 26.4% and is below the mean and median of 10.5% and 7.0%, respectively;
  - (ii) the premium of 13.5% implied by the Scheme Consideration (RD) over the 6-month VWAP of the Sabana Units up to and including the Last Undisturbed Trading Date is within the range of the equivalent premia / (discount) offered in the Precedent Transactions of 1.5% and 24.2% and is above the mean and median of 7.8% and 3.6%, respectively; and
  - (iii) the premium of 3.4% implied by the Scheme Consideration (RD) over the 12-month VWAP of the Sabana Units up to and including the Last Undisturbed Trading Date is within the range of the equivalent premia / (discount) offered in the Precedent Transactions of 0.4% and 31.9% and is below the mean and median of 11.5% and 8.2%, respectively;
8. The comparison of the premium / (discount) implied by the Scheme Consideration (RD) to that implied by the Selected Precedent Privatisation Transactions indicates that the premia implied by the Scheme Consideration (RD) in connection with the Merger to the VWAPs over the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Undisturbed Trading Date are within the range and below the mean and median of the Selected Precedent Privatisation Transactions;

9. The comparison of the independent valuations of Sabana portfolio indicates that the ESR-REIT Independent Valuer (Sabana Portfolio) Valuation is 0.88% lower than the Sabana REIT Independent Valuation;

In the evaluation of the Exchange Ratio:

1. The comparison of the Exchange Ratio to the exchange ratio as implied by the closing prices of the ESR-REIT Units and Sabana Units indicates that:
  - (i) The Exchange Ratio of 0.940x represents a premia / (discount) of 1.8%, 3.5%, 0.4%, 0.2% and (1.1%) over the implied exchange ratio between the ESR-REIT Units and the Sabana Units of 0.923x, 0.908x, 0.936x, 0.938x, and 0.951x as at the Last Undisturbed Trading Date, and for the 1-month, 3-month, 6-month, and 12-month periods prior to the Last Undisturbed Trading Date respectively; and

Other relevant considerations which have a significant bearing on our assessment, in relation to:

1. The Merger being an interested person transaction and interested party transaction.

Tables 19 and 20 below summarise the abovementioned key financial analyses performed.

**Table 19. Summary analysis of the Consideration Unit Price (RD)**

Metric	Min <sup>(1)</sup>	Max <sup>(1)</sup>	Mean <sup>(1)</sup>	Median <sup>(1)</sup>	Merger as at RD <sup>(2)</sup>	Min-Max Range <sup>(3),(4)</sup>	Mean - Median Range <sup>(3),(4)</sup>
<b>Summary Analysis of the Consideration Unit Price (RD)</b>							
<b>Historical trading range of the ESR-REIT Units</b>							
Closing price (S\$) - 6-month period up to the LUTD	0.24	0.56	0.41	0.39	0.401	Within	Within
Closing price (S\$) - 12-month period up to the LUTD	0.24	0.56	0.47	0.53	0.401	Within	Below
Closing price (S\$) - 3-year period up to the LUTD	0.24	0.59	0.51	0.53	0.401	Within	Below
<b>Trailing P/NAV multiples</b>							
As at the LUTD	0.95x	0.95x	0.95x	0.95x	0.98x	In line	In line
6-month period up to the LUTD	0.56x	1.29x	0.97x	0.93x	0.98x	Within	In line
12-month period up to the LUTD	0.56x	1.29x	1.07x	1.16x	0.98x	Within	Below
36-month period up to the LUTD	0.56x	1.76x	1.06x	0.98x	0.98x	Within	In line
<b>Trailing Distribution Yields</b>							
As at the LUTD	7.8%	7.8%	7.8%	7.8%	7.6%	In line	In line
6-month period up to the LUTD	6.3%	14.7%	8.6%	8.3%	7.6%	Within	Below
12-month period up to the LUTD	6.3%	14.7%	7.7%	6.9%	7.6%	Within	Within
36-month period up to the LUTD	6.3%	14.7%	7.2%	7.0%	7.6%	Within	Above
<b>Trailing Implied NPI Yields<sup>(5)</sup></b>							
As at the LUTD	5.7%	5.7%	5.7%	5.7%	5.7%	In line	In line
6-month period up to the LUTD	5.3%	7.7%	6.2%	6.3%	5.7%	Within	Below
12-month period up to the LUTD	4.6%	7.7%	5.6%	5.3%	5.7%	Within	In line
36-month period up to the LUTD	3.5%	7.7%	5.2%	5.3%	5.7%	Within	Above
<b>Trading Multiples of Selected Comparable Industrial S-REITs</b>							
<b>Mid-Cap Comparable Industrial S-REITs</b>							
Latest P/NAV Multiples	0.78x	0.99x	0.87x	0.85x	0.98x	Within	Above
LTM Distribution Yield	7.2%	8.5%	7.7%	7.3%	7.6%	Within	Within
LTM Implied NPI Yield <sup>(5)</sup>	6.4%	8.0%	6.9%	6.5%	5.7%	Below	Below
<b>Precedent Transactions of Selected S-REIT Mergers</b>							
Premium / (discount) to Closing price as at last trading date	(4.4%)	0.0%	(1.0%)	0.0%	2.8%	Above	Above
Premium / (discount) over 6-month VWAP	(4.4%)	8.9%	3.1%	1.8%	13.4%	Above	Above
Premium / (discount) over 12-month VWAP	(5.6%)	12.8%	4.8%	5.8%	4.4%	Within	Below

**Sources:** FactSet, Bloomberg, relevant SGX-ST filings and the respective companies' announcements, circulars and offer documents

- (1) Minimum, maximum, mean and median of the respective benchmarks
- (2) Implied by the Merger as at the Reference Date (9 July 2020)
- (3) Parameters implied by the Merger relative to the minimum and maximum, and mean and median range of the respective benchmarks
- (4) A metric is classified as "In line" when the parameters implied by the Merger are within a 5% range of the average of the minimum and maximum or the mean and median, as applicable, of the respective benchmarks
- (5) The LTM Implied NPI Yield is calculated by dividing the net property income over the prior 12 months by the enterprise value implied by the Consideration Unit Price (RD) (please refer to Table 4 in this Letter for more details)

**Table 20. Summary analysis of the Scheme Consideration (RD)**

Metric	Min <sup>(1)</sup>	Max <sup>(1)</sup>	Mean <sup>(1)</sup>	Median <sup>(1)</sup>	Merger as at RD <sup>(2)</sup>	Min-Max Range <sup>(3),(4)</sup>	Mean - Median Range <sup>(3),(4)</sup>
<b>Summary Analysis of the Scheme Consideration (RD)</b>							
<b>Historical trading range of the Sabana Units</b>							
Closing price (S\$) - 6-month period up to the LUTD	0.24	0.47	0.37	0.36	0.377	Within	In line
Closing price (S\$) - 12-month period up to the LUTD	0.24	0.48	0.41	0.45	0.377	Within	Below
Closing price (S\$) - 3-year period up to the LUTD	0.24	0.49	0.42	0.43	0.377	Within	Below
<b>Trailing P/NAV multiples</b>							
As at the LUTD	0.70x	0.70x	0.70x	0.70x	0.74x	In line	In line
6-month period up to the LUTD	0.42x	0.83x	0.66x	0.65x	0.74x	Within	Above
12-month period up to the LUTD	0.42x	0.84x	0.73x	0.80x	0.74x	Within	Within
36-month period up to the LUTD	0.42x	0.86x	0.76x	0.78x	0.74x	Within	In line
<b>Trailing Distribution Yields</b>							
As at the LUTD	7.2%	7.2%	7.2%	7.2%	6.9%	In line	In line
6-month period up to the LUTD	6.0%	11.9%	7.8%	7.7%	6.9%	Within	Below
12-month period up to the LUTD	5.8%	11.9%	6.9%	6.1%	6.9%	Within	Within
36-month period up to the LUTD	5.8%	11.9%	7.4%	7.6%	6.9%	Within	Below
<b>Trailing Implied NPI Yields<sup>(5)</sup></b>							
As at the LUTD	6.5%	6.5%	6.5%	6.5%	6.3%	In line	In line
6-month period up to the LUTD	6.1%	8.6%	7.0%	7.0%	6.3%	Within	Below
12-month period up to the LUTD	6.1%	8.6%	6.6%	6.2%	6.3%	Within	Within
36-month period up to the LUTD	6.0%	8.6%	6.6%	6.6%	6.3%	Within	In line
<b>Trading Multiples of Selected Comparable Industrial S-REITs</b>							
<b>Mid-Cap Comparable Industrial S-REITs</b>							
Latest P/NAV Multiples	0.78x	0.99x	0.87x	0.85x	0.74x	Below	Below
LTM Distribution Yield	7.2%	8.5%	7.7%	7.3%	6.9%	Below	Below
LTM Implied NPI Yield <sup>(5)</sup>	6.4%	8.0%	6.9%	6.5%	6.3%	Below	Below
<b>Precedent Transactions of Selected S-REIT Mergers</b>							
Premium / (discount) to NAV	(0.4%)	26.4%	10.5%	7.0%	(26.4%)	Below	Below
Premium / (discount) over 6-month VWAP	1.5%	24.2%	7.8%	3.6%	13.5%	Within	Above
Premium / (discount) over 12-month VWAP	0.4%	31.9%	11.5%	8.2%	3.4%	Within	Below
<b>Precedent Takeovers Premia</b>							
<b>General Singapore Takeovers</b>							
Premium / (discount) to Closing price as at last trading date	(1.5%)	88.1%	22.8%	19.8%	4.7%	Within	Below
Premium / (discount) over 1-month VWAP	(0.9%)	105.2%	28.6%	24.6%	6.1%	Within	Below
Premium / (discount) over 3-month VWAP	(3.0%)	124.2%	31.4%	25.8%	11.2%	Within	Below
Premium / (discount) over 6-month VWAP	(7.1%)	139.8%	33.2%	27.0%	13.5%	Within	Below

**Sources:** FactSet, Bloomberg, relevant SGX-ST filings and the respective companies' announcements, circulars and offer documents

- (1) Minimum, maximum, mean and median of the respective benchmarks
- (2) Implied by the Merger as at the Reference Date (9 July 2020)
- (3) Parameters implied by the Merger relative to the minimum and maximum, and mean and median range of the respective benchmarks
- (4) A metric is classified as "In line" when the parameters implied by the Merger are within a 5% range of the average of the minimum and maximum or the mean and median, as applicable, of the respective benchmarks
- (5) The LTM Implied NPI Yield is calculated by dividing the net property income over the prior 12 months by the enterprise value implied by the Scheme Consideration (RD) (please refer to Table 4 in this Letter for more details)



After carefully considering the above, and subject to the assumptions and qualifications set out herein and taking into account the prevailing conditions as at the Latest Practicable Date, we are of the opinion that:

**The Merger is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders.**

Accordingly, we advise that the ARCC and the ESR-REIT Recommending Directors recommend that the ESR-REIT Unitholders vote in favour of the Merger.

The ARCC, the ESR-REIT Recommending Directors and the ESR-REIT Trustee should note that we have arrived at these conclusions based on information made available to us prior to and including the Latest Practicable Date. ESR-REIT Unitholders should also note that our opinion on the Merger cannot and does not take into account the future trading activity or patterns or price levels that may be established for the ESR-REIT Units and the Sabana Units as these are governed by factors beyond the scope of our review and would not fall within our terms of reference in connection with the Merger. ESR-REIT Unitholders should not rely on our opinion as the sole basis for deciding whether or not to vote in favour of the Merger.

**In rendering our Opinion, we are not providing any investment advice and we have not had regard to any general or specific investment objectives, financial situations, risk profiles, tax positions or particular needs or constraints of any specific unitholder and we neither assume any responsibility for, nor hold ourselves out as advisers to any person other than the ARCC, the ESR-REIT Recommending Directors and the ESR-REIT Trustee.**

**Our Opinion takes into consideration, *inter alia*, factors including the financial terms for the Merger, publicly available information of ESR-REIT and Sabana REIT, comparable industrial S-REITs and precedent comparable transactions, independent valuation reports of Sabana REIT properties, the rationale for the Merger and other relevant factors but does not incorporate any assessment of commercial, legal, tax, regulatory or other matters. Our Opinion also does not incorporate an assessment of the price at which the Units may trade following the success or failure of the Merger. Such factors are beyond the ambit of our review and do not fall within our terms of reference in connection with the Merger.**

Yours faithfully,

For and on behalf of  
**Rothschild & Co Singapore Limited**



Rohit Elhence  
Managing Director, Head of Southeast Asia

## APPENDIX B

### SCHEME CONDITIONS

The table below sets out the Scheme Conditions and the status of each Scheme Condition. All capitalised terms used in this **Appendix B** shall have the same meanings given to them in the Implementation Agreement or as defined in this Circular.

No.	Condition	Status
(i)	<b><u>Amendment of Sabana Trust Deed</u></b> : the approval of the Sabana Unitholders holding in aggregate 75.0% or more of the total number of votes cast for and against the resolution at the extraordinary general meeting for the amendment of the Sabana Trust Deed to include provisions that will facilitate the implementation of the Scheme, in such form and substance as agreed in writing by the Parties;	To be sought at the extraordinary general meeting of the Sabana Unitholders
(ii)	<b><u>Sabana Unitholders' Approval for the Scheme</u></b> : the approval of a majority in number of the Sabana Unitholders representing at least three-fourths (75%) in value of the Sabana Units held by the Sabana Unitholders present and voting either in person or by proxy at the Scheme Meeting to approve the Scheme;	To be sought at the Scheme Meeting
(iii)	<b><u>Court Approval for the Scheme</u></b> : the Scheme Court Order being obtained;	Scheme Court Order is targeted to be obtained on or about 21 December 2020
(iv)	<b><u>Regulatory Approvals</u></b> : all the Regulatory Approvals having been obtained or granted and remaining in full force and effect from the date such Regulatory Approvals are obtained or granted up to the Record Date, including without limitation, the following:	
	(1) confirmation from the SIC that: <ul style="list-style-type: none"> <li>(A) Rules 14, 15, 16, 17, 20.1, 21, 22, 28, 29 and 33.2 and Note 1(b) on Rule 19 of the Code shall not apply to the Scheme, subject to any conditions the SIC may deem fit to impose;</li> <li>(B) it has no objections to the Scheme Conditions; and</li> <li>(C) it has no objections to the Switch Option;</li> </ul>	Rulings obtained
	(2) approval-in-principle from the SGX-ST for the Scheme, the Scheme Document and for the proposed delisting of Sabana REIT from the SGX-ST;	Satisfied, save for the proposed delisting of Sabana REIT. An application will be made to seek approval from the SGX-ST to delist and

No.	Condition	Status
		remove Sabana REIT from the Official List of the SGX-ST upon the Scheme becoming effective in accordance with its terms.
(3)	approval-in-principle from the SGX-ST for this Circular, and the listing and quotation for the Consideration Units on the Main Board of the SGX-ST;	Satisfied
(4)	a waiver from the SGX-ST to comply with Rule 1309(1) of the Listing Manual, which requires a cash alternative to be offered as a default alternative for a delisting of Sabana REIT;	Satisfied
(5)	approval of JTC under the Head Leases in respect of relevant Sabana Real Properties to the Merger (including, if applicable, the final written confirmation by JTC that it has no objection to the Parties proceeding with completion of the Scheme);	Targeted to be obtained on or about 21 December 2020
(6)	<p>there being no objections from the MAS:</p> <p>(A) to the withdrawal of the authorisation of Sabana REIT as an authorised collective investment scheme in the event the Merger is implemented and Sabana REIT is delisted from the Main Board of the SGX-ST; and</p> <p>(B) to grant an exemption to Sabana REIT from the requirements set out in Section 295(2) of the SFA in the event the authorisation of Sabana REIT as an authorised collective investment scheme is withdrawn;</p>	Satisfied
(7)	an exemption granted by the MAS to the ESR-REIT Manager from the requirements set out in Subdivision (3) of Division 2 (Collective Investment Schemes) of Part XIII (Offers of Investments) of the SFA, which relates to prospectus requirements, for the purposes of the Scheme; and	Satisfied
(8)	confirmation from the Inland Revenue Authority of Singapore that stamp duty is not chargeable on the transfer of Sabana Units held by the Sabana Unitholders to the ESR-REIT Trustee (as trustee of ESR-REIT) and a tax ruling from the Inland Revenue Authority of	Satisfied

No.	Condition	Status
	Singapore that Sabana REIT will be an approved sub-trust and enjoy tax transparency;	
(v)	<p><b><u>ESR-REIT Unitholders' Approvals for the Merger:</u></b> the approval of the ESR-REIT Unitholders for:</p> <p>(1) the Merger;</p> <p>(2) the issue of Consideration Units in consideration for the Merger; and</p> <p>(3) such other resolutions as may be necessary to give effect to and implement the Merger and the Scheme;</p>	To be sought at the EGM
(vi)	<p><b><u>No Legal or Regulatory Restraint:</u></b> between the date of the Implementation Agreement and up to the Record Date, no issuance of any order, injunction, judgment, decree or ruling issued by any Governmental Authority or by any court of competent jurisdiction preventing the Merger or the implementation of the Scheme, being in effect as at the Record Date;</p>	To be determined on the Record Date
(vii)	<p><b><u>No Prescribed Occurrence:</u></b> between the date of the Implementation Agreement and up to the Record Date, no occurrence prescribed under the Implementation Agreement in relation to the Sabana Group and/or the ESR-REIT Group (as the case may be) occurs other than as required or contemplated by the Implementation Agreement, the Scheme or the Merger;</p>	To be determined on the Record Date
(viii)	<p><b><u>Sabana Representations and Warranties:</u></b> there being no breach of the Sabana Warranties which is material in the context of the Scheme as at the date of the Implementation Agreement and as at the Record Date as though made on and as at that date except to the extent any such Sabana Warranty expressly relates to an earlier date (in which case as at such earlier date);</p>	To be determined on the Record Date
(ix)	<p><b><u>ESR-REIT Representations and Warranties:</u></b> there being no breach of the ESR-REIT Warranties which is material in the context of the Scheme as at the date of the Implementation Agreement and as at the Record Date as though made on and as at that date except to the extent any such ESR-REIT Warranty expressly relates to an earlier date (in which case as at such earlier date); and</p>	To be determined on the Record Date
(x)	<p><b><u>Material Adverse Effect:</u></b> there being no event or events, whether individually or in aggregate, occurring from the date of the Joint Announcement which has or have the effect of causing a diminution:</p>	To be determined on the Record Date

No.	Condition	Status
	<p>(1) in relation to the Sabana Group:</p> <p>(A) in the consolidated net asset value of the Sabana Group by more than S\$53,912,600, being 10 per cent. of the consolidated net asset value of the Sabana Group of S\$539,126,000 as at 30 June 2020 as stated in the Sabana 1H2020 Financial Statements, as determined by reference to the later of (1) the latest publicly released unaudited consolidated financial statement of Sabana REIT prior to the Record Date, and (2) the unaudited consolidated management balance sheet (prepared using the same accounting policies and methods of computation with those applied in the Sabana Financial Statements) as at the calendar month-end falling at least 28 calendar days prior to the Record Date or the Long-Stop Date, whichever is the earlier; or</p> <p>(B) in the consolidated gross revenue (excluding straight line rent adjustments) of the Sabana Group by more than S\$3,401,400, being 10 per cent. of the consolidated gross revenue (excluding straight line rent adjustments) of the Sabana Group of S\$34,014,000<sup>40</sup> for the six-month period ended 30 June 2020 as stated in the Sabana 1H2020 Financial Statements, as determined by reference to the unaudited consolidated management income statement (prepared using the same accounting policies and methods of computation with those applied in the Sabana Financial Statements) for the six-month period ending on the calendar month-end falling at least 28 calendar days prior to the Record Date or the Long-Stop Date, whichever is the earlier, (in each case, a "<b>Sabana Material Adverse Effect</b>"); and</p> <p>(2) in relation to the ESR-REIT Group:</p> <p>(A) in the consolidated net asset value of the ESR-REIT Group by more than S\$144,872,100, being 10 per cent. of the consolidated net asset value of the ESR-REIT Group of S\$1,448,721,000 as at 30 June 2020 as stated in the ESR-REIT 1H2020 Financial Statements, as determined by reference to the later of (1) the latest publicly released unaudited</p>	

<sup>40</sup> This number is derived from the "Gross Revenue" of S\$34,263,000 set out in the Sabana 1H2020 Financial Statements and adjusted for straight line rent adjustments of S\$249,000.

No.	Condition	Status
	<p>consolidated financial statement of ESR-REIT prior to the Record Date, and (2) the unaudited consolidated management balance sheet (prepared using the same accounting policies and methods of computation with those applied in the ESR-REIT Financial Statements) as at the calendar month-end falling at least 28 calendar days prior to the Record Date or the Long-Stop Date, whichever is the earlier; or</p> <p>(B) in the consolidated gross revenue (excluding straight line rent adjustments) of the ESR-REIT Group by more than S\$11,356,400, being 10 per cent. of the consolidated gross revenue (excluding straight line rent adjustments) of the ESR-REIT Group of S\$113,564,000<sup>41</sup> for the six-month period ended 30 June 2020 as stated in the ESR-REIT 1H2020 Financial Statements, as determined by reference to the unaudited consolidated management income statement (prepared using the same accounting policies and methods of computation with those applied in the ESR-REIT Financial Statements) for the six-month period ending on the calendar month-end falling at least 28 calendar days prior to the Record Date or the Long-Stop Date, whichever is the earlier,</p> <p>(in each case, an "<b>ESR-REIT Material Adverse Effect</b>").</p> <p>For the avoidance of doubt, distributions that have already been paid to the Sabana Unitholders or ESR-REIT Unitholders prior to the date of the Implementation Agreement, as well as the Sabana Permitted Distributions and ESR-REIT Permitted Distributions shall not be taken into account in determining if there has been a Sabana Material Adverse Effect or ESR-REIT Material Adverse Effect.</p>	

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<sup>41</sup> This number is derived from the "Gross Revenue" of S\$113,754,000 set out in the ESR-REIT 1H2020 Financial Statements and adjusted for straight line rent adjustments of S\$190,000.

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## APPENDIX C

### ESR-REIT INDEPENDENT VALUATION CERTIFICATES (SABANA PORTFOLIO)



#### 1.0 Executive Summary

<b>Address:</b>	151 Lorong Chuan, New Tech Park, Singapore 556741
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	45 years commencing from 26 November 2010
<b>Basis of Valuation:</b>	Market value of the property on an 'As-Is-Where-Is' basis subject to existing tenancies and occupational arrangements
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 1' with maximum permissible plot ratio 2.5
<b>Brief Description:</b>	The subject property comprises a 6-storey high-tech industrial building. We were informed that the Temporary Occupation Permit (TOP) was obtained on 27 May 1996. The subject property is currently under-going Asset Enhancement Initiative (AEI).
<b>Tenancy Profile:</b>	Multi-tenanted
<b>Site Area:</b>	39,796.9 sq m
<b>Gross Floor Area (GFA):</b>	77,330.05 sq m (832,372.93 sq ft) - as provided
<b>Net Lettable Area (NLA):</b>	55,686.97 sq m (599,409 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.00%
<b>Adopted Terminal Rate:</b>	6.25%
<b>Discount Rate:</b>	7.50%



**Valuation: S\$323,000,000/-**  
**(Singapore Dollars Three Hundred And Twenty-Three Million)**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Teo Whee Lim Carolyn  
Senior Director  
Valuation Advisory  
BSc (Est Mgt) Hons Dip (Bldg Mgt), MSISV  
(Appraiser's Licence No. AD041-2009502A)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	8 Commonwealth Lane, Singapore 149555
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 23 years commencing from 1 February 2006
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancies and occupational arrangements
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 1' with maximum permissible plot ratio 2.5
<b>Brief Description:</b>	The subject property comprises a 4-storey hi-tech industrial building with a 6-storey annex. We were informed that the Temporary Occupation Permit (TOP) was obtained in 2006 and 2011.
<b>Tenancy Profile:</b>	Multi-tenanted
<b>Site Area:</b>	6,017.6 sq m
<b>Gross Floor Area (GFA):</b>	15,033.10 sq m (161,814.79 sq ft) - as provided
<b>Net Lettable Area (NLA):</b>	12,841.91 sq m (138,229 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	<b>6.00%</b>
<b>Adopted Terminal Rate:</b>	<b>6.25%</b>
<b>Discount Rate:</b>	<b>7.50%</b>

**Valuation:** **S\$53,100,000/-**  
**(Singapore Dollars Fifty-Three Million And One Hundred  
Thousand)**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Ng Swee Koon Hazel  
Director  
Valuation Advisory  
B.Pty Econ (Hons) MSISV  
(Appraiser's Licence No. AD041-2009006G)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

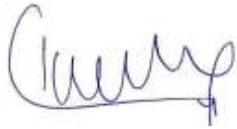
<b>Address:</b>	15 Jalan Kilang Barat, Singapore 159357
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	99 years commencing from 1 January 1962
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancies and occupational arrangements
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 1' with maximum permissible plot ratio 2.5
<b>Brief Description:</b>	The subject property comprises an 8-storey hi-tech industrial building with a multi-storey car park at Levels 2 & 3. We were informed that Temporary Occupation Permit (TOP) was obtained on 24 January 2002.
<b>Tenancy Profile:</b>	Multi-tenanted
<b>Site Area:</b>	2,337.2 sq m
<b>Gross Floor Area (GFA):</b>	6,868.15 sq m (73,928.08 sq ft) - as provided
<b>Net Lettable Area (NLA):</b>	5,602.80 sq m (60,308 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	<b>6.00%</b>
<b>Adopted Terminal Rate:</b>	<b>6.25%</b>
<b>Discount Rate:</b>	<b>7.50%</b>

**Valuation: S\$21,700,000/-**  
**(Singapore Dollars Twenty-One Million And Seven Hundred Thousand)**

This assessment is GST exclusive

**Date of Valuation: 30 June 2020**

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Ng Swee Koon Hazel  
Director  
Valuation Advisory  
B.Pty Econ (Hons) MSISV  
(Appraiser's Licence No. AD041-2009006G)

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## 1.0 Executive Summary

<b>Address:</b>	1 Tuas Avenue 4, Singapore 639382
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 21 years 4 months commencing from 1 January 1996
<b>Basis of Valuation:</b>	Market value of the property on an 'As-Is-Where-Is' basis
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019)/ Certified Interpretation Plan:</b>	Part 'Business 2'/part 'Road' with maximum permissible plot ratio 2.5
<b>Brief Description:</b>	The subject property comprises a 3-storey single user warehouse completed in 1999. Written Permission from URA was obtained for Proposed Additions/Alterations (A&A) and change of use of part of the warehouse to data centre dated 3 September 2015 (Ref: ES20150804R0181). However, we were informed that A&A were abandoned at an early stage.
<b>Tenancy Profile:</b>	Vacant
<b>Site Area:</b>	13,039.2 sq m
<b>Gross Floor Area (GFA):</b>	14,898 sq m (160,360.58 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.35%
<b>Adopted Terminal Rate:</b>	6.60%
<b>Discount Rate:</b>	7.75%

**Valuation:** **S\$8,000,000/-**  
**(Singapore Dollars Eight Million).**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Huang Weiqian Jean  
Senior Manager (Special Projects)  
Valuation Advisory  
BSc (Land Mgt) Hons MSISV  
(Appraiser's Licence No. AD041-2009748D)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	23 Serangoon North Avenue 5, Singapore 554530
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 20 years 15 days commencing from 16 September 2006
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancies and occupational arrangements
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 1' with maximum permissible plot ratio 2.5.
<b>Brief Description:</b>	The subject property comprises a 5-storey high-tech industrial building with a mezzanine level. We were informed that the Temporary Occupation Permit (TOP) was obtained on 14 March 2008.
<b>Tenancy Profile:</b>	Multi-tenanted
<b>Site Area:</b>	5,999.6 sq m
<b>Gross Floor Area (GFA):</b>	14,807.25 sq m (159,383.76 sq ft) - as provided
<b>Net Lettable Area (NLA):</b>	12,756.53 sq m (137,310 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.00%
<b>Adopted Terminal Rate:</b>	6.25%
<b>Discount Rate:</b>	7.50%



**Valuation:** **S\$35,800,000/-**  
**(Singapore Dollars Thirty-Five Million And Eight Hundred  
Thousand).**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Huang Weiqian Jean  
Senior Manager (Special Projects)  
Valuation Advisory  
BSc (Land Mgt) Hons MSISV  
(Appraiser's Licence No. AD041-2009748D)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	508 Chai Chee Lane, Singapore 469032
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 29 years commencing from 16 April 2001
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancies and occupational arrangements
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 1' with maximum permissible plot ratio 2.5
<b>Brief Description:</b>	The subject property comprises a 7-storey hi-tech industrial building with two basements. We were informed that Certificate of Statutory Completion (CSC) were obtained progressively from 2003 to 2011.
<b>Tenancy Profile:</b>	Multi-tenanted
<b>Site Area:</b>	10,562.1 sq m
<b>Gross Floor Area (GFA):</b>	29,702.78 sq m (319,717.82 sq ft) - as provided
<b>Net Lettable Area (NLA):</b>	22,301.30 (240,049 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	<b>6.00%</b>
<b>Adopted Terminal Rate:</b>	<b>6.25%</b>
<b>Discount Rate:</b>	<b>7.50%</b>

**Valuation:** **S\$63,600,000/-**  
**(Singapore Dollars Sixty-Three Million And Six Hundred  
Thousand).**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Ng Swee Koon Hazel  
Director  
Valuation Advisory  
B.Pty Econ (Hons) MSISV  
(Appraiser's Licence No. AD041-2009006G)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	33 & 35 Penjuru Lane, Singapore 609200/609202
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 31 years commencing from 16 February 1988
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancy and occupational arrangement
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 2' with maximum permissible plot ratio 2.5
<b>Brief Description:</b>	The subject property comprises three buildings, including a single-storey warehouse with mezzanine floor, a 4-storey warehouse and a part single/part 3-storey warehouse with a basement. We were informed that the Certificate of Statutory Completion (CSC) was progressively obtained from 1992 to 2009.
<b>Tenancy Profile:</b>	Leased to a single tenant
<b>Site Area:</b>	25,756.1 sq m
<b>Gross Floor Area (GFA):</b>	26,588.11 sq m (286,191.76 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.35%
<b>Adopted Terminal Rate:</b>	6.60%
<b>Discount Rate:</b>	7.75%

**Valuation:** **S\$41,800,000/-**  
**(Singapore Dollars Forty-One Million And Eight Hundred  
Thousand).**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Huang Weiqian Jean  
Senior Manager (Special Projects)  
Valuation Advisory  
BSc (Land Mgt) Hons MSISV  
(Appraiser's Licence No. AD041-2009748D)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	18 Gul Drive, Singapore 629468
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	13 years 10 months 12 days + 20 years commencing from 1 November 2004
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancy and occupational arrangement
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 2' with maximum permissible plot ratio 1.4
<b>Brief Description:</b>	The subject property comprises a part 2/part 4-storey single-user warehouse. We were informed that the Temporary Occupation Permit (TOP) was obtained on 12 November 2009.
<b>Tenancy Profile:</b>	Leased to a single tenant
<b>Site Area:</b>	8,588.8 sq m
<b>Gross Floor Area (GFA):</b>	12,344.82 sq m (132,878.41 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.75%
<b>Adopted Terminal Rate:</b>	7.00%
<b>Discount Rate:</b>	7.75%

**Valuation:** **S\$18,700,000/-**  
**(Singapore Dollars Eighteen Million And Seven Hundred  
Thousand).**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Huang Weiqian Jean  
Senior Manager (Special Projects)  
Valuation Advisory  
BSc (Land Mgt) Hons MSISV  
(Appraiser's Licence No. AD041-2009748D)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	51 Penjuru Road, Singapore 609143
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 30 years commencing from 1 January 1995
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancy and occupational arrangement
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019)/ Certified Interpretation Plan:</b>	Part 'Business 2'/part 'Road' with maximum permissible plot ratio 2.5
<b>Brief Description:</b>	The subject property comprises a part single/part 3/part 4-storey purpose-built warehouse with mezzanine floor. We were informed that the Temporary Occupation Permit (TOP) was obtained on 25 February 1999.
<b>Tenancy Profile:</b>	Leased to a single tenant. However, we were informed that the property will be multi-tenanted upon expiry of existing lease.
<b>Site Area:</b>	14,591.7 sq m
<b>Gross Floor Area (GFA):</b>	22,889.06 sq m (246,375.55 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.35%
<b>Adopted Terminal Rate:</b>	6.60%
<b>Discount Rate:</b>	7.75%



**Valuation:** **S\$32,400,000/-**  
**(Singapore Dollars Thirty-Two Million And Four Hundred  
Thousand)**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Huang Weiqian Jean  
Senior Manager (Special Projects)  
Valuation Advisory  
BSc (Land Mgt) Hons MSISV  
(Appraiser's Licence No. AD041-2009748D)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	34 Penjuru Lane, Singapore 609201
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 years commencing from 16 August 2002
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancies and occupational arrangements
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 2' with maximum permissible plot ratio 2.5
<b>Brief Description:</b>	The subject property comprises a 5-storey warehouse building with ancillary offices. We were informed that the Temporary Occupation Permit (TOP) was obtained on 12 January 2009.
<b>Tenancy Profile:</b>	Multi-tenanted
<b>Site Area:</b>	15,410.1 sq m
<b>Gross Floor Area (GFA):</b>	38,487 sq m (414,270.22 sq ft) - as provided
<b>Net Lettable Area (NLA):</b>	34,138.28 sq m (367,461 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	7.25%
<b>Discount Rate:</b>	8.00%

**Valuation:                                    S\$34,800,000/-**  
**(Singapore Dollars Thirty-Four Million And Eight**  
**Hundred Thousand).**

This assessment is GST exclusive

**Date of Valuation:**                                    30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Huang Weiqian Jean  
Senior Manager (Special Projects)  
Valuation Advisory  
BSc (Land Mgt) Hons MSISV  
(Appraiser's Licence No. AD041-2009748D)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	26 Loyang Drive, Singapore 508970
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 18 years commencing from 1 January 2006
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancy and occupational arrangement
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 2' with maximum permissible plot ratio 2.5
<b>Brief Description:</b>	The subject property comprises a single-storey warehouse with mezzanine floors. We were informed that Temporary Occupation Permit (TOP) was obtained on 6 October 2006.
<b>Tenancy Profile:</b>	Leased to a single tenant
<b>Site Area:</b>	18,157.3 sq m
<b>Gross Floor Area (GFA):</b>	13,858.03 sq m (149,166.45 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.35%
<b>Adopted Terminal Rate:</b>	6.60%
<b>Discount Rate:</b>	7.75%

**Valuation:** **S\$24,100,000/-**  
**(Singapore Dollars Twenty-Four Million And One  
Hundred Thousand)**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Ng Swee Koon Hazel  
Director  
Valuation Advisory  
B.Pty Econ (Hons) MSISV  
(Appraiser's Licence No. AD041-2009006G)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	3A Joo Koon Circle, Singapore 629033
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 30 years commencing from 1 August 1987
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancies and occupational arrangements
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 2' with maximum permissible plot ratio 1.4
<b>Brief Description:</b>	The subject property comprises a 2-storey warehouse building with mezzanine floor and a part 3/part 4-storey factory building. We were informed that Certificate of Statutory Completion (CSC) was obtained progressively from 1989 to 2008.
<b>Tenancy Profile:</b>	Multi-tenanted
<b>Site Area:</b>	14,553.2 sq m
<b>Gross Floor Area (GFA):</b>	20,243.50 sq m (217,899.01 sq ft) - as provided
<b>Net Lettable Area (NLA):</b>	19,115.51 sq m (205,757.44 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.50%
<b>Adopted Terminal Rate:</b>	6.75%
<b>Discount Rate:</b>	7.75%

**Valuation:** **S\$33,300,000/-**  
**(Singapore Dollars Thirty-Three Million And Three  
Hundred Thousand)**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Ng Swee Koon Hazel  
Director  
Valuation Advisory  
B.Pty Econ (Hons) MSISV  
(Appraiser's Licence No. AD041-2009006G)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	2 Toh Tuck Link, Singapore 596225
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 30 years commencing from 16 December 1996
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancies and occupational arrangements
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 2' with maximum permissible plot ratio 2.5
<b>Brief Description:</b>	The subject property comprises a part 4/part 6-storey warehouse building with a basement carpark. We were informed that the Temporary Occupation Permit (TOP) was obtained on 16 December 1998.
<b>Tenancy Profile:</b>	Multi-tenanted
<b>Site Area:</b>	6,732.5 sq m
<b>Gross Floor Area (GFA):</b>	16,880.95 sq m (181,704.81 sq ft) - as provided
<b>Net Lettable Area (NLA):</b>	13,159.64 sq m (141,649 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.25%
<b>Adopted Terminal Rate:</b>	6.50%
<b>Discount Rate:</b>	7.75%



**Valuation:                                    S\$29,300,000/-**  
**(Singapore Dollars Twenty-Nine Million And Three**  
**Hundred Thousand).**

This assessment is GST exclusive

**Date of Valuation:**                   30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Huang Weiqian Jean  
Senior Manager (Special Projects)  
Valuation Advisory  
BSc (Land Mgt) Hons MSISV  
(Appraiser's Licence No. AD041-2009748D)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	10 Changi South Street 2, Singapore 486596
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 27 years commencing from 1 October 1994
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancies and occupational arrangements
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 2' with maximum permissible plot ratio 2.0
<b>Brief Description:</b>	The subject property comprises a part single/part 2/part 6-storey warehouse building with ancillary offices and a 5-storey annex building. We were informed that the Temporary Occupation Permit (TOP) was obtained on 25 March 1996 and 3 October 2007. We were also informed that Additions & Alterations (A&A) was carried out and Certificate of Statutory Completion (CSC) was obtained on 28 November 2017.
<b>Tenancy Profile:</b>	Multi-tenanted
<b>Site Area:</b>	15,824.4 sq m
<b>Gross Floor Area (GFA):</b>	22,191.05 sq m (238,862.29 sq ft) - as provided
<b>Net Lettable Area (NLA):</b>	19,315.95 sq m (207,915 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.35%
<b>Adopted Terminal Rate:</b>	6.60%
<b>Discount Rate:</b>	7.75%

**Valuation:** **S\$40,300,000/-**  
**(Singapore Dollars Forty Million And Three Hundred  
Thousand).**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Huang Weiqian Jean  
Senior Manager (Special Projects)  
Valuation Advisory  
BSc (Land Mgt) Hons MSISV  
(Appraiser's Licence No. AD041-2009748D)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary


<b>Address:</b>	30 & 32 Tuas Avenue 8, Singapore 639246/639247
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 30 years commencing from 1 September 1996
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancy and occupational arrangement
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 2' with maximum permissible plot ratio 1.4
<b>Brief Description:</b>	The subject property comprises two 'E8' JTC standard factories with an adjoining 4-storey purpose-built factory with ancillary offices. We were informed that the Temporary Occupation Permit (TOP) was obtained on 21 November 1995.
<b>Tenancy Profile:</b>	Leased to a single tenant. However, we were informed that the subject property will be multi-tenanted upon expiry of existing lease.
<b>Site Area:</b>	14,598.9 sq m
<b>Gross Floor Area (GFA):</b>	14,757.27 sq m (158,845.78 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.25%
<b>Adopted Terminal Rate:</b>	6.50%
<b>Discount Rate:</b>	7.75%

**Valuation:                                 S\$23,500,000/-  
(Singapore Dollars Twenty-Three Million And Five  
Hundred Thousand)**

This assessment is GST exclusive

**Date of Valuation:**                     30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Teo Whee Lim Carolyn  
Senior Director  
Valuation Advisory  
BSc (Est Mgt) Hons Dip (Bldg Mgt), MSISV  
(Appraiser's Licence No. AD041-2009502A)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	21 Joo Koon Crescent, Singapore 629026
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 30 years commencing from 16 February 1994
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancy and occupational arrangement
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 2' with maximum permissible plot ratio 1.4
<b>Brief Description:</b>	The subject property comprises a 3-storey factory building with ancillary office. We were informed that Temporary Occupation Permit (TOP) was obtained on 18 March 1998.
<b>Tenancy Profile:</b>	Leased to a single tenant
<b>Site Area:</b>	8,992.2 sq m
<b>Gross Floor Area (GFA):</b>	9,250.83 sq m (99,575 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.35%
<b>Adopted Terminal Rate:</b>	6.60%
<b>Discount Rate:</b>	7.75%

**Valuation:** **S\$13,900,000/-**  
**(Singapore Dollars Thirteen Million And Nine Hundred  
Thousand)**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Teo Whee Lim Carolyn  
Senior Director  
Valuation Advisory  
BSc (Est Mgt) Hons Dip (Bldg Mgt), MSISV  
(Appraiser's Licence No. AD041-2009502A)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	123 Genting Lane, Singapore 349574
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	60 years lease commencing from 1 September 1981
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancies and occupational arrangements
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 1' with maximum permissible plot ratio 2.5
<b>Brief Description:</b>	The subject property comprises an 8-storey industrial building. We were informed that the Certificate of Statutory Completion (CSC) was obtained progressively from 1996 to 2007.
<b>Tenancy Profile:</b>	Multi-tenanted
<b>Site Area:</b>	6,017.4 sq m
<b>Gross Floor Area (GFA):</b>	14,763 sq m (158,907.46 sq ft) - as provided
<b>Net Lettable Area (NLA):</b>	12,424.03 sq m (133,731 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	<b>6.70%</b>
<b>Adopted Terminal Rate:</b>	<b>6.95%</b>
<b>Discount Rate:</b>	<b>7.75%</b>



**Valuation:** **S\$15,200,000/-**  
**(Singapore Dollars Fifteen Million And Two Hundred  
Thousand).**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Ng Swee Koon Hazel  
Director  
Valuation Advisory  
B.Pty Econ (Hons) MSISV  
(Appraiser's Licence No. AD041-2009006G)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## 1.0 Executive Summary

<b>Address:</b>	39 Ubi Road 1, Singapore 408695
<b>Client:</b>	RBC Investor Services Trust Singapore Limited (as trustee of ESR-REIT) ESR Funds Management (S) Limited (as Manager of ESR-REIT)
<b>Purpose of Valuation:</b>	Acquisition purposes
<b>Interest Valued:</b>	30 + 30 years commencing from 1 January 1992
<b>Basis of Valuation:</b>	Market value of the property subject to existing tenancies and occupational arrangement
<b>Registered Proprietor:</b>	HSBC Institutional Trust Services (Singapore) Limited (In Trust)
<b>Master Plan Zoning (2019):</b>	'Business 1' with maximum permissible plot ratio 2.5
<b>Brief Description:</b>	The subject property comprises an 8-storey industrial building. We were informed that the Temporary Occupation Permit (TOP) was obtained in 1995 and 2011.
<b>Tenancy Profile:</b>	Multi-tenanted
<b>Site Area:</b>	5,136.1 sq m
<b>Gross Floor Area (GFA):</b>	12,589.56 sq m (135,512.76 sq ft) - as provided
<b>Net Lettable Area (NLA):</b>	10,103.03 sq m (108,748 sq ft) - as provided
<b>Valuation Approaches:</b>	Capitalisation Approach & Discounted Cash Flow Analysis
<b>Adopted Capitalisation Rate:</b>	6.35%
<b>Adopted Terminal Rate:</b>	6.60%
<b>Discount Rate:</b>	7.75%

**Valuation:** **S\$17,000,000/-**  
**(Singapore Dollars Seventeen Million)**

This assessment is GST exclusive

**Date of Valuation:** 30 June 2020

for and on behalf of  
**EDMUND TIE & COMPANY (SEA) PTE LTD**



Poh Kwee Eng (Ms)  
Executive Director  
Regional Head, Valuation Advisory  
BSc (Est Mgt) FSISV  
(Appraiser's Licence No: AD041-2003168D)



Ng Swee Koon Hazel  
Director  
Valuation Advisory  
B.Pty Econ (Hons) MSISV  
(Appraiser's Licence No. AD041-2009006G)

**IMPORTANT NOTE: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.**

## APPENDIX D

### BASES AND ASSUMPTIONS UNDERLYING *PRO FORMA* FINANCIAL EFFECTS OF THE MERGER

#### Bases of Preparation

The unaudited *pro forma* consolidated financial effects of the Merger on the Enlarged REIT have been prepared for illustrative purposes only, and are based on certain assumptions directly attributable to the Merger after making certain adjustments, to show the *pro forma* financial effects of the Merger on:

- (a) the unaudited *pro forma* NAV, NTA and aggregate leverage of the Enlarged REIT as at 31 December 2019 as if the Merger had occurred on 31 December 2019;
- (b) the unaudited *pro forma* DPU of the Enlarged REIT for the year ended 31 December 2019 as if the Merger had occurred on 1 January 2019;
- (c) the unaudited *pro forma* NAV, NTA and aggregate leverage of the Enlarged REIT as at 30 June 2020 as if the Merger had occurred on 30 June 2020; and
- (d) the unaudited *pro forma* DPU of the Enlarged REIT for 1H2020 as if the Merger had occurred on 1 January 2019.

The unaudited *pro forma* consolidated financial effects, because of its nature, may not give a true picture of the actual financial position and financial results of the Enlarged REIT.

The unaudited *pro forma* consolidated financial effects of the Merger on the Enlarged REIT for the year ended 31 December 2019 have been prepared based on the following:

- (i) the audited consolidated financial statements of ESR-REIT for the year ended 31 December 2019, which were prepared in accordance with Singapore Financial Reporting Standards and are presented in accordance with the relevant presentation principles of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts";
- (ii) the audited consolidated financial statements of Sabana REIT for the year ended 31 December 2019, which were prepared in accordance with Singapore Financial Reporting Standards and are presented in accordance with the relevant presentation principles of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"; and
- (iii) the auditors' reports on the consolidated financial statements of ESR-REIT and Sabana REIT do not contain any qualifications.

The unaudited *pro forma* consolidated financial effects of the Merger on the Enlarged REIT for 1H2020 have been prepared based on the following:

- (A) the unaudited consolidated financial statements of ESR-REIT for 1H2020, which were prepared in accordance with Singapore Financial Reporting Standards and are presented in accordance

with the relevant presentation principles of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"; and

- (B) the unaudited consolidated financial statements of Sabana REIT for 1H2020, which were prepared in accordance with Singapore Financial Reporting Standards and are presented in accordance with the relevant presentation principles of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts".

### Assumptions

The *pro forma* financial effects of the Merger on the Enlarged REIT have been prepared on the following key assumptions:

#### For *pro forma* financial effects of the Merger for the year ended 31 December 2019

- (a) the consideration for the Merger is settled by way of approximately 989.9 million new ESR-REIT Units at the Reference Price of S\$0.401<sup>42</sup> with no cash consideration;
- (b) Sabana REIT draws down an additional S\$6.0 million of debt to finance its Merger related transaction fees prior to the Merger;
- (c) Sabana REIT's total borrowings and related interest rate swaps of approximately S\$282.9 million, which includes the additional S\$6.0 million of debt referred to in paragraph (b) above of this **Appendix D**, as at 31 December 2019, are replaced with the New Facilities at a weighted average "all-in" finance cost of 2.5% per annum;
- (d) estimated upfront land premium of approximately S\$58.6 million is paid to JTC at completion of the Merger and the Enlarged REIT does not incur any land rent expenses for the Sabana REIT portfolio for FY2019<sup>7</sup>;
- (e) acquisition fees of approximately S\$8.3 million in respect of the acquisition of Sabana REIT's assets pursuant to the Merger are paid by way of approximately 20.7 million new ESR-REIT Units<sup>43</sup> at the Reference Price of S\$0.401<sup>42</sup>;
- (f) Sabana REIT's fee structures for the asset management, property management and trustee fees are replaced with the fee structures in the ESR-REIT Trust Deed and approximately 59.3%

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<sup>42</sup> The Reference Price is determined based on the one-month volume weighted average price of the ESR-REIT Units ended on and including the last trading day one (1) week prior to the date of the Joint Announcement (as defined herein), being the 30 calendar day period from 10 June 2020 up to and including 9 July 2020. The one-month volume weighted average price calculation was agreed between the parties through commercial negotiations to be a better representation of the value of ESR-REIT Units as it takes into account both trading volume and price over a period of time. The implied Scheme Consideration of S\$0.377 per Sabana Unit is derived by multiplying the gross exchange ratio of 0.940x by the Reference Price of S\$0.401.

<sup>43</sup> Pursuant to the Merger, based on the Reference Price, approximately 20.7 million ESR-REIT Units will be allotted and issued to the ESR-REIT Manager in payment of the Acquisition Fee. For the avoidance of doubt, the actual number of ESR-REIT Units to be issued as payment for the Acquisition Fee will be determined based on the 10-day volume weighted average price of the ESR-REIT Units up to and including the last trading day immediately preceding the Effective Date.

of Sabana REIT's asset management fees are paid in units as per the proportion that ESR-REIT paid out for FY2019;

- (g) estimated professional and other fees and expenses of approximately S\$18.4 million are funded by the New Facilities at a weighted average "all-in" finance cost of 2.5% per annum; and
- (h) there is no distribution of capital gains by both ESR-REIT and Sabana REIT for FY2019.

**For pro forma financial effects of the Merger for 1H2020**

- (i) ESR-REIT does not retain distributable income of S\$7.0 million and distributes 100% of its total distributable income of S\$47.8 million for 1H2020;
- (ii) Sabana REIT does not retain distributable income of S\$6.1 million and distributes 100% of its total distributable income of S\$11.1 million for 1H2020;
- (iii) the consideration for the Merger is settled by way of approximately 989.9 million new ESR-REIT Units at the Reference Price of S\$0.401<sup>42</sup> with no cash consideration;
- (iv) Sabana REIT draws down an additional S\$6.0 million of debt to finance its Merger related transaction fees prior to the Merger;
- (v) Sabana REIT's total borrowings and related interest rate swaps of approximately S\$295.0 million, which includes the additional S\$6.0 million of debt referred to in paragraph (iv) above of this **Appendix D**, as at 30 June 2020, are replaced with the New Facilities at a weighted average "all-in" finance cost of 2.5% per annum;
- (vi) estimated upfront land premium of approximately S\$58.6 million is paid to JTC at completion of the Merger and the Enlarged REIT does not incur land rent expenses for the Sabana REIT portfolio for 1H2020<sup>7</sup>;
- (vii) acquisition fees of approximately S\$8.3 million in respect of the acquisition of Sabana REIT's assets pursuant to the Merger are paid by way of approximately 20.7 million new ESR-REIT Units<sup>43</sup> at the Reference Price of S\$0.401<sup>42</sup>;
- (viii) Sabana REIT's fee structures for the asset management, property management and trustee fees are replaced with the fee structures in the ESR-REIT Trust Deed and approximately 60.0% of Sabana REIT's asset management fees are paid in units as per the proportion that ESR-REIT paid out for 1H2020; and
- (ix) estimated professional and other fees and expenses of approximately S\$18.6 million are funded by the New Facilities at a weighted average "all-in" finance cost of 2.5% per annum.

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## APPENDIX E

### NOTICE OF EXTRAORDINARY GENERAL MEETING



### ESR-REIT

(A real estate investment trust constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of the holders of units of ESR-REIT (“**ESR-REIT Unitholders**”) will be held by way of electronic means on 4 December 2020 (Friday) at 10.00 a.m., to consider and, if thought fit, to pass, with or without any modifications, the following resolutions:

#### **RESOLUTION 1 (ORDINARY RESOLUTION):**

##### **1. THE MERGER**

That subject to and contingent upon the passing of Resolution 2 as well as the Scheme (as defined below) becoming effective in accordance with its terms:

- (a) approval be and is hereby given for the proposed merger (the “**Merger**”) of ESR-REIT and Sabana Shari’ah Compliant Industrial Real Estate Investment Trust, to be effected through the acquisition by RBC Investor Services Trust Singapore Limited, in its capacity as trustee of ESR-REIT (the “**ESR-REIT Trustee**”), of all the units of Sabana REIT held by the unitholders of Sabana REIT (the “**Sabana Unitholders**”), in exchange for units in ESR-REIT (the “**ESR-REIT Units**”) by way of a trust scheme of arrangement (the “**Scheme**”) in compliance with the Singapore Code on Take-overs and Mergers, on the terms and conditions set out in the implementation agreement (the “**Implementation Agreement**”) dated 16 July 2020 (as amended from time to time) made between Sabana Real Estate Investment Management Pte. Ltd., in its capacity as manager of Sabana REIT, HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Sabana REIT, ESR Funds Management (S) Limited, in its capacity as manager of ESR-REIT (the “**ESR-REIT Manager**”) and the ESR-REIT Trustee, as described in the circular to the ESR-REIT Unitholders dated 12 November 2020 (the “**Circular**”), and the entry into the Implementation Agreement be and is hereby approved and ratified;
- (b) approval be and is hereby given for the payment of all fees and expenses relating to the Merger; and
- (c) the ESR-REIT Manager, the ESR-REIT Trustee, and any director of the ESR-REIT Manager (a “**Director**”) or Directors be authorised and directed to do all things necessary or expedient or in the interests of ESR-REIT and the ESR-REIT Unitholders (including executing any document) as he or they may deem fit, to give effect to the Merger as contemplated in this resolution.



**RESOLUTION 2 (ORDINARY RESOLUTION):**

**2. THE PROPOSED ISSUE OF APPROXIMATELY 989.9 MILLION NEW ESR-REIT UNITS TO THE SABANA UNITHOLDERS AT THE CONSIDERATION UNIT ISSUE PRICE (AS DEFINED BELOW) AS CONSIDERATION FOR THE MERGER**

That subject to and contingent upon the passing of Resolution 1 as well as the Scheme becoming effective in accordance with its terms:

- (a) approval be and is hereby given for the issue of approximately 989.9 million new ESR-REIT Units (the “**Consideration Units**”) to the Sabana Unitholders, at the volume weighted average price of the ESR-REIT Units for the one (1) month period ending on and including the last trading day prior to the Effective Date (the “**Consideration Unit Issue Price**”), credited as fully paid and ranking *pari passu* in all respects with the other ESR-REIT Units in issue, except that such Consideration Units shall not be entitled to any distributions on any record date which falls prior to the date of their issue, as consideration for the Merger; and
- (b) the ESR-REIT Manager, the ESR-REIT Trustee and any Director or Directors be authorised and directed to do all things necessary or expedient or in the interests of ESR-REIT and the ESR-REIT Unitholders (including executing any document) as he or they may deem fit, to give effect to the matters contemplated in this resolution.

**BY ORDER OF THE BOARD**

**ESR Funds Management (S) Limited**

As Manager of ESR-REIT

(Company Registration No.: 200512804G, Capital Markets Services Licence No.: CMS 100132)

**Adrian Chui**

Chief Executive Officer and Executive Director

12 November 2020

## Notes:

- (1) In view of the elevated safe distancing measures imposed by the Singapore Government due to the current COVID-19 situation, ESR-REIT will be conducting the EGM of the ESR-REIT Unitholders only by way of electronic means in accordance with the COVID-19 (Temporary Measures) Act 2020 (as amended), the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 gazetted on 13 April 2020 (as amended) and the Joint Statement of the Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation issued on 13 April 2020 (as amended) titled "Additional Guidance on the Conduct of General Meetings During Elevated Safe Distancing Period".
- (2) ESR-REIT Unitholders should take note of the following arrangements for the EGM:
  - (a) **Live Audio-visual Webcast / Live Audio-only Stream:** The EGM will be conducted only by way of electronic means and **ESR-REIT Unitholders will not be able to physically attend the EGM**. The proceedings of the EGM will be broadcast through a live webcast comprising both video (audio-visual) and audio-only feeds. Please pre-register for the live audio-visual webcast / live audio-only stream if you wish to attend the EGM.
  - (b) **Online Pre-registration:** All ESR-REIT Unitholders as well as investors who hold units of ESR-REIT ("ESR-REIT Units") through the Central Provident Fund ("CPF") or the Supplementary Retirement Scheme ("SRS") ("CPF/SRS investors") who wish to follow the proceedings of the EGM through the live audio-visual webcast / live audio-only stream **must pre-register online at <http://www.smartagm.sg/esrreitegm2020> (the "Pre-registration Page") which is also accessible by scanning the QR code by 1 December 2020 (Tuesday), 10.00 a.m.** (being 72 hours before the time appointed for the holding of the EGM) for verification purposes. Persons who hold ESR-REIT Units through a Relevant Intermediary (as defined in the trust deed constituting ESR-REIT (as amended)) ("Relevant Intermediary Unitholders") who wish to follow the proceedings of the EGM should request their Relevant Intermediary to make arrangements to pre-register on their behalf. The Relevant Intermediary is required to submit a consolidated list of participants (setting out in respect of each participant, his/her name, email address and NRIC / passport number) to the Unit Registrar of ESR-REIT, Boardroom Corporate & Advisory Services Pte. Ltd., at [SRS.TeamE@boardroomlimited.com](mailto:SRS.TeamE@boardroomlimited.com) no later than **10:00 a.m. on 1 December 2020 (Tuesday)**. Following successful verification, a confirmation email which contains unique user credentials and instructions on how to access the live audio-visual webcast / live audio-only stream of the EGM proceedings will be sent to you before the EGM (the "Confirmation Email"). ESR-REIT Unitholders and CPF/SRS investors **who do not receive the Confirmation Email by 10.00 a.m. on 3 December 2020 (Thursday)**, but have pre-registered for the live audio-visual webcast / live audio-only stream of the EGM proceedings by the deadline of 10.00 a.m. on 1 December 2020 (Tuesday) **should contact the Unit Registrar of ESR-REIT, Boardroom Corporate & Advisory Services Pte. Ltd., at +65 6536 5355 (during office hours) or at [SRS.TeamE@boardroomlimited.com](mailto:SRS.TeamE@boardroomlimited.com) immediately.**
  - (c) **Submission of Questions:** All ESR-REIT Unitholders, CPF/SRS investors and Relevant Intermediary Unitholders will not be able to ask questions "live" via the live audio-visual webcast / live audio-only stream of the EGM proceedings. All ESR-REIT Unitholders, CPF/SRS investors and Relevant Intermediary Unitholders can and are strongly encouraged to submit questions relating to the business of the EGM up till **1 December 2020 (Tuesday), 10.00 a.m.** (being 72 hours before the time appointed for the holding of the EGM). ESR-REIT Unitholders and CPF/SRS investors may submit their questions on the Pre-registration Page or via electronic mail to [ir@esr-reit.com.sg](mailto:ir@esr-reit.com.sg) or by post addressed to Investor Relations at 138 Market Street, #26-03/04 CapitaGreen, Singapore 048946. Relevant Intermediary Unitholders may submit questions through their Relevant Intermediary, who in turn should submit a consolidated list of questions to the Unit Registrar of ESR-REIT, Boardroom Corporate & Advisory Services Pte. Ltd., at [SRS.TeamE@boardroomlimited.com](mailto:SRS.TeamE@boardroomlimited.com). When sending in your questions, for our verification purposes, please also provide us / the Relevant Intermediary with your full name, address, contact telephone number and email, and the manner in which you hold ESR-REIT Units (if you hold ESR-REIT Units directly, please provide your CDP account number; otherwise, please state if you hold your ESR-REIT Units through CPF or SRS, or are a Relevant Intermediary Unitholder). Questions must be submitted on the Pre-registration Page or must reach the email address or address specified above **not less than 72 hours** before the time appointed for the holding of the EGM. In view of the current COVID-19 situation and the related safe distancing measures which may affect postage timings and make it difficult for ESR-REIT Unitholders to submit questions by post, ESR-REIT Unitholders are strongly encouraged to submit questions electronically by the Pre-registration Page or email. The ESR-REIT Manager will endeavour to address all substantial and relevant questions either prior to or during the EGM. The ESR-REIT Manager will publish the responses to the substantial and relevant questions which the ESR-REIT Manager is unable to address during the EGM, on ESR-REIT's website at <https://merger.esr-reit.com.sg> and on SGXNET prior to the EGM.
  - (d) **Voting Solely via Appointing Chairman as Proxy (Submit a Proxy Form):** ESR-REIT Unitholders will only be able to vote at the EGM by appointing the Chairman of the EGM as proxy to vote on their behalf. Duly completed Proxy Forms must be deposited with ESR-REIT (i) via post to the office of the Unit Registrar of ESR-REIT at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, or (ii) via electronic mail to [SRS.TeamE@boardroomlimited.com](mailto:SRS.TeamE@boardroomlimited.com) (e.g. enclosing a clear scanned completed and signed Proxy Form in PDF), and must be received by ESR-REIT by **1 December 2020 (Tuesday), 10.00 a.m.** (being 72 hours before the time appointed for the holding of the EGM). Proxy Forms can be downloaded from ESR-REIT's website at <https://merger.esr-reit.com.sg> or the SGX-ST's website at <https://www.sgx.com/securities/company-announcements>. In the Proxy Form, an ESR-REIT Unitholder should specifically direct the proxy on how he/she is to vote for or vote



against (or abstain from voting on) the resolutions to be tabled at the EGM. All valid votes cast via proxy on each resolution will be counted. If no specific direction as to voting is given, the Chairman of the EGM will vote or abstain from voting at his/her discretion.

**In view of the current COVID-19 situation and the related safe distancing measures which may affect postage timings and make it difficult for ESR-REIT Unitholders to submit Proxy Forms by post, ESR-REIT Unitholders are strongly encouraged to submit completed Proxy Forms via electronic mail. Please refer to the Proxy Form for further information.**

- (e) **Voting by Relevant Intermediary Unitholders and CPF/SRS investors:** Relevant Intermediary Unitholders (including CPF/SRS investors) that wish to vote should **not** make use of the Proxy Form and should instead approach their respective Relevant Intermediary as soon as possible to specify voting instructions. CPF/SRS investors who wish to vote should approach their respective CPF Agent Banks / SRS Operators as soon as possible and at least **seven (7) working days** before the EGM (i.e. by **24 November 2020 (Tuesday)**), to ensure that their votes are submitted.

**Documents and information relating to the EGM (including this Notice of EGM, the Circular and the Proxy Form) are available on ESR-REIT's website at <https://merger.esr-reit.com.sg>, and on the SGX-ST's website at <https://www.sgx.com/securities/company-announcements>. Printed copies of the Circular will **not** be despatched to ESR-REIT Unitholders, unless otherwise requested. For ESR-REIT Unitholders' convenience, printed copies of this Notice of EGM and the Proxy Form have been despatched to ESR-REIT Unitholders. ESR-REIT Unitholders may request for printed copies of the Circular by completing and returning the request form accompanying this Notice of EGM and the Proxy Form to the ESR-REIT Manager by 26 November 2020 (Thursday).**

**In view of the rapidly evolving COVID-19 situation, ESR-REIT Unitholders should note that the manner of conduct of the EGM may be subject to further changes at short notice. ESR-REIT Unitholders are advised to check ESR-REIT's website at <https://merger.esr-reit.com.sg> and SGXNET regularly for updates. Alternatively, ESR-REIT Unitholders may sign up for ESR-REIT email alerts here ([https://esr-reit.listedcompany.com/email\\_alerts.html](https://esr-reit.listedcompany.com/email_alerts.html)) to receive the latest updates.**

**Important Notice:**

The value of units in ESR-REIT (the "ESR-REIT Units") and the income derived from them may fall as well as rise. ESR-REIT Units are not investments or deposits in, or liabilities or obligations of the ESR-REIT Manager, the ESR-REIT Trustee, or any of their respective related corporations and affiliates (individually and collectively "Affiliates").

An investment in ESR-REIT Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-REIT, the ESR-REIT Manager, the ESR-REIT Trustee nor any of their Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-REIT, any particular rate of return from investing in ESR-REIT, or any taxation consequences of an investment in ESR-REIT. Any indication of ESR-REIT performance returns is historical and cannot be relied on as an indicator of future performance.

Investors should note that they have no right to request the ESR-REIT Manager to redeem or purchase their ESR-REIT Units for so long as the ESR-REIT Units are listed on the SGX-ST. It is intended that investors may only deal in their ESR-REIT Units through trading on the SGX-ST. Listing of the ESR-REIT Units on the SGX-ST does not guarantee a liquid market for the ESR-REIT Units.

Personal Data Privacy:

By submitting an instrument appointing a proxy to attend, speak and vote at the EGM and/or any adjournment thereof, an ESR-REIT Unitholder (i) consents to the collection, use and disclosure of the ESR-REIT Unitholder's personal data by the ESR-REIT Manager and the ESR-REIT Trustee (or their agents) for the purpose of the processing and administration by the ESR-REIT Manager and the ESR-REIT Trustee (or their agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), recording and transmitting images and/or voice recordings when broadcasting the EGM proceedings through live audio-visual webcast / live audio-only stream, and in order for the ESR-REIT Manager and the ESR-REIT Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines.

## ESR-REIT

(A real estate investment trust constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

## PROXY FORM

### Extraordinary General Meeting

#### IMPORTANT:

1. For investors holding units of ESR-REIT through Relevant Intermediaries (as defined in the trust deed constituting ESR-REIT (as amended)) (including CPF/SRS investors), this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. Such investors should approach their Relevant Intermediary as soon as possible to specify voting instructions. CPF/SRS investors should approach their respective CPF Agent Banks / SRS Operators at least **seven (7) working days** before the Extraordinary General Meeting (i.e. by **24 November 2020 (Tuesday)**) to ensure that their votes are submitted.
2. The Extraordinary General Meeting will be held via electronic means.
3. **PLEASE READ THE NOTES TO THE PROXY FORM.**
4. Personal data privacy

By submitting an instrument appointing a proxy, the unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 12 November 2020.

This proxy form is available on ESR-REIT's website at <https://merger.esr-reit.com.sg>, and on the SGX-ST's website at <https://www.sgx.com/securities/company-announcements>. Printed copies of this proxy form have also been despatched to the unitholders.

I/We, \_\_\_\_\_ (Name and NRIC no./Passport no./ Company Registration no.) of \_\_\_\_\_ (Address) being a unitholder/unitholders of ESR-REIT, hereby appoint the Chairman of the Extraordinary General Meeting as my/our proxy to attend, to speak and to vote for me/us on my/our behalf at the Extraordinary General Meeting of ESR-REIT to be held on 4 December 2020 (Friday) at 10.00 a.m., and at any adjournment thereof. I/We direct my/our proxy to vote (i) for (ii) against or (iii) abstain from voting on, the resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder#. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she may on any other matter arising at the Extraordinary General Meeting.

No.	Resolutions:	For*	Against*	Abstain*
1	<b>Resolution 1 (Ordinary Resolution):</b> To approve the Merger			
2	<b>Resolution 2 (Ordinary Resolution):</b> To approve the proposed issue of approximately 989.9 million new ESR-REIT Units to the Sabana Unitholders at the Consideration Unit Issue Price as consideration for the Merger			

# You should specifically direct the proxy on how he/she is to vote for, vote against (or abstain from voting on) the resolutions.

\* If you wish to exercise all your votes "For" or "Against" or to "Abstain" from the relevant resolution, please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020

**Total number of Units held  
(Note 2)**

\_\_\_\_\_  
Signature(s) of Unitholder(s)/Common Seal

**IMPORTANT: PLEASE READ THE NOTES TO THE PROXY FORM ON THE REVERSE PAGE**

**Notes to the proxy form:**

1. A holder of units of ESR-REIT ("**Unitholder**") who wishes to vote at the Extraordinary General Meeting of ESR-REIT must appoint the Chairman of the Extraordinary General Meeting to act as his/her proxy to vote on behalf of him/her at the Extraordinary General Meeting in respect of all the units of ESR-REIT ("**Units**") held by him/her. In the Proxy Form, a Unitholder should specifically direct the proxy on how he/she is to vote for or vote against (or abstain from voting on) the resolutions. All valid votes cast via proxy on each resolution will be counted.
2. A Unitholder should insert the total number of Units held. If the Unitholder only has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she should insert that number of Units. If the Unitholder only has Units registered in his/her name in the Register of Unitholders of ESR-REIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this proxy form will be deemed to relate to all the Units held by the Unitholder in both the Depository Register and the Register of Unitholders.
3. The instrument appointing a proxy (the "**Proxy Form**") must be deposited by post to the office of the Unit Registrar of ESR-REIT at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, or by email to [SRS.TeamE@boardroomlimited.com](mailto:SRS.TeamE@boardroomlimited.com) (e.g. enclosing a clear scanned completed and signed Proxy Form in PDF) and must be received by ESR-REIT by 1 December 2020 (Tuesday), 10.00 a.m. (being 72 hours before the time appointed for the holding of the Extraordinary General Meeting). In view of the current COVID-19 situation and the related safe distancing measures which may affect postage timings and make it difficult for Unitholders to submit Proxy Forms by post, Unitholders are strongly encouraged to submit completed Proxy Forms via electronic mail.
4. The Proxy Form must be executed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
5. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must (failing previous registration with the manager of ESR-REIT (the "**Manager**")) be deposited by post to the office of the Unit Registrar of ESR-REIT at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, or by email to [SRS.TeamE@boardroomlimited.com](mailto:SRS.TeamE@boardroomlimited.com) and must be received by ESR-REIT by 1 December 2020 (Tuesday), 10.00 a.m. (being 72 hours before the time appointed for the holding of the Extraordinary General Meeting), failing which the Proxy Form may be treated as invalid. In view of the current COVID-19 situation and the related safe distancing measures which may affect postage timings and make it difficult for Unitholders to submit such documents by post, Unitholders are strongly encouraged to submit such documents via electronic mail.
6. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Extraordinary General Meeting, as certified by CDP to the Manager.
7. All Unitholders will be bound by the outcome of the Extraordinary General Meeting regardless of whether they have attended or voted at the Extraordinary General Meeting.
8. Every Unitholder shall have one vote for every Unit of which he/she is the Unitholder. A person entitled to more than one vote need not use all his/her votes or cast them the same way.

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Postage will be paid by addressee. For posting in Singapore only.

**BUSINESS REPLY SERVICE  
PERMIT NO. 08027**



**ESR Funds Management (S) Limited  
(as Manager of ESR-REIT)**  
c/o Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

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