SOILBUILD BUSINESS SPACE REIT
(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 13 December 2012 (as amended and restated))
(Manager: SB REIT Management Pte. Ltd.)
(Trustee: DBS Trustee Limited)

QUESTION AND ANSWER SESSION
AT THE SIXTH ANNUAL GENERAL MEETING
HELD ON 29 MARCH 2019

1.0 72 Loyang Way

1.1 Regarding 72 Loyang Way, unitholder A sought clarification on the purchase price, valuation, offer price and the Manager's rational for buying the asset. The CEO of the Manager, Mr Roy Teo, clarified that the asset was purchased at S$97 million and the disposal price is S$34.08 million. He explained that 72 Loyang Way was acquired in 2015, when the marine offshore and oil and gas sector was near its peak and waterfront land was very valuable. The dynamics were very different and the property yield was around 8%. The CEO elaborated that following the downturn of the industry, it was challenging to lease out the premises to a large single user due to JTC's anchor tenant ruling. In addition, the low occupancy of 29.3%, low yield of between 1-2% and the short balance land lease of 19 years are reasons for the proposed divestment. The sale proceeds could be reinvested into freehold or 99-year lease assets in Australia with yields of between 6.0% - 6.5%, which would be beneficial to Soilbuild REIT in the long run.

1.2 On the divestment proceeds of 72 Loyang Way, unitholder B asked when the proceeds would be received since the sale is subject to JTC's approval and if there is a possibility that the sale may fall through. The CEO explained that JTC has an internal process for evaluating the purchaser and the purchaser is likely to submit his business plan and intended use of the premises in the coming week. Once JTC has approved, the purchaser has three weeks to complete the transaction. The CEO commented that there is a risk the deal may fall through but the Manager has evaluated the end-user and its credibility. The potential user has spent money in good faith up to the signing of the sale and purchase agreement to ensure that the transaction can be completed.

2.0 NK Ingredients

2.1 In response to unitholder A's query on the current status of NK Ingredients ("**NKI**") and what to expect going forward, the CEO explained that in 2017, the trustee filed a writ of summons against NKI to claim repossession of the premises. In 2018, NKI indicated its intention to enter into a scheme of arrangement and had applied for a moratorium of proceedings against it. In 2019, another creditor filed an application for NKI to be placed under judicial management. The Manager has in its last announcement disclosed that the judge granted NKI a moratorium of two months, subject to NKI fulfilling its rental payment obligations to the landlord. In the event NKI fails to meet the rental obligations under the lease, the moratorium will lapse and the Manager has the option to resume the judicial management or take repossession of the premises. The Manager has been in discussion with potential end-users and has a back-up plan to redevelop the facility. If the Manager redevelops the premises, the plot ratio of the asset can be almost doubled, from 0.55 to 1.0.

2.2 Unitholder B questioned the negative outlook for NKI since it is a factory for a specific industry's use which makes re-letting difficult. Unitholder B was also concerned on the issue of the redevelopment cost and the loss of rental income. The CEO commented that redevelopment of the facility will typically take about 18 months. In terms of the value of the property, the Manager has made preliminary plans but have not called for a tender as the Manager has not taken repossession of the property. The estimated construction cost for the redevelopment would be around $60 million but the cost is justifiable given the underlying land lease tenure of 28 years. After redevelopment, there would not be dependency on a single-user as the building would likely be converted into a modern multi-tenanted warehouse with the latest specifications.

2.3 Regarding the valuation of NKI, unitholder B questioned the basis of the valuation. The CEO replied that the valuation of $54 million for NKI was performed on a vacant possession basis as the valuer would not be able to rely on the existing master lease for their valuation.

2.4 Unitholder B questioned if the Manager would be able to achieve the building's historic yield of around 8%, taking into account the construction cost and purchase price of the asset. The CEO explained that the current rental of NKI is very much in the Manager's favour and hence the high yield. Post redevelopment, the Manager would have to accept a lower yield for a brand new multi-tenanted building. A higher yield can be achieved only if the building is older and when there is higher risk involving a sale and leaseback tenant.

2.5 Unitholder C asked if it would be better to sell NKI at $54 million and reinvest the proceeds into Australia. Mr Chong Kie Cheong, the Chairman and Independent Non-Executive Director of the Manager, commented that all options are still open and the Manager would consider selling the asset if there is a potential purchaser.

3.0 Solaris

3.1 On unitholder D's query regarding the valuation gain and positive impact arising from the conversion of Solaris from a master lease to a multi-tenanted building, the CEO explained that when the Manager did the IPO back in 2013, the REIT entered into a 5-year master lease with the Sponsor for Solaris which was a new and upcoming business park in the one-north vicinity. The Manager transacted at the market rental rate then which was around $5.00psfpm. Since 2013, the market in that vicinity had a good run and the current market rental is around $5.50 - $5.60psfpm for business park space and above $6.00psfpm for white space. The market improvement resulted in an uplift in Soilbuild REIT's revenue and net property income which flowed through positively into the valuation of Solaris. The CEO highlighted that the proposed AEI works for Solaris are mainly cosmetic, involving the lobbies and toilets, and are not structural in nature.

4.0 Capital Management

4.1 Regarding the Australia acquisitions, unitholder E expressed his concern over the depreciation of the Australian dollar. Ms Lim Hui Hua, the CFO of the Manager, explained that the Manager has entered into currency forwards to hedge the distributions at least 6 months in advance, which is in accordance with its hedging policy. For the acquisition of the Australia assets, the Manager also obtained a A$50 million bank facility to partially fund the acquisition. Due to the long WALE of the two Australia assets, the loan portion was hedged but not the equity portion as the Manager views that there is a sufficiently long time horizon for the Australian dollar to recover and the REIT is able to hold the assets for a relatively long time.

4.2 Unitholder F asked if there were any translation losses for the Australia assets. The CFO explained that there is a natural hedge for the Australia dollar denominated loan but the acquisitions were also partially funded by Singapore-dollar denominated perpetual securities which were not hedged. The Manager is of the view that there is sufficient time for the Australian dollar to recover given the relatively long WALE of the Australian properties. In addition, it is costly to hedge the entire acquisition cost including the equity component.

4.3 On loan refinancing, unitholder F asked if there was a loan to be repaid in 2019 and if there was any confirmed refinancing. The CFO explained that the $40 million and $18.5 million loans originally expiring in 2019 and 2020 respectively have been refinanced in 1QFY2019. These loans now expire in 2021 and there is no loan expiring in the next two years.

4.4 Unitholder F was concerned about short term liquidity as the Manager would have to repay the interest-free loan and security deposit for Solaris to the Sponsor. The CFO explained that the Manager has included the security deposit of $19.3 million in deferred payments (which is included in the aggregate leverage computation) and there is available banking facilities amounting to $26 million as at 31 December 2018 which can be drawn down to repay the Sponsor. The CFO reassured Unitholder F that there is no cash flow problem.

4.5 Due to the change of control which resulted in redemption of notes amounting to $18.5 million, unitholder F questioned if the bondholders still have the right to call for the repayment of their bonds. The CFO explained that the remaining bondholders did not exercise their put option and thus do not have the right to do so now.

5.0 Master Lease Properties

5.1 On the master lease properties, unitholder G questioned the impact of their lease expiries on the portfolio. The CEO explained that 2 of the master leases relate to the Australia assets: 1) 14 Mort Street has a lease expiry close to 6 years and 2) Inghams Burton has a lease expiry close to 16 years. For the Singapore portfolio, 3) Beng Kuang Marine's ("**BKM**") lease will be expiring in 2020, 4) COS Printers' lease will expire in 4 years' time, 5) Speedy Tech's lease will expire in 6 years' time and Bukit Batok Connection ("**BBC**") has a remaining lease of over 4 years. For BKM, the CEO highlighted that the building is unlikely to be converted into a multi-tenanted building as the property is better for a single-user. The Manager has started negotiation with the current tenant, BKM but they have yet to commit to leasing the entire building. BKM has expressed interest in leasing a large part of the building but are unlikely to renew the lease for the entire building. The Manager is still in negotiations with BKM.

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