



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

**PROPOSED MERGER OF ESR-REIT AND
SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST
BY WAY OF A TRUST SCHEME OF ARRANGEMENT**

1. INTRODUCTION

- 1.1 **The Merger and the Scheme.** The board of directors of ESR Funds Management (S) Limited, as manager of ESR-REIT (the "**ESR-REIT Manager**") is pleased to announce the proposed merger (the "**Merger**") of ESR-REIT and Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("**Sabana REIT**"). 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 ("**Sabana Units**") held by the unitholders of Sabana REIT (the "**Sabana Unitholders**"), in exchange for units in ESR-REIT ("**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**").
- 1.2 **Joint Announcement.** For further details on the Scheme, please refer to the joint announcement released today by the ESR-REIT Manager and the Sabana Manager (as defined in paragraph 2.2 below) 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 "**Joint Announcement**"). Unless otherwise defined herein, all capitalised terms have the meaning ascribed to them in the Joint Announcement.

2. INFORMATION ON SABANA REIT AND THE SABANA MANAGER

- 2.1 **Sabana REIT.** Sabana REIT is a real estate investment trust listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") since 26 November 2010, which principally invests in a portfolio of income-producing real estate assets used for industrial purposes, as well as real-estate related assets, in line with Shari'ah investment principles. As at the date of this Announcement (the "**Announcement Date**"), Sabana REIT has a diversified portfolio of 18 industrial properties in Singapore, 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 Announcement Date, Sabana REIT has in issue an aggregate of 1,053,083,530 Sabana Units.

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

Sabana Group (as at 30 June 2020)	S\$
Total assets	927.4 million
Net asset value (" NAV ")	539.1 million
NAV per Sabana Unit	51.2 cents
Distributable income for 1H2020 ¹	11.1 million
Distribution per Sabana Unit (in cents) ¹	1.052 cents
Aggregate valuation of portfolio ²	836.9 million

2.2 **The Sabana Manager.** Sabana REIT is managed by Sabana Real Estate Investment Management Pte. Ltd. (as manager of Sabana REIT, the "**Sabana Manager**"), which was incorporated in Singapore on 15 March 2010 and currently holds a capital market services licence for real estate investment trust management pursuant to the Securities and Futures Act, Chapter 289 of Singapore.

As at the Announcement 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. ("**InfinitySub**") (the parent company of ESR Investment Management Pte. Ltd. ("**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).

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

¹ The distribution per Sabana Unit 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. The remaining S\$6.1 million has been retained by Sabana REIT for prudent cash flow management in view of the COVID-19 uncertainties.

² Please refer to paragraph 8 of this Announcement for ESR-REIT's independent valuation of Sabana REIT's properties as at 30 June 2020.

3. THE MERGER AND THE SCHEME

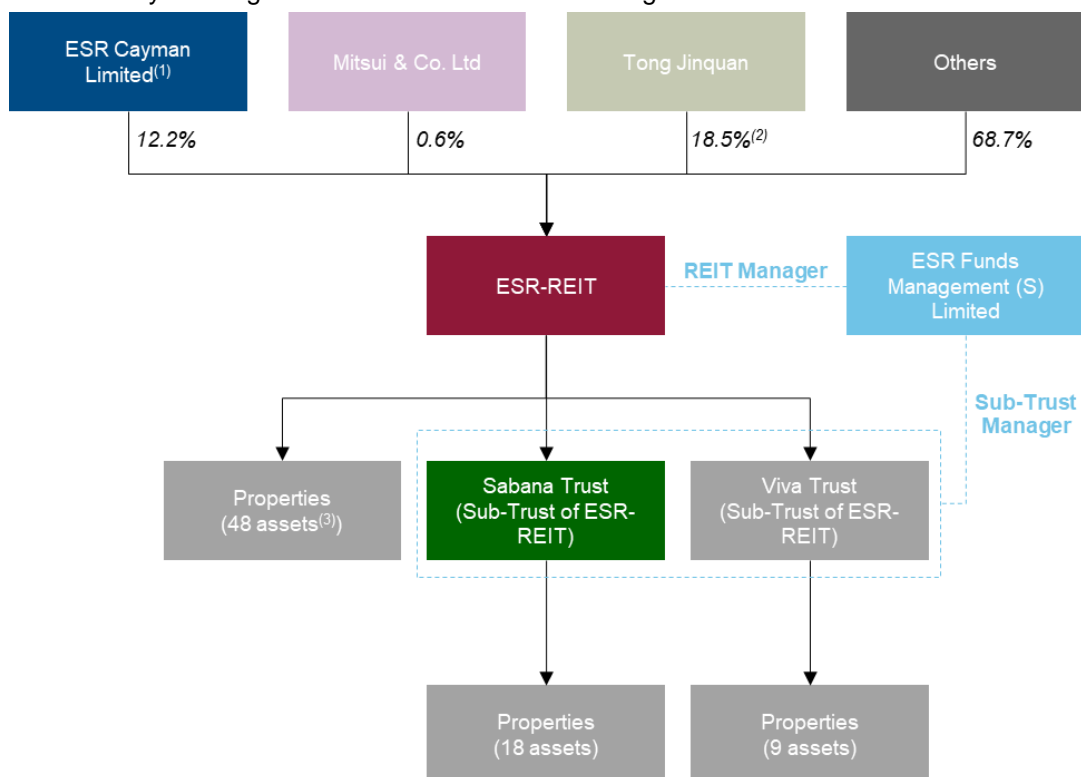
3.1 Implementation Agreement

In connection with the Merger, the ESR-REIT Manager, the ESR-REIT Trustee, the Sabana Manager and HSBC Institutional Trust Services (Singapore) Limited (as trustee of Sabana REIT) (the "**Sabana Trustee**") (each, a "**Party**" and collectively the "**Parties**") have today entered into an implementation agreement (the "**Implementation Agreement**") setting out the terms and conditions on which the Parties will implement the Scheme. The key terms of the Scheme, including the Scheme Consideration, the Scheme Conditions, the Sabana Permitted Distributions, the ESR-REIT Permitted Distributions, and the events of termination of the Scheme, are summarised in the Joint Announcement.

3.2 The Enlarged REIT Structure

Upon completion of the Merger, the Sponsor and its related corporations are expected to hold, directly and indirectly, approximately 12.2% of the total issued units³ in the enlarged ESR-REIT (the "**Enlarged REIT**").

It is currently envisaged that the structure of the Enlarged REIT⁴ will be as follows:



³ Based on the illustrative *pro forma* number of ESR-REIT Units as at 9 July 2020, including approximately 989.9 million Consideration Units (as defined below) and approximately 20.7 million ESR-REIT Units allotted and issued to the ESR-REIT Manager as Acquisition Fee (as defined below) for the Merger issued at the Reference Price (as defined below).

⁴ Illustrative *pro forma* unitholding structure based on latest available information as at 9 July 2020.

Notes:

- (1) Including direct interests and/or deemed interests through holding entities.
- (2) Excludes deemed interest held through the ESR-REIT Manager.
- (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%.

3.3 **ESR-REIT Unitholders' Approval**

The Merger requires the approval of the unitholders of ESR-REIT (the "**ESR-REIT Unitholders**") under Chapter 10 of the listing manual (the "**Listing Manual**") of the SGX-ST. Further, the Merger is 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 addition, the issue of the ESR-REIT Units as consideration for the Scheme (the "**Consideration Units**") at the Consideration Unit Issue Price (as defined below) requires approval of the ESR-REIT Unitholders by way of an Ordinary Resolution⁵.

3.4 **Scheme Consideration**

The Scheme Consideration 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): (a) the prevailing and historical relative market prices of the ESR-REIT Units and Sabana Units; (b) the NAVs of each of ESR-REIT and Sabana REIT; (c) the market value of the respective property portfolios; (d) relevant precedent trust scheme transactions in Singapore; (e) the prevailing and historical price to NAV per unit of each REIT; (f) the prevailing and historical distribution yield of each REIT; (g) the market capitalisation and trading liquidity of each REIT; (h) the capital structure, debt costs and tenor of each REIT; and (i) the resulting *pro forma* financial impact of the Merger on ESR-REIT and Sabana REIT.

3.5 **Expected Indicative Timeline**

An expected indicative timeline is also set out in **Schedule 1** to this Announcement.

⁵ "**Ordinary Resolution**" means a resolution proposed and passed 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 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 from time to time (the "**ESR-REIT Trust Deed**").

4. RATIONALE FOR THE MERGER AND FUTURE INTENTIONS FOR THE ENLARGED REIT

4.1. DPU and NAV Accretive for ESR-REIT Unitholders on a *Pro Forma* Basis

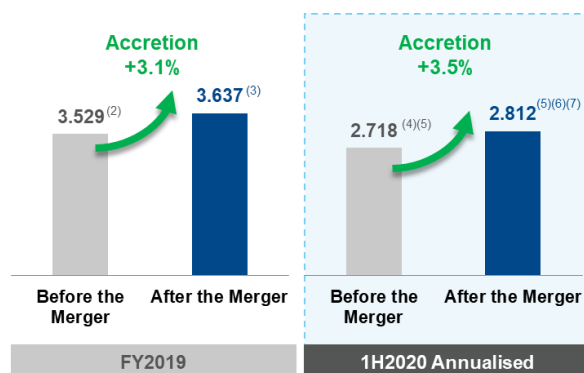
FOR ILLUSTRATIVE PURPOSES ONLY: Assuming that the Merger had been completed on 1 January 2019, the distribution per ESR-REIT Unit ("**DPU**") for the financial year ended 31 December 2019 would have increased from 3.529 Singapore cents to 3.637 Singapore cents, translating to a DPU accretion of 3.1%, while the annualised DPU for the half year ended 30 June 2020 would have increased from 2.718 Singapore cents to 2.812 Singapore 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 Singapore cents to 45.1 Singapore cents, translating to an NAV accretion of 4.2%.⁶ Post the Merger, the gearing of the Enlarged REIT as at 31 December 2019 would have been 41.2%.

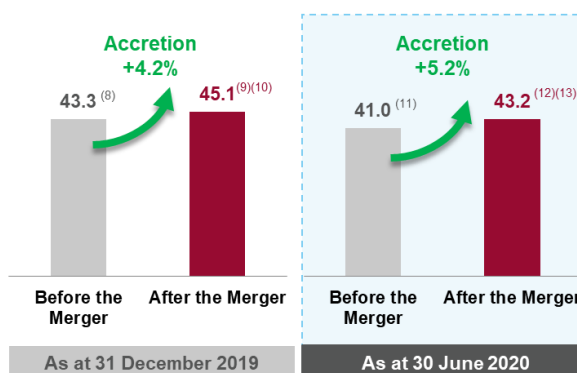
Assuming that the Merger had been completed on 30 June 2020, the NAV per ESR-REIT Unit for the half year ended 30 June 2020 would have increased from 41.0 Singapore cents to 43.2 Singapore cents, translating to an NAV accretion of 5.2%.⁷ Post the Merger, the gearing of the Enlarged REIT as at 30 June 2020 would have been 41.7%.

Pro Forma Financial Impact

Distribution per Unit (Cents)⁽¹⁾



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.

⁶ *Pro forma* numbers as at 31 December 2019.

⁷ *Pro forma* numbers as at 30 June 2020.

- (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.
- (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 does not retain distributable income of S\$7.0 million and distributes 100% of its total distributable income of S\$47.8 million for the half year ended 30 June 2020.
- (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.
- (7) Assumes 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 the half year ended 30 June 2020.
- (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.

4.2. Enhances Diversification and Resilience of the Enlarged REIT Platform

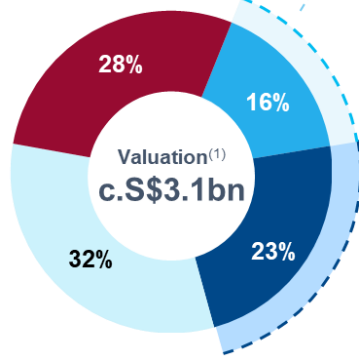
(a) Increase Exposure to the High-Specs and Logistics / Warehouse Segments

Post the 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%.

Before the Merger

High-Specs and
Logistics / Warehouse:

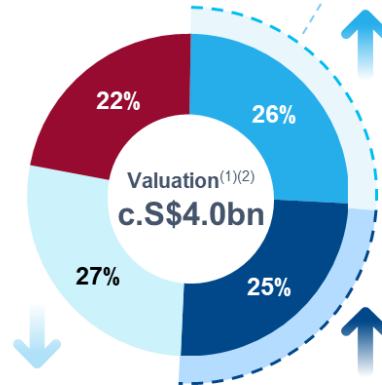
c.40%



After the Merger

High-Specs and
Logistics / Warehouse:

c.50%



■ Business Park ■ High-Specs ■ Logistics / Warehouse ■ General Industrial

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.

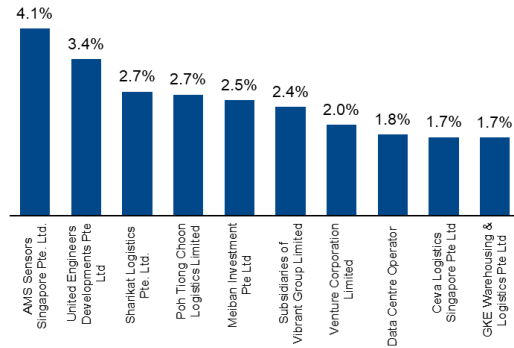
(b) Larger Tenant Base Reduces Concentration Risks

The Enlarged REIT is expected to benefit from the introduction of tenants that will enhance the diversification and stickiness of the tenant base. These tenants include renowned companies

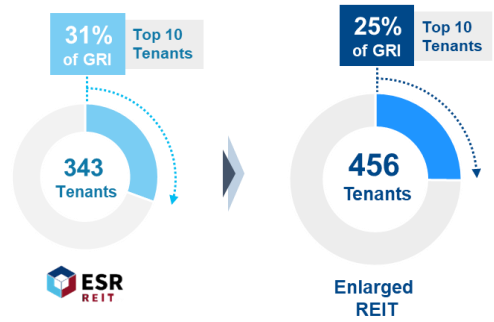
in attractive trade sectors such as telecommunications / data warehousing, electronics, information technology, logistics, chemical, healthcare etc.

Post the Merger, the number of tenants will increase by 32.9% to 456 tenants⁸. This reduces the top 10 tenants' contribution to Gross Rental Income ("**GRI**") from 31% to 25%, with no single tenant accounting for more than 4.1% of its GRI⁹.

Top 10 Enlarged REIT Tenants by Rental Income⁽¹⁾



Reduced Contribution by Top 10 Tenants⁽¹⁾



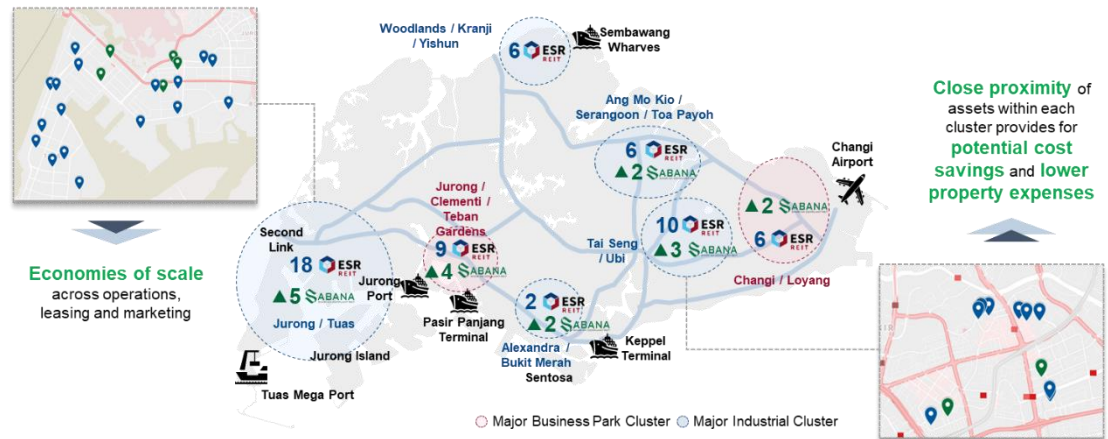
Note:

(1) Based on the GRIs of ESR-REIT and Sabana REIT as at 30 June 2020.

4.3. 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.



⁸ As at 30 June 2020.

⁹ Based on the GRIs of ESR-REIT and Sabana REIT as at 30 June 2020.

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 gross floor area ("**GFA**") by 27.2% to approximately 19.2 million square feet. The number of tenants is expected to increase by 32.9% to 456.

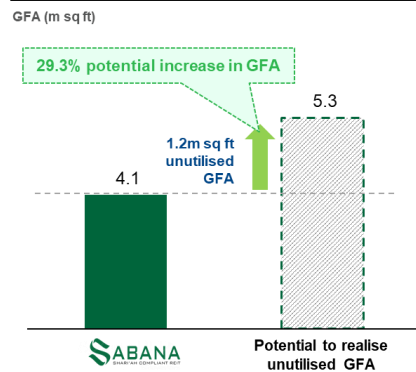
(b) Operational Synergies and Portfolio Optimisation Potential

By leveraging ESR-REIT's and the ESR Group's existing marketing, leasing and asset management platform, 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.

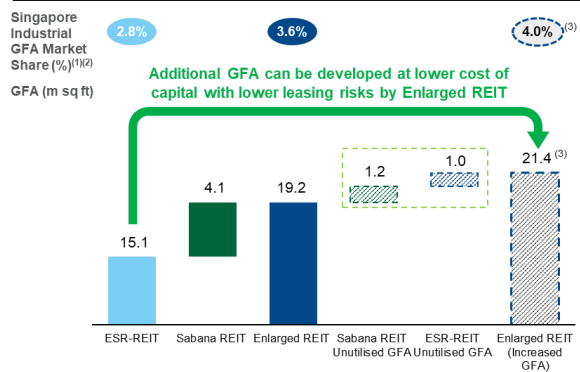
(c) Organic Asset Enhancement Initiative ("AEI**") Growth Opportunities to Realise Unutilised GFA**

The Enlarged REIT enhances potential returns and lowers risks of value-adding AEIs and/ or redevelopments. 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 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 without adversely affecting earning performance. 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.

Realisation of Sabana REIT Unutilised GFA



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

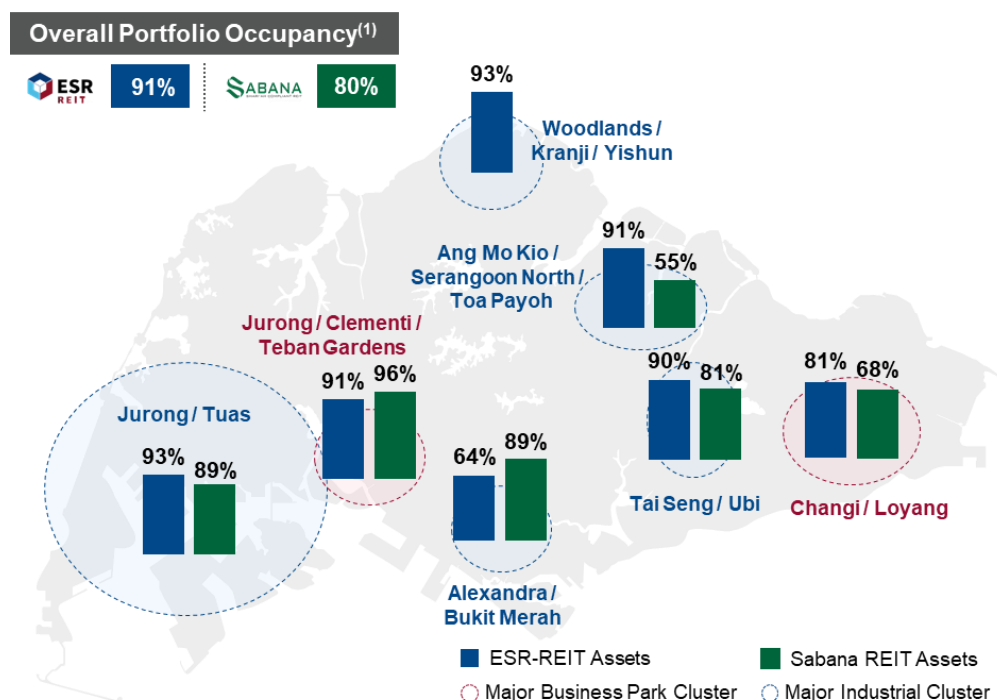


Notes:

- (1) Estimated based on GFA from JTC data as at 31 March 2020 and respective company information.
- (2) Industrial GFA market share calculated based on the respective REIT's latest available GFA divided by total available space in Singapore industrial real estate (public and private) from URA Realis database as at 31 March 2020.
- (3) Assume 100% realisation of Sabana REIT 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:

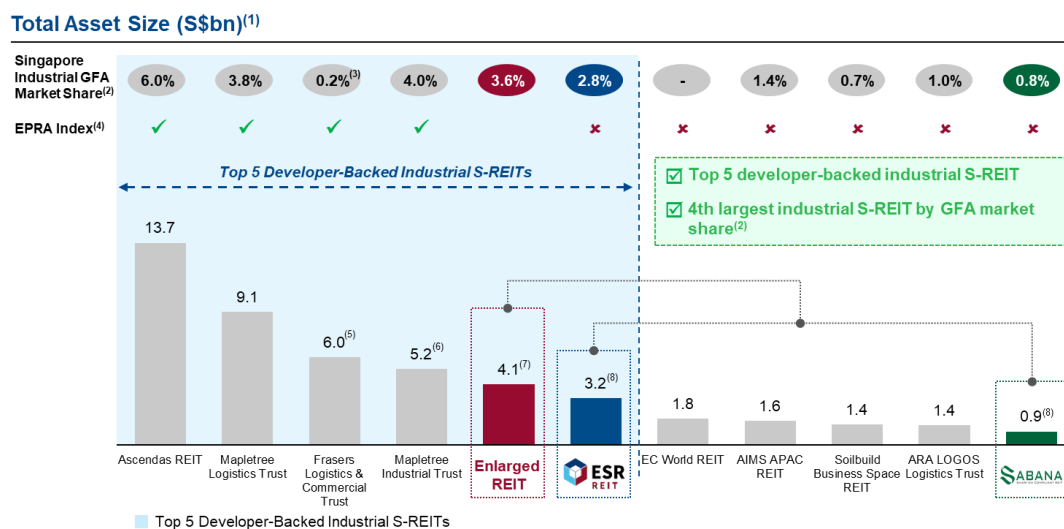
- (1) Occupancy rates as at 30 June 2020. Sabana REIT occupancy rates exclude 1 Tuas Avenue 4. Average of occupancy rates across assets in each key cluster.

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.

4.4. Size Does Matter

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

Post the Merger, the Enlarged REIT is expected to solidify its position amongst the top 5 industrial S-REITs, with a combined asset size of approximately S\$4.1 billion. The Enlarged REIT is also expected to be the 4th largest industrial S-REIT by Singapore industrial GFA market share¹⁰.



Notes:

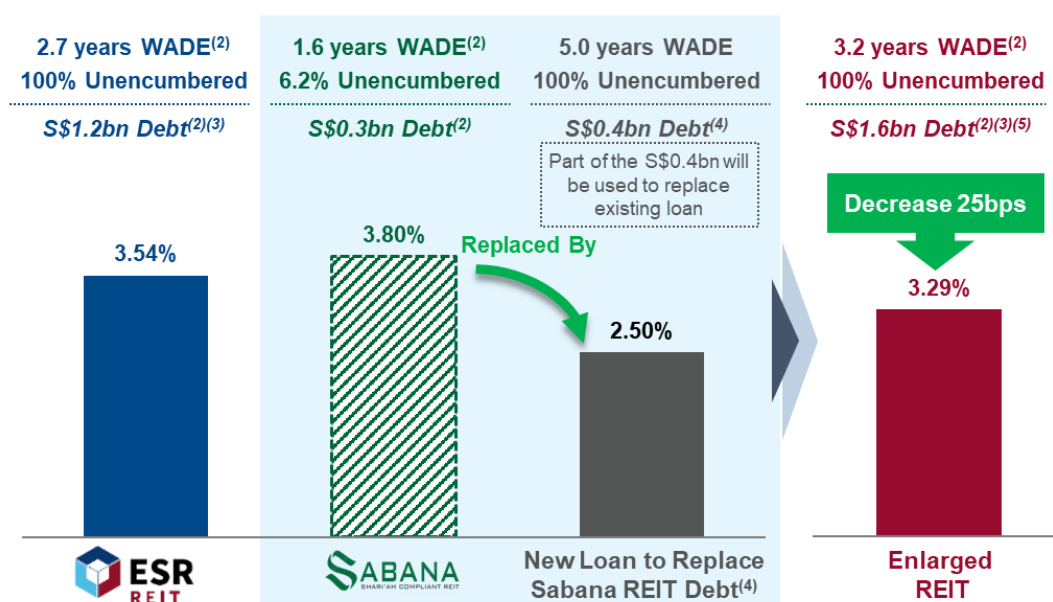
- (1) Based on latest company information available as at 9 July 2020.
- (2) Industrial GFA market share calculated based on the respective REIT's latest available GFA divided by total available space in Singapore industrial real estate (public and private) from URA Realis database as at 31 March 2020.
- (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 June 2020.
- (5) Represents *pro forma* total asset size from the scheme document dated 14 February 2020.
- (6) Excludes proposed acquisition of the remaining 60% stake in 14 data centres located in the US, announced in June 2020.
- (7) Represents the Enlarged REIT's *pro forma* total assets as at 30 June 2020.
- (8) As at 30 June 2020.

¹⁰ Industrial GFA market share calculated based on the respective REIT's latest available GFA divided by total available space in Singapore industrial real estate (public and private) from URA Realis database as at 31 March 2020.

(b) Larger Size Leads to More Competitive Cost of Capital

The Enlarged REIT is expected to have its cost of debt lowered by 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⁽¹⁾



Notes:

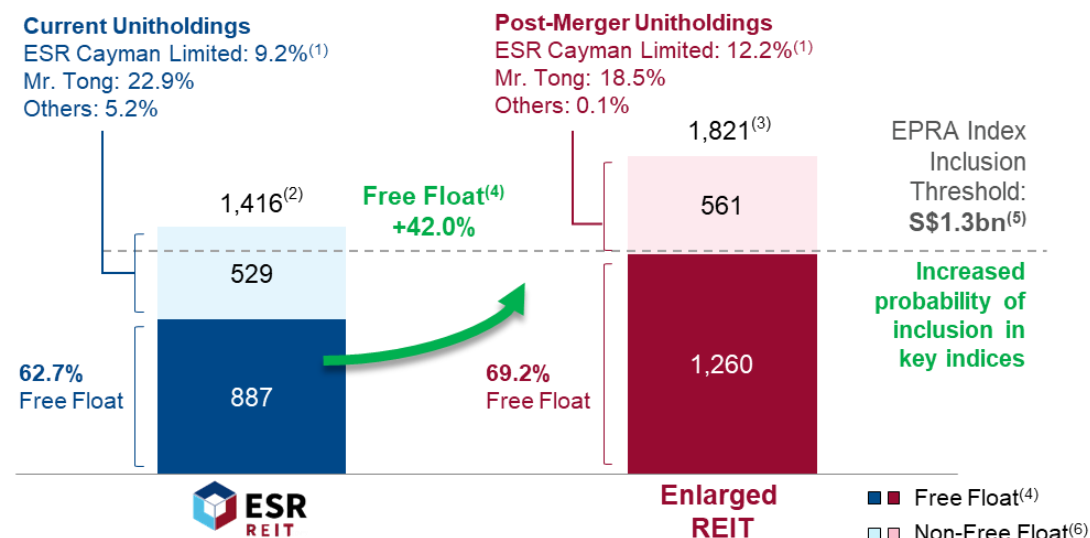
- (1) Represents all-in interest cost.
- (2) As at 30 June 2020.
- (3) Excludes share of borrowings from joint ventures.
- (4) Unsecured 5 year hedged loan of up to S\$460 million, at an expected all-in interest cost of 2.5% provided by Malayan Banking Berhad Singapore Branch, RHB Bank Berhad, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Bank Limited.
- (5) Includes the new debt 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.

(c) Potential Inclusion in Key Indices

The Enlarged REIT's market capitalisation is expected to increase by approximately 28.6% to S\$1.8 billion while its free float is expected to increase by approximately 42.0% from S\$0.9

billion¹¹ to S\$1.3 billion¹². This 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 Enlarged REIT unitholders.

Free Float and Market Capitalisation (S\$m)



Notes:

- (1) Including direct interests and/or deemed interests through holding entities.
- (2) Based on approximately 3,530.9 million ESR-REIT Units in issue as at 30 June 2020 and the Reference Price of S\$0.401.
- (3) Includes the issuance of approximately 989.9 million new ESR-REIT Units as the Scheme Consideration and 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.
- (4) Excludes ESR-REIT Units held by the Sponsor, Mr. Tong Jinqun, 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.
- (5) As at June 2020, the regular entry threshold for EPRA Index is approximately US\$0.9 billion, equivalent to approximately S\$1.3 billion.
- (6) Includes ESR-REIT Units held by the Sponsor, Mr. Tong Jinqun, the ESR-REIT Manager, the directors of the ESR-REIT Manager, other substantial unitholders, their respective associates, and in respect of the

¹¹ Based on the Reference Price of S\$0.401 per ESR-REIT Unit.

¹² Includes the issuance of approximately 989.9 million new ESR-REIT Units as the Scheme Consideration and approximately 20.7 million ESR-REIT Units allotted and issued to the ESR-REIT Manager as Acquisition Fee for the Merger at the Reference Price of S\$0.401 per ESR-REIT Unit.

Enlarged REIT post-Merger, also includes ESR-REIT Units that would be held by the Sabana Manager, its directors, and their respective associates.

4.5. 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\$22 billion assets under management¹³, the ESR Group's operating platform, footprint and network can be leveraged by the Enlarged REIT to create a leading Pan-Asian industrial REIT.

With the largest development pipeline in Asia-Pacific of more than 17 million square metres GFA¹⁴, ESR-REIT has "first look" on more than US\$22 billion of the ESR Group's 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 times, and its portfolio has been rejuvenated to focus on higher segment of the industrial value chain, including High-Specs assets.

As the sponsor of ESR-REIT, the ESR Group has also provided strong capital support and financial commitment to ESR-REIT via a total of S\$175 million¹⁵ backstop in preferential offerings and the acquisition of Viva Industrial Trust Management Pte. Ltd. to facilitate the merger of ESR-REIT with Viva Industrial Trust.

The ESR Group has a regional presence across China, Japan, Singapore, South Korea, India and Australia, with a total GFA of approximately 10 million square metres in operation and under development and total external assets under management of more than US\$11 billion. 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 and 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.

4.6. 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 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 Sabana Manager, Mr. Donald Han, as an advisor to the ESR-REIT Manager. The Nominating and Remuneration Committee of the ESR-REIT Manager will also review the composition of the

¹³ As at 31 December 2019.

¹⁴ As at 31 December 2019.

¹⁵ 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.

board of directors and management of the ESR-REIT Manager;

- (b) the fee structure of Sabana REIT with respect to fees payable to the Sabana Manager will be amended in the trust deed of Sabana REIT such that the existing fee structure of ESR-REIT is adopted;
- (c) the ESR-REIT Manager does not intend to retain Sabana REIT's Shari'ah compliant status; and
- (d) it is intended that the existing outstanding loan facilities granted to Sabana REIT will be refinanced.

5. TOTAL ACQUISITION COST AND SOURCE OF FUNDS FOR THE MERGER

5.1 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, based on the illustrative issue price of S\$0.401 per Consideration Unit (the "**Reference Price**")¹⁶;
- (b) estimated upfront land premium payable to JTC Corporation ("**JTC**") of approximately S\$58.6 million;
- (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, based on the Reference Price;
- (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 costs, prepayment penalties, debt upfront fees and other fees and expenses (including taxes) of approximately S\$18.6 million.

5.2 **Scheme Consideration.** The Scheme Consideration will be satisfied through the allotment and issue of approximately 989.9 million Consideration 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**").

5.3 **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

¹⁶ The Reference Price is determined based on the 1-month volume weighted average price of the ESR-REIT Units ending on and including the last trading day one (1) week prior to the date of this Announcement, being the 30-calendar day period from 10 June 2020 up to and including 9 July 2020. The implied Scheme Consideration of S\$0.377 per Sabana Unit is derived from the gross exchange ratio of 0.940x and the Reference Price of S\$0.401.

Consideration Units at the Consideration Unit Issue Price requires approval of the ESR-REIT Unitholders by way of an Ordinary Resolution.

The ESR-REIT Manager will be submitting an additional listing application to the SGX-ST for the listing and quotation of the Consideration Units on the Main Board of the SGX-ST. An announcement will be made in due course to notify the ESR-REIT Unitholders when the approval-in-principle from the SGX-ST is obtained.

5.4 **Acquisition Fee.** As the Merger constitutes an "interested party transaction" under the Property Funds Appendix, the Acquisition Fee is payable in ESR-REIT Units¹⁷ 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.

5.5 **Method of Financing.** In connection with the Merger and the Scheme, the ESR-REIT Trustee has obtained unsecured banking facilities from Malayan Banking Berhad, Singapore Branch, RHB Bank Berhad, Sumitomo Mitsui Banking Corporation Singapore Branch and United Overseas Bank Limited. The proceeds of such 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;
- (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.

6. CHAPTER 10 OF THE LISTING MANUAL

6.1 For the purposes of Chapter 10 of the Listing Manual, the relative figures of the Merger computed on the bases set out in Rules 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):

Bases	Sabana Group (million)	ESR-REIT and its subsidiaries (million)	Relative figures (%)

¹⁷ Pursuant to the Merger, approximately 20.7 million ESR-REIT Units will be allotted and issued to the ESR-REIT Manager in payment of the Acquisition Fee based on the Reference Price.

Net property income attributable to the assets acquired, compared with the group's net property income. ⁽¹⁾	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 shares excluding treasury shares. ⁽²⁾	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 ⁽³⁾	3,530.9	28.0

Notes:

- (1) In the case of a real estate investment trust, 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. Market capitalisation is based on S\$0.390 per ESR-REIT Unit (as at close of trading on 15 July 2020) 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.

6.2 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.

6.3 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.

7. VALUE OF SABANA UNITS

7.1 Based on Sabana REIT's unaudited consolidated financial statements for 1H2020:

- (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 the half year ended 30 June 2020 was approximately S\$11.1 million.

- 7.2 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, the latest available open market value of all the Sabana Units on 9 July 2020 is approximately S\$381.2 million.

8. PROPERTY VALUATION

8.1 **Valuations commissioned by the ESR-REIT Manager**

- (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.¹⁸

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.

- (b) The ESR-REIT Manager has also 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.

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.

- (c) Copies of the ESR-REIT Independent Valuation Certificates (ESR-REIT Portfolio), the ESR-REIT Independent Valuation Certificates (Sabana Portfolio) and reports issued by the ESR-REIT Independent Valuers (ESR-REIT Portfolio) and the ESR-REIT Independent Valuer (Sabana Portfolio) on the valuation of ESR-REIT's and Sabana REIT's properties as at 30 June 2020 (the "**ESR-REIT Independent Valuation Reports**") are available for inspection¹⁹ during normal business hours at the registered office of the ESR-REIT Manager at 138 Market Street,

¹⁸ 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

¹⁹ Prior appointment is required in light of the COVID-19 situation.

#26-03/04 CapitaGreen, Singapore 048946 from the Announcement Date up to and including the date falling three (3) months after the Announcement Date.

8.2 Valuations commissioned by the Sabana Manager

As set out in the Joint Announcement, the Sabana Manager has also commissioned independent valuers to conduct a desktop independent valuation of Sabana REIT's properties, 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 Joint Announcement.

9. FINANCIAL EFFECTS OF THE MERGER

9.1 The *pro forma* financial effects of the Merger (and the related transactions in connection therewith) on (a) the 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 in **Schedule 2** to this Announcement.

9.2 The financial effects of the Merger on ESR-REIT as set out in **Schedule 2** to this Announcement 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 1H2020, after making certain adjustments that are directly attributable to the Merger. The basis and assumptions on which the *pro forma* financial effects of the Merger have been prepared are also set out in **Schedule 2** to this Announcement.

10. INTERESTED PERSON TRANSACTION AND INTERESTED PARTY TRANSACTION

10.1 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.

10.2 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.

- 10.3 **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.
- 10.4 As stated in paragraph 2.3 above, the Sponsor is the largest Sabana Unitholder holding an aggregate interest (deemed and direct) 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 subsidiaries 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.
- 10.5 Pursuant to the Merger, the Sponsor will be entitled to receive from ESR-REIT, 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 subsidiaries. This represents approximately 5.5% of the latest audited NTA and NAV of ESR-REIT.
- 10.6 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 (as defined in Chapter 9 of the Listing Manual), during the course of the current financial year up to the Announcement Date, is approximately S\$12.5 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 5 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 based on the Reference Price.
- 10.7 Accordingly, as the aggregate amount of consideration payable to the Sponsor and its associates for their Sabana Units in connection with the Merger, together with the total value of all other interested person transactions, excluding transactions which are less than S\$100,000, involving the Sponsor and its associates, during the course of the current financial year up to the Announcement Date, exceeds 5% of the NTA and NAV of ESR-REIT, the Merger will require the approval of the ESR-REIT Unitholders. Pursuant to Rule 919 of the Listing Manual and Paragraph 5.2(b) of the Property Funds Appendix, 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 an extraordinary general meeting of ESR-REIT to be convened (the "**EGM**").
- 10.8 **Mr. Tong Jinqun.** Mr. Tong Jinqun ("**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 (deemed and direct) in 843,759,723 ESR-REIT Units, which is equivalent to approximately 23.89% 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.

- 10.9 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.
- 10.10 Pursuant to the Merger, Mr. Tong 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. Other than the Scheme Consideration payable to Mr. Tong and his subsidiaries, 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 Announcement Date.
- 10.11 Pursuant to Rule 748(5) of the Listing Manual and Paragraph 5.2(b) of the Property Funds Appendix, 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.
- 10.12 **Other Interested Person Transactions.** During the course of the current financial year up to the Announcement 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\$0.3 million, comprising fees payable to the trustee of ESR-REIT under the ESR-REIT Trust Deed.
- 10.13 **Mitsui.** The Monetary Authority of Singapore and the SGX-ST have also 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. 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.

11. APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

- 11.1 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**"), its directors who are considered independent for the purposes of the interested person transaction and interested party transaction (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.
- 11.2 A copy of the letter from the IFA to the ESR-REIT Recommending Directors, the members of the ARCC and the ESR-REIT Trustee will be included in the Circular.

12. **STATEMENT OF AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE**

The ARCC will obtain an opinion from the IFA before forming its view on whether the Merger as an interested person transaction and independent party transaction is on normal commercial terms and is not prejudicial to the interests of ESR-REIT and its minority unitholders. The ARCC's views on the Merger will be set out in the Circular.

13. **FINANCIAL ADVISERS**

Citigroup Global Markets Singapore Pte. Ltd., Maybank Kim Eng Securities Pte. Ltd., RHB Securities Singapore Pte. Ltd.²⁰ and United Overseas Bank Limited are the financial advisers to the ESR-REIT Manager in respect of the Merger and the Scheme.

14. **EXTRAORDINARY GENERAL MEETING AND CIRCULAR**

14.1 ESR-REIT will convene an EGM to seek the approval of the ESR-REIT Unitholders for:

- (a) the Merger; and
- (b) the issue of Consideration Units for the Merger,

(collectively, the "**ESR-REIT Resolutions**"),

and the Circular containing, *inter alia*, details thereof, together with the opinions and recommendations of the ESR-REIT Recommending Directors in relation thereto and enclosing the notice of EGM and proxy form in connection therewith, will be despatched or made available to ESR-REIT Unitholders in due course.

14.2 In respect of each of the ESR-REIT Resolutions, the ESR-REIT Manager is seeking approval by way of Ordinary Resolutions. Each of the ESR-REIT Resolutions shall be conditional upon the passing of the other resolution.

²⁰ On 29 June 2020, RHB Bank Berhad ("**RHB Bank**") announced on Bursa Malaysia that it entered into a conditional share purchase agreement with Philip 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. An announcement will be made when the Replacement becomes effective.

15. ABSTENTIONS FROM VOTING

- 15.1 **The Sponsor.** Under Rule 919 of the Listing Manual, where a meeting is held to obtain unitholders' approval, 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. As set out in paragraph 10.7 above, 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.
- 15.2 **Mr. Tong.** As set out in paragraph 10.10 above, pursuant to Rule 748(5) of the Listing Manual and Paragraph 5.2(b) of the Property Funds Appendix, 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.
- 15.3 **Mitsui.** As set out in paragraph 10.13 above, the Monetary Authority of Singapore and the SGX-ST have ruled 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. 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.
- 15.4 Additionally, none of the Sponsor, Mr. Tong or Mitsui (or their respective associates) will accept proxies, powers of attorney or other authorisations to vote in respect of the resolutions relating to the Merger at the EGM unless specific instructions as to voting are given.

16. DIRECTORS' SERVICE CONTRACTS

It is intended that following completion of the Merger, the Nominating and Remuneration Committee of the ESR-REIT Manager will review the composition of the board of directors and the management of the ESR-REIT Manager. Further details will be set out in the Circular.

17. INTERESTS OF DIRECTORS AND SUBSTANTIAL ESR-REIT UNITHOLDERS

17.1 **Directors' Interests in ESR-REIT Units**

The interests of the directors of the ESR-REIT Manager in ESR-REIT Units, as recorded in the Register of Directors' Unitholdings as at the Announcement 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.	-	-	148,527	n.m.
Mr. Wilson Ang Poh Seong	3,793,387	0.11	-	-	3,793,387	0.11
Mr. Tong Jinquan	172,802,987	4.89	670,956,736	19.00	843,759,723	23.89

Notes:

* The percentage interest is based on ESR-REIT Units in issue as at the Announcement Date, being 3,530,945,472 ESR-REIT Units.

17.2 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 the Register of Substantial Unitholders as at the Announcement 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	17.61	-	-	621,952,678	17.61
Longemont Real Estate Pte Ltd ¹	-	-	621,952,678	17.61	621,952,678	17.61
Shanghai Summit (Group) Co., Ltd ²	-	-	621,952,678	17.61	621,952,678	17.61
Tong Jinquan ³	172,802,987	4.89	670,956,736	19.00	843,759,723	23.89
e-Shang Infinity Cayman Limited ⁴	283,723,413	8.04	42,713,153	1.21	326,436,566	9.25
e-Shang Jupiter Cayman Limited ⁵	-	-	326,436,566	9.25	326,436,566	9.25
ESR Cayman Limited ⁶	-	-	326,436,566	9.25	326,436,566	9.25
Mondrian Investment Partners Limited	-	-	179,514,200	5.08	179,514,200	5.08

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 Announcement Date, being 3,530,945,472 ESR-REIT Units.

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 Shanghai Summit Pte Ltd ("**SSPL**"). The ESR-REIT Manager holds

35,831,904 ESR-REIT Units and is 25% owned by SSPL. Both SSPL and Shanghai Summit (Group) Co., Ltd are wholly owned by Tong Jinquan. Therefore, Tong Jinquan is deemed to be interested in the 670,956,736 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 42,713,153 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 326,436,566 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 326,436,566 ESR-REIT Units held by e-Shang Infinity Cayman Limited, the ESR-REIT Manager and ESR-PM.

17.3 **Directors' Holdings in Sabana Units.** As at the Announcement 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.

17.4 **Substantial ESR-REIT Unitholders' Holdings in Sabana Units.** Based on the Register of Substantial Unitholders maintained by the Sabana Manager as at the Announcement 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 ¹	207,755,509	19.73	-	-	207,755,509	19.73
e-Shang Jupiter Cayman Limited ²	-	-	207,755,509	19.73	207,755,509	19.73
ESR Cayman Limited ²	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 Announcement Date.

1. e-Shang Infinity Cayman Limited, a company established in the Cayman Islands, is a wholly-owned subsidiary of e-Shang Jupiter Cayman Limited ("**ES Jupiter**"), a company established in the Cayman Islands.
2. ES Jupiter, a company established in the Cayman Islands, is a 100% owned subsidiary of the Sponsor, a company established in the Cayman Islands.

17.5 Save as disclosed in this Announcement, none of the directors of the ESR-REIT Manager or substantial ESR-REIT Unitholders has any interest, direct or indirect, in the Merger.

18. **DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection²¹ 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 Announcement Date up to and including the date falling three (3) months after the Announcement Date:

- (a) the Implementation Agreement;
- (b) the ESR-REIT Independent Valuation Certificates (ESR-REIT Portfolio);
- (c) the ESR-REIT Independent Valuation Certificates (Sabana Portfolio); and
- (d) the ESR-REIT Independent Valuation Reports.

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

19. **FURTHER ANNOUNCEMENTS**

The ESR-REIT Manager will make further announcements, in compliance with the requirements of the Listing Manual, as and when there are material developments in respect of the Merger, the Scheme, the Implementation Agreement and/or other matters contemplated by this Announcement.

20. **RESPONSIBILITY STATEMENT**

The directors of the ESR-REIT Manager (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Announcement (other than those relating to Sabana REIT and/or the Sabana Manager) are fair and accurate and that there are no other material facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading. The directors of the ESR-REIT Manager jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from a named source (including Sabana REIT, the Sabana Manager, the ESR-REIT Independent Valuers (ESR-REIT Portfolio) and the ESR-REIT Independent Valuer (Sabana Portfolio), (collectively, the "**Valuers**")), the sole responsibility of the directors of the ESR-REIT Manager has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement. The directors of the ESR-REIT Manager do not accept any responsibility for any information relating to Sabana REIT

²¹ Prior appointment is required in light of the COVID-19 situation.

and/or the Sabana Manager or any opinion expressed by Sabana REIT, the Sabana Manager and/or the Valuers.

21. **CAUTION IN TRADING**

ESR-REIT Unitholders and potential investors should note that the Merger is subject to the fulfilment of, *inter alia*, the Scheme Conditions set out in the Joint Announcement, including the obtaining of the relevant regulatory approvals, and accordingly, should exercise caution when trading in the ESR-REIT Units. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

ESR Funds Management (S) Limited

As Manager of ESR-REIT

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

Adrian Chui

Chief Executive Officer and Executive Director

16 July 2020

Any queries relating to this Announcement, the Merger or the Scheme should be directed to one of the following:

Citigroup Global Markets Singapore Pte. Ltd.

Tel: +65 6657 1959

Forward-Looking Statements

All statements other than statements of historical facts included in this Announcement 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.

About ESR-REIT

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 30 June 2020 holds interest in a diversified portfolio of 57 properties located across Singapore, with a total gross floor area of approximately 15.1 million square feet and an aggregate property value of S\$3.1 billion²². The properties are in the following business sectors: Business Park, High-Specs Industrial, Logistics/Warehouse and General Industrial, and are located close to major transportation hubs and key industrial zones island-wide.

The Manager's objective is to provide Unitholders with a stable income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Proactive asset management;
- Divestment of non-core properties; and
- Prudent capital and risk management.

ESR Funds Management (S) Limited, the Manager of ESR-REIT, is owned by namely, ESR Cayman Limited ("ESR") (67.3%), Shanghai Summit Pte. Ltd. (25.0%), and Mitsui & Co., Ltd (7.7%).

For further information on ESR-REIT, please visit www.esr-reit.com.sg.

About the Sponsor, ESR

ESR is the largest Asia-Pacific focused logistics real estate platform by gross floor area (GFA) and by value of the assets owned directly and by the funds and investment vehicles it manages. Co-founded by its senior management team and Warburg Pincus, ESR and the funds and investment vehicles it manages are backed by some of the world's preeminent investors including APG, SK Holdings, JD.com, CPP Investments, OMERS, PGGM, Ping An and Allianz Real Estate. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India. As of 31 December 2019, the fair value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR recorded approximately US\$22.1 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised over 17.2 million sqm in total. ESR has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1 November 2019.

For more information on ESR, please visit www.esr.com.

²² 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.

Important Notice

The value of units in ESR-REIT ("**Units**") and the income derived from them may fall as well as rise. Units are not investments or deposits in, or liabilities or obligations, of ESR Funds Management (S) Limited ("**Manager**"), RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) ("**Trustee**"), or any of their respective related corporations and affiliates (individually and collectively "**Affiliates**"). An investment in 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 Manager, the Trustee nor any of the 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 have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that investors may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. This announcement 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 Manager's current view of future events.

This announcement 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 announcement 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 Manager, the Trustee or any of the Affiliates.

SCHEDULE 1

EXPECTED INDICATIVE TIMELINE

Key Event	Date
Expected date of first Court Hearing of the application to convene the Scheme Meeting ⁽¹⁾	▪ September 2020
Expected date of ESR-REIT EGM (AM)	▪ October 2020
Expected date of Sabana EGM and Scheme Meeting (PM)	▪ October / November 2020
Expected date of second Court Hearing for Court Approval of Scheme ⁽¹⁾	▪ October / November 2020
Expected Effective Date of Scheme	▪ October / November 2020
Expected allotment and issuance of Consideration Units to Sabana Unitholders	▪ November 2020
Expected commencement date of trading of Consideration Units	▪ November 2020
Expected delisting of Sabana REIT	▪ November 2020

Note:

- (1) The dates of the Court hearings of the application to (i) convene the Scheme Meeting and (ii) approve the Scheme will depend on the dates that are allocated by the Court.

All dates and times referred to above are to Singapore dates and times. Please note that the above timeline 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.

SCHEDULE 2

PRO FORMA FINANCIAL EFFECTS OF THE MERGER

1. 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
	Including Capital Gains Paid	Excluding Capital Gains Paid	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%

2. 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
	Including Retained Distributable Income	Excluding Retained Distributable Income	Excluding Retained Distributable Income	Including Retained Distributable Income	Excluding Retained Distributable Income	Excluding Retained Distributable Income
Amount available for distribution (S\$'000)	47,829	47,829	63,727	95,658	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%

3. 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%

4. 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%

5. 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%

6. 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%

7. 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%

8. 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%

INTRODUCTION

These *pro forma* financial effects have been prepared in connection with the Merger.

BASIS AND ASSUMPTIONS UNDERLYING *PRO FORMA* FINANCIAL EFFECTS OF THE MERGER ON THE ENLARGED REIT

Basis 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 ("*pro forma 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\$0.401¹⁶ 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\$284.3 million are replaced with new banking 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;
- (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 at the Reference Price of S\$0.401¹⁶;
- (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 expense of approximately S\$18.4 million are funded by new banking 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 the half year ended 30 June 2020

- (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 the half year ended 30 June 2020;
- (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 the half year ended 30 June 2020;
- (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\$0.401¹⁶ 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 are replaced with new banking 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 the half year ended 30 June 2020;
- (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 at the Reference Price of S\$0.401¹⁶;
- (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 the half year ended 30 June 2020; and
- (ix) estimated professional and other fees and expense of approximately S\$18.6 million are funded by new banking facilities at a weighted average "all-in" finance cost of 2.5% per annum.