SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST
(a real estate investment trust constituted on 29 October 2010 under the laws of the Republic of Singapore)

PROPOSED ACQUISITION OF 10 CHANGI SOUTH STREET 2, SINGAPORE 486596

1. INTRODUCTION

The Board of Directors of 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 "**Manager**"), wishes to announce that HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Sabana REIT (the "**Trustee**"), has on this day, entered into a sale and purchase agreement (the "**SPA**") with Adviva Distribution Pte. Ltd. (the "**Vendor**") in relation to the acquisition (the "**Acquisition**") of the property located at 10 Changi South Street 2, Singapore 486596 (the "**Property**") on the principal terms set out in paragraph 3 below and which is subject to certain conditions precedent set out in paragraph 4 below.

On completion ("**Completion**") of the Acquisition of the Property, a lease agreement will be entered into between the Trustee and the Vendor, pursuant to which the Vendor will take a lease of the Property for a term of ten years ("**Lease**").

2. INFORMATION ON THE PROPERTY

The Property is a purpose-built part single-storey/part six-storey warehouse building with ancillary office areas, located along Changi South Street 2, off Changi South Avenue 1. It is situated within the Changi South Industrial Estate, next to Changi Business Park, some 13.5 kilometres from the city centre, and has a gross floor area of 189,609 square feet.

The Property is a JTC leasehold estate of 30 + 27 years tenure commencing from 1 October 1994, with a remaining tenure of approximately 37 years.

The Property was independently valued by Cushman & Wakefield VHS Pte. Ltd. on 16 July 2014 at S$54.3 million (the "**Independent Valuation**") using the discounted cash flow method and the capitalisation approach, and includes the upfront land premium of approximately S$4.3 million for the balance of the first term.

3. DETAILS OF THE ACQUISITION AND LEASE (THE "TRANSACTION")

The Property is being sold on a sale and leaseback basis wherein the Vendor (the "**Tenant**") shall, upon Completion of the Acquisition of the Property, lease the existing building for a term of ten years (the "**Lease Term**") and be responsible for the property tax, maintenance and all property outgoings (other than the JTC land rent) during the Lease Term. The initial annual net rent, payable by the Tenant monthly in advance, shall be S$4.0 million and is

subject to rental escalation at 1.5% per annum from second year of the Lease Term onwards.

The Trustee shall appoint and authorise the Tenant to act as agent for the Trustee to make agency payments and comply with all its obligations in relation to the services undertaken to be provided by the Tenant, as agent of the Trustee, pursuant to the Lease.

Notwithstanding any provisions in the Lease, either the Trustee or the Tenant may terminate the Lease by giving no less than nine months' prior written notice ("**Notice of Special Event**") to the other party, upon the Tenant showing the Trustee the relevant documentary evidence as may be requested by the Trustee that the following events have occurred:

1) The Tenant effects or enters into any scheme of arrangement or amalgamation or merger with one or more companies; or

2) The Tenant acquires or takeover one or more companies or is acquired by or taken over by one or more companies.

The Notice of Special Event can only be issued to and served on the other party after the beginning of the sixth year of the Lease Term and in such an event, the Tenant shall continue to be bound by its obligations under the Lease, including inter alia payment of the rent and other sums payable by the Tenant to the Trustee under the Lease for the period up to and including the date of expiry of the Notice of Special Event.

The purchase consideration for the Property is S$50.0 million (the "**Purchase Consideration**") which was arrived at on a willing buyer and willing seller basis, taking into account the Independent Valuation but excluding the upfront land premium of approximately S$4.3 million for the balance of the JTC initial lease term (approximately ten years), which will be payable by Sabana REIT to JTC upon acceptance of the conditions imposed by JTC for consent by JTC to the assignment application. Sabana REIT is also responsible for the land rent or upfront land premium (as the case may be) for the second term of land tenure of 27 years.

The total cost of the Acquisition is approximately S$55.1 million, and includes the Purchase Consideration, the JTC upfront land premium, the stamp fee on the land premium, the acquisition fee of approximately S$0.5 million (being 1% of the Purchase Consideration) payable to the Manager in accordance with the Trust Deed, and the professional and other fees and expenses in connection with the Acquisition.

The Trustee has on this day, arranged for the payment of a cash deposit of S$500,000.00 (the "**Deposit**"), equivalent to one percent of the Purchase Consideration, which is to be paid into the escrow account, in compliance with the Conveyancing and Law of Property (Conveyancing) Rules 2011, maintained by the Vendor's solicitors for the purpose of the Acquisition.

On Completion of the Acquisition, which is expected to take place in the fourth quarter of 2014 or such other date as may be agreed by the Vendor and the Trustee, the Trustee shall have the option to pay up to 45% of the Purchase Consideration by way of issue of new units in Sabana REIT (the "**Consideration Units**") to the Vendor (the "**Equity Consideration**") if the Trustee obtains the written approval in principle from Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Trustee issues a notice ("**Purchaser's Equity Consideration**

Notice") to the Vendor no later than 1 Business Day before the completion date stating the number of Consideration Units to be issued to the Vendor on Completion.

The Trustee shall, on Completion, pay part of the Purchase Consideration by way of Equity Consideration by issuing to the Vendor the Consideration Units as stated in the Purchaser's Equity Consideration Notice ("**Agreed Consideration Units**") and the balance Purchase Consideration in cash (less the provisional equity consideration amount together with GST on the full Purchase Consideration and other amounts permitted under the SPA).

If the Trustee agrees to pay part of the Purchase Consideration by way of Equity Consideration, the Equity Consideration amount shall be calculated based on the agreed issue price of the Agreed Consideration Units issued to the Vendor on Completion based on the higher of (a) the 10-Day VWAP and (b) 90% of 1-Day VWAP, subject to a cap of 10% premium to the 1-Day VWAP. The 1-Day VWAP shall mean (aa) the volume weighted average price for trades done on the SGX-ST for the full market day on which the SPA is signed or (bb) if trading in the units of Sabana REIT is not available for a full market day, the weighted average price based on the trades done on the preceding market day up to the time the SPA is signed, and the 10-Day VWAP shall mean the volume weighted average traded price for a unit of Sabana REIT for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days immediately preceding the date of Completion.

For the purposes of Completion, the provisional equity consideration amount shall be calculated based on the issue price of the Agreed Consideration Units issued to the Vendor on Completion based on the Provisional 10-Day VWAP (which shall be the volume weighted average traded price for a unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days immediately preceding the date of the Purchaser's Equity Consideration Notice). The Equity Consideration amount shall be calculated by the Trustee and notified to the Vendor in writing no later than 5 Business Days after Completion and such notice shall be final and conclusive, save for manifest error. Where the aggregate of the Equity Consideration amount and the cash amount paid to the Vendor on Completion is more or less than the Purchase Consideration, the difference will be paid in cash by the Vendor or the Trustee to the other (as the case may be) on a date falling 30 days after Completion or such other date as the parties may agree.

The Consideration Units issued will upon allotment and issue, rank pari passu in all respects with all existing units in issue on the day immediately before the date of issue of the Consideration Units except that the Consideration Units will not be entitled to distributions for the period from 1 July 2014 to 30 September 2014.

PROPOSED ADDITIONAL WORKS

Pursuant to SPA, the Vendor further agrees and undertakes to carry out additions and alterations (the "**Additional Works**") to the existing building, in accordance with the terms and conditions of the construction conditions ("**Additional Works Construction Conditions**") set out in the SPA, for an additional gross floor area of no less than 49,415 square feet ("**Additional GFA**"), for an approximate sum of S$12.5 million ("**Additional Works Purchase Price**"), subject to adjustment depending on actual gross floor area of the Additional Works.

The Vendor shall not be entitled to payment of any part of the Additional Works Purchase Price until and unless the Vendor has issued the notice of completion of the development of the Additional Works ("**Notice of Completion**") to the Trustee in accordance with the provisions of the Additional Works Construction Conditions, which issuance shall be accompanied by the TOP or CSC as the case may be for the Additional Works, a certificate from a qualified person confirming that the Additional Works have been completed and a certificate from a registered land surveyor certifying the actual as-built gross floor area of the Additional Works. The Additional Works Purchase Price will be paid in 3 instalments, the first instalment equivalent to 90% of the Additional Works Purchase Price to be paid to the Vendor within 21 days from the date of the Notice of Completion, and the final instalment to be paid within 14 days after the end of the defects liability period for the Additional Works.

The Vendor shall commence the development of the Additional Works on or as soon as reasonably practicable but no later than 1 May 2017. The deadline for the issuance of the Notice of Completion is 31 December 2017 ("**Completion Notice Deadline**").

The Vendor may apply to the Trustee in writing for an extension of time to the Completion Notice Deadline in certain situations set out in the Additional Works Construction Conditions if the Additional Works cannot be completed by the Completion Notice Deadline.

On Completion of the Acquisition of the Property, the Vendor and the Trustee will execute a supplemental lease (to be held in escrow by the Trustee) which will be perfected and dated on the date of issuance of the Notice of Completion, to replace the Lease to include the Additional Works that will be leased to the Tenant for the Lease Term. The Additional Works will be leased to the Tenant at an initial annual rent of approximately S$1.0 million, with built-in rental escalation of 1.5% per annum from the second year of the completion of the Additional Works onwards.

4. CONDITIONS PRECEDENT

The Acquisition is subject to certain conditions precedent including but not limited to the following:

a. the Vendor and Trustee having received the JTC Approvals, the JTC Confirmation (unless waived by the Trustee, in writing) and the JTC Final Approval, and the Vendor and the Trustee accepting the terms of the JTC Approvals within the relevant period stipulated in such approvals;

b. the Trustee having secured satisfactory financing facilities or arrangements for or in connection with the purchase of the Property and where applicable, the written approval in principle from SGX-ST for the issuance of the Consideration Units to the Vendor;

c. there being no unsatisfactory replies to legal requisitions;

d. the approval of the Shari'ah Council in accordance with the terms and conditions of the SPA; and

e. such other consents or approvals as may be required to be obtained by the Vendor or the Trustee from any third party or any government agency relating to the Acquisition or the Lease.

5. RATIONALE FOR THE TRANSACTION

The Manager believes that the Transaction will bring the following benefits to holders of units in Sabana REIT ("**Unitholders**"):

a. In line with Manager's Strategy

The Transaction is in line with the Manager's aim to invest in income-producing real estate and real-estate related assets used for industrial purposes in Asia which provide attractive cash flows and capital growth opportunities so as to generate stable and growing returns to Unitholders.

b. Strengths of the Property

The Property is strategically located along Changi South Street 2 and is within walking distance to Expo MRT station. The Property can be readily accessible by Pan Island Expressway and East Coast Parkway. It is also a short driving distance to Singapore Changi Airport. The good building specification can attract tenants from diverse trade sectors.

c. Income Diversification

The Transaction is expected to benefit Unitholders by improving asset and tenant diversification to reduce the reliance of Sabana REIT's income stream on any single asset or lessee.

The Transaction will also increase the weighted lease tenure of Sabana REIT's portfolio and reduce Sabana REIT's lease expiry concentration in 2015**.**

6. METHOD OF FINANCING AND FINANCIAL EFFECTS OF THE ACQUISITION

a. Method of Financing

The Manager intends to fund the Acquisition using a combination of debt and equity.

Sabana REIT's aggregate leverage (calculated as gross borrowings divided by total deposited property value) is expected to increase from 37.0% as at 30 June 2014 to approximately 38.1% after the Completion of the Acquisition, assuming approximately S$22.5 million of the Purchase Consideration will be funded by way of issue of Consideration Units to the Vendor at S$1.015 per Unit being last traded price as at 20 August 2014, with approximately S$27.5 million being the balance payable to the Vendor and approximately S$5.1 million being acquisition-related cost totalling S$32.6 million to be funded by debt. This is within the aggregate leverage limit of 60.0% for REITs which have obtained and disclosed to the public, a credit rating from Fitch Inc.,

Moody's or Standard and Poor's, as set out in the guidelines in Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore.

Standard and Poor's has, on 11 June 2014, re-affirmed its long term corporate credit rating of "BBB-" and "axA-" ASEAN scale rating with a stable outlook for Sabana REIT.

b. Disclosure Requirements

The relative figures for the Acquisition computed based on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST are set out below:

	As at the latest practicable date of 20 August 2014
Rule 1006 (a): Net asset value of the asset to be disposed of compared with Sabana REIT's net asset value	Not applicable
Rule 1006 (b): Net profits attributable to the asset acquired compared to Sabana REIT's net profits	4.8%[1]
Rule 1006 (c): Purchase consideration against market capitalisation of Sabana REIT	7.1%[2]
Rule 1006 (d): Number of Consideration Units to be issued to partly satisfy the Purchase Consideration against the number of units previously in issue	3.2%[3]

Note:

[1] Based on net property income which is a proxy to net profits for real estate investment trusts. The net property income of Sabana REIT is based on its last audited financial statements for the financial year ended 31 December 2013.

[2] The market capitalisation of Sabana REIT is calculated as at the close of business day on 20 August 2014.

[3] Assuming the issue price of the Agreed Consideration Units to be S$1.015 based on the latest traded price immediately before this announcement. Total number of units in issue is computed as at 20 August 2014.

Based on the computation under Rule 1006 (c), the Acquisition is a discloseable transaction under Chapter 10 of the Listing Manual.

c. Financial Effects

Based on the assumptions that approximately S$22.5 million of the Purchase Consideration will be funded by way of issue of Consideration Units to the Vendor at S$1.015 per Unit being last traded price as at 20 August 2014, with approximately S$27.5 million being the balance payable to the Vendor and approximately S$5.1 million being acquisition-related cost totalling S$32.6 million to be funded by debt, the following pro-forma financial effects are strictly for illustrative purposes only:

- If the Acquisition had been effected at the end of the financial year ended 31 December 2013 ("**FY2013**"), the Acquisition is not expected to have a material impact on Sabana REIT's audited consolidated net asset value ("**NAV**") per unit.

	FY 2013	
	Before the Acquisition	**After the Acquisition**
NAV (S$'000)	756,504	777,845
Units issued and to be issued ('000)	691,959	714,394
NAV per unit (S$)	1.09	1.09

- If the Acquisition had been effected at the end of the half year ended 30 June 2014 ("**1H2014**"), the Acquisition is not expected to have a material impact on Sabana REIT's audited consolidated NAV per unit.

	1H2014	
	Before the Acquisition	**After the Acquisition**
NAV (S$'000)	756,827	778,168
Units issued and to be issued ('000)	697,051	719,353
NAV per unit (S$)	1.09	1.08

- If the Acquisition had been effected at the beginning of FY2013, the distribution per unit ("**DPU**") of Sabana REIT in FY2013 would increase by 0.06 cent.

	FY 2013	
	Before the Acquisition	**After the Acquisition**
Distributable Income (S$'000)	61,755	64,153
Units issued and to be issued ('000)	691,959	714,394
DPU (cents)	8.92[1]	8.98

[1] Computed based on total distributable income of approximately S$61,755,000 for FY 2013 over total units issued and to be issued of approximately 691,959,000 as at 31 December 2013. Actual DPU declared in FY2013 was 9.38 cents, comprising 2.41 cents in 1Q, 2.40 cents in 2Q, 2.38 cents in 3Q and 2.19 cents in 4Q of FY2013.

- If the Acquisition had been effected at the beginning of 1H2014, the DPU of Sabana REIT for 1H2014 based on unaudited financial statements would increase by 0.05 cent.

	1H2014	
	Before the Acquisition	**After the Acquisition**
Distributable Income (S$'000)	26,044	27,243
Units issued and to be issued ('000)	697,051	719,353
DPU (cents)	3.74	3.79

7. INTEREST OF DIRECTORS AND CONTROLLING UNITHOLDERS

Based on the information available to the Manager, none of the directors of the Manager has any interest, direct or indirect, in the Acquisition. As at the date of this announcement, Sabana REIT does not have any controlling Unitholders.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the valuation report and the SPA are available for inspection during normal business hours at the registered office of the Manager at 151 Lorong Chuan #02-03 New Tech Park, Singapore 556741, for a period of three months commencing from the date of this Announcement.

By Order of the Board
Sabana Real Estate Investment Management Pte. Ltd.
(Company registration number 201005493K)
As Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

Kevin Xayaraj
Chief Executive Officer and Executive Director
21 August 2014

ABOUT SABANA REIT

Sabana REIT was listed on Singapore Exchange Securities Trading Limited on 26 November 2010. It was established principally to invest in income-producing real estate used for industrial purposes, as well as real estate-related assets, in line with Shari'ah investment principles. Sabana REIT currently has a diversified portfolio of 22 quality properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors. Its total assets amount to approximately S$1.2 billion.

Sabana REIT is listed in several indices within the Morgan Stanley Capital International, Inc (MSCI) Index, the Global Property Research (GPR) index, FTSE index and S&P Dow Jones Indices. Sabana REIT is assigned a BBB- 'long-term corporate credit rating' with a stable outlook by Standard & Poor's Rating Services.

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

For further information on Sabana REIT, please visit http://www.sabana-reit.com.

Important Notice

This announcement is for information only and does not constitute an offer, invitation or solicitation of securities in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, HSBC Institutional Trust Services (Singapore) Limited, as trustee of Sabana REIT, or any of their respective affiliates.

An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement is not an offer or sale of any Units in the United States. No Units have been or will be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States absent registration except pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act.

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