



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)

INTERESTED PERSON TRANSACTIONS

PROPOSED ACQUISITION OF 47 CHANGI SOUTH AVENUE 2 SINGAPORE 486148

1. INTRODUCTION

The Board of Directors ("**Board**") of Sabana Real Estate Investment Management Pte. Ltd., as manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (the "**Manager**" and "**Sabana REIT**" respectively), is pleased to announce that the Trustee has on 15 December 2016 entered into a conditional put and call option agreement (the "**Option Agreement**") with Freight Links Properties Pte Ltd (the "**Vendor**"), in relation to the proposed acquisition of 47 Changi South Avenue 2 Singapore 486148 (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. The Vendor is a subsidiary of the sponsor of Sabana REIT, Vibrant Group Limited (the "**Sponsor**").

Under the Option Agreement, the Trustee has been granted the right to require the Vendor to sell the Property to the Trustee (the "**Call Option**") and the Vendor has been granted the right to require the Trustee to purchase the Property (the "**Put Option**"). Pursuant to the terms of the Option Agreement, the Vendor and the Trustee are deemed to have entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") on the day the Call Option is exercised by the Trustee, or on the day the Put Option is exercised by the Vendor (as the case may be). The Call Option and the Put Option may only be exercised after, amongst other conditions precedent set out in paragraph 3 below, the JTC Corporation ("**JTC**") approves the sale of the Property to the Trustee pursuant to the terms of the Sale and Purchase Agreement, and the JTC approval conditions are accepted by the Trustee.

2. INFORMATION ON THE PROPERTY

The Property is a four-storey light industrial building within the Changi South Industrial Estate located on the north-western side of Changi South Avenue 2, off Xilin Avenue and approximately 17.0 km from the City Centre. It has a gross floor area ("**GFA**") of approximately 91,573 square feet ("**sq ft**"). The land area of the site on which the Property is located is approximately 58,698 sq ft. The Property is a JTC leasehold estate of 30 + 30 years tenure commencing from 16 November 1996, with a remaining tenure of approximately 40 years.

The Property was independently valued by Savills Valuation And Professional Services (S) Pte Ltd ("**Savills**") and Knight Frank Pte Ltd ("**Knight Frank**") (the "**Independent Valuations**") who were commissioned by the Trustee and the Manager respectively.

The Property was valued by Savills at S\$23.0 million as at 9 December 2016 using the direct comparison, income capitalisation approach and the discounted cash flow analysis valuation methods.

The Property was valued by Knight Frank at S\$23.0 million as at 9 December 2016 using the income capitalisation approach and the discounted cash flow analysis valuation methods.

3. DETAILS OF THE ACQUISITION AND LEASE (COLLECTIVELY, THE “TRANSACTION”)

On completion of the Acquisition, the Vendor and the Trustee will also enter into:

- a. A lease agreement (“**Lease Agreement**”) pursuant to which the Vendor will lease back 74% of the total GFA of the Property for a term of 10 years with rental escalation of one per cent per annum starting from year two. The Vendor’s lease is expected to commence in the first half of 2017.
- b. The Vendor will provide rental income support to Sabana REIT for the first three years, commencing from and including the date of the completion of Acquisition.
- c. A service agreement (“**Service Agreement**”) pursuant to which the Vendor will be appointed by Sabana REIT and paid a service fee of S\$1,000 per month (subject to Goods and Services Tax (“**GST**”)) to provide ancillary lease, property management and maintenance services in respect of managing the direct subtenants.

Upon completion of the Acquisition, the leases or licenses (as the case may be) to the other direct subtenants (which occupy 26 per cent of the remaining total GFA of the Property) will be assigned and/or novated (as the case may be) to Sabana REIT.

The purchase consideration for the Property, which shall be paid in cash, is S\$23.0 million (the “**Purchase Consideration**”), and was arrived at on a willing-buyer and willing-seller basis, taking into consideration the Independent Valuations conducted on the Property.

An acquisition fee of S\$230,000 (which amounts to 1.0% of the Purchase Consideration) is payable by Sabana REIT in units of Sabana REIT (“**Acquisition Fee Units**”) at the prevailing market price to the Manager for the Acquisition and Acquisition Fee Units are to be held by the Manager for a year from the date of issuance.

The total cost of the Acquisition is approximately S\$25.3 million (the “**Total Acquisition Cost**”), comprising the Purchase Consideration, the 3% stamp duty payable to the Inland Revenue Authority of Singapore (“**IRAS**”), the acquisition fee payable to the Manager and the professional and other fees and expenses payable in connection with the Acquisition, including an upfront land premium of S\$1.1 million payable by Sabana REIT to JTC in respect of the acquisition of the Property.

The Trustee has on this day, paid an option fee, which is equivalent to 1.0% of the Purchase Consideration (“**Option Fee**”), together with the GST thereon, amounting to S\$246,100, to the Vendor’s solicitors (the “**Stakeholder**”) who are authorised to acknowledge receipt and to hold the Option Fee as Stakeholder on the terms of the Option Agreement. On exercise of either the Call Option or the Put Option, the Option Fee shall be applied and held by the Stakeholder as the deposit payable by the Trustee under the Sale and Purchase Agreement.

The rent payable by the Vendor for the first year is approximately S\$2.1 million (including annual rental income support which is only applicable for the first three years, in respect of any rental shortfall in the net property rent collected by Sabana REIT (as landlord) arising from any departing direct subtenants in respect of that year) and subject to a rental escalation to be calculated at 1 per cent per annum starting from year two.

On the commencement of the lease term, the Sponsor will provide a corporate guarantee to the Trustee pursuant to a deed of guarantee and indemnity to be entered into between the Sponsor and the Trustee where, among others:

- a. The Sponsor will guarantee to the Trustee (as landlord) the Vendor's payment obligations under the Lease Agreement, where the Sponsor undertakes to pay to the Trustee any such sum due under the Lease Agreement as well as all losses, damages, indemnities, costs and expenses to which the Trustee is entitled under the Lease Agreement arising out of or in connection with such failure by the Vendor to fulfil its payment obligations.
- b. The Sponsor will also indemnify the Trustee for and against any failure by the Vendor to perform its obligations under the Lease Agreement (including all damages, losses, costs and expenses of whatever kind sustained or properly incurred by the Trustee as a result thereof) whether or not the Trustee or any other person has sought to enforce any rights against the Vendor in respect of that failure.
- c. The Sponsor will indemnify the Trustee from against any losses, costs, charges and expenses, including legal fees on a full indemnity basis, which the Trustee may sustain, suffer or incur as a consequence of any default in the payment of any amount or amounts under the Lease Agreement.

The valuation of the Property takes into account the rental income support to be provided by the Vendor under the Lease Agreement.

Savills and Knight Frank are of the opinion that the rental support is not unreasonable and is in line with general market practice for similar kinds of arrangement where rental support is given to compensate for lower passing rents (as compared to current market when vacant units and/or expiring leases are expected to be renewed or re-let at the prevailing market rents).

On the basis of the above, the Board of Directors of the Manager is of the view that the rental income support is on normal commercial terms and is not prejudicial to the interests of Sabana REIT and the holders of units in Sabana REIT ("**Unitholders**").

4. CONDITIONS PRECEDENT UNDER THE OPTION AGREEMENT

The right of the Trustee to issue and serve on the Vendor the notice for the exercise of the Call Option and the right of the Vendor to issue and serve on the Trustee the notice for the exercise of the Put Option under the Option Agreement are subject to certain conditions precedent including, but not limited to, the following:

- a. the Vendor and the Trustee having received, amongst other things, JTC's approval for the Acquisition;
- b. the aggregate leverage of Sabana REIT has not exceeded the aggregate leverage limit prescribed in Appendix 6 (Investment: Property Funds) of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("**Property Fund Appendix**");
- c. (unless specifically waived by the relevant Party in writing) a Party not being in breach of any provision of the Option Agreement or not having failed to perform and comply in all respects with any of the covenants and agreements referred to in the Option Agreement;
- d. (notwithstanding that the Sale and Purchase Agreement is not operative until exercise of the Put Option or the Call Option) unless specifically waived by Sabana REIT in writing, there being no breach of the Vendor of any of the Warranties in the Purchase Agreement, and none of the Warranties contained in the Sale and Purchase Agreement being unfulfilled, untrue or incorrect;
- e. the approval of the Unitholders passed at an extraordinary general meeting approving the Acquisition; and

- f. the successful equity fund raising by Sabana REIT, where applicable.

The Manager will make a further announcement when completion of the Acquisition has taken place, which is expected to be in the first half of FY 2017.

5. RATIONALE FOR THE TRANSACTION

The Manager believes that the Transaction will bring the following benefits to Unitholders:

a. The Transaction is in line with the Manager's Strategy

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

b. Strategically located Property with good transportation links

The Property is strategically located on the north-western side of Changi South Avenue 2, off Xilin Avenue, within Changi South Industrial Estate, and approximately 17.0 km from the city centre. The Property is within proximity of the East Coast Parkway, Pan Island Expressway, Tampines Expressway and the Expo MRT Station, which facilitate access to other parts of Singapore. The property is also in close proximity to Changi Business Park and Singapore Expo, Singapore's largest exhibitions and conventions facility.

c. Enhanced tenant diversification

The proposed Acquisition of the Property on a long leaseback term is expected to benefit Unitholders by improving asset and tenant diversification with the addition of a quality industrial building.

6. VALUE OF THE INTERESTED PERSON TRANSACTIONS

a. Value of the Transaction

As at the date of this announcement, the Manager is wholly-owned by Sabana Investment Partners Pte. Ltd., which is in turn a subsidiary of the Sponsor. The Sponsor therefore is regarded as a "controlling shareholder" of the Manager under both the Listing Manual of the SGX-ST ("**Listing Manual**") and the Property Funds Appendix. As the Vendor is a wholly-owned subsidiary of the Sponsor, the Vendor (being an associate of a "controlling shareholder" of the Manager) is (for the purposes of the Listing Manual) an "interested person" and (for the purposes of the Property Funds Appendix) an "interested party" of Sabana REIT.

Under Chapter 9 of the Listing Manual, where Sabana REIT 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 during the same financial year) is equal to or exceeds 5% of Sabana REIT's latest audited net tangible assets ("**NTA**"), Sabana REIT must make an immediate announcement and obtain Unitholders' approval. Under the Property Funds Appendix, Sabana REIT must also announce the transaction immediately and obtain Unitholders' approval if the transaction (either in itself or when aggregated with the value of other transactions with the same interested person during the current financial year) is equal to or greater than 5% of Sabana REIT's net asset value ("**NAV**").

Based on Sabana REIT's latest audited NTA of approximately S\$653.7 million for the financial year ended 31 December 2015 and Sabana REIT's latest audited NAV of approximately S\$653.7 million for

the financial year ended 31 December 2015, (a) the aggregate transaction value of the Transaction (comprising the Acquisition and the Lease) represents more than 5% of the latest audited NTA and NAV of Sabana REIT as at 31 December 2015; and (b) the aggregate value of the Transaction and all other transactions entered into with the Sponsor and its subsidiaries (the “**Sponsor Group**”) in the current financial year represents more than 5% of the latest audited NTA and NAV of Sabana REIT as at 31 December 2015.

The Transaction is an “interested person transaction” under Chapter 9 of the Listing Manual as well as an “interested party transaction” under the Property Funds Appendix, which is subject to Unitholders’ approval at a general meeting, of which such general meeting is expected to be convened before the end of the first half of FY 2017. The Manager will further announce details of arrangements to seek Unitholders’ approval in due course.

b. Value of Other Interested Person Transactions

As at the date of this announcement, the value of all other interested person transactions entered into between Sabana REIT and the Sponsor Group in the current financial year is approximately S\$10.1 million.

7. METHOD OF FINANCING AND FINANCIAL EFFECTS OF THE ACQUISITION

a. Method of Financing

The Acquisition may be funded by equity, borrowings or a combination of both, as the Manager may decide in its discretion, having regard to factors such as market conditions and the aggregate leverage of Sabana REIT.

b. Disclosure under Rule 1010(13) of the Listing Manual

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

	Percentage
Rule 1006 (a): Net asset value of the asset to be disposed of compared with the net asset value of Sabana REIT and its subsidiaries (the “ Group ”).	Not applicable
Rule 1006 (b): Net profits attributable to the asset acquired compared to the Group’s net profits.	2.8 % ⁽¹⁾
Rule 1006 (c): Purchase consideration against market capitalisation of Sabana REIT.	6.0 % ⁽²⁾
Rule 1006 (d): Number of equity securities issued by Sabana REIT as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
Rule 1006 (e): Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves. This basis is applicable to a disposal of mineral, oil and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) Based on net property income which is a proxy to net profits for real estate investment trusts. The net property income in respect of the Property is based on an assumed annual gross rental income of approximately S\$2.1 million from the leases of the Property less estimated property expenses of S\$0.1 million. The net property income of the Group based on its last audited financial statements for the financial year ended 31 December 2015 is S\$71.6 million.
- (2) This figure is based on Sabana REIT's volume weighted average price of S\$0.5153 per Unit on 14 December 2016, being the market date preceding the date of this announcement.

The Manager is of the view that the Acquisition is in the ordinary course of Sabana REIT's business as it is within the investment policy of Sabana REIT and does not change Sabana REIT's risk profile. As such, the Acquisition should therefore not be subject to Chapter 10 of the Listing Manual. However, for purposes of disclosures, as the applicable relative figures computed under Rule 1010 exceed 5%, the Manager has announced the Acquisition in accordance with Rule 1010 (as applicable to a disclosable transaction).

c. Pro Forma Financial Effects of the Acquisition

The pro forma financial effects of the Acquisition on the distribution per Unit ("DPU") and the NAV per Unit, and the pro forma capitalisation of Sabana REIT presented below are **strictly for illustrative purposes only**, and were prepared based on the audited consolidated financial statements of Sabana REIT for FY 2015, taking into account the Total Acquisition Cost and assuming that:

- (i) Scenario 1: the Total Acquisition Cost (inclusive of the Acquisition Fee) had been fully funded by equity;
- (ii) Scenario 2: the Total Acquisition Cost had been funded using Sabana REIT's target gearing level of 40% borrowings and 60% equity; and
- (iii) for FY 2015, the Manager had elected to receive 80.0% of its base management fee in Units and the remaining 20.0% in cash.

The pro forma financial effects are purely for illustrative purposes only and do not represent the actual financial position and performance of Sabana REIT after completion of the Acquisition.

Pro Forma DPU**FOR ILLUSTRATIVE PURPOSES ONLY:**

The pro forma financial effects of the Acquisition on the Group's DPU for FY 2015, as if the Acquisition was completed on 1 January 2015 and Sabana REIT held and operated the Property through to 31 December 2015 are as follows:

	FY 2015		
	Before the Acquisition	After the Acquisition	
		Scenario 1	Scenario 2
Distributable income (S\$'000)	50,135	52,104	51,713 ⁴
Units issued and to be issued ('000)	734,027 ¹	783,255 ²	763,639 ³
DPU (cents)	6.85	6.67	6.79 ⁴

Notes:

- (1) Number of Units issued and to be issued as at 31 December 2015.
- (2) **Purely for illustrative purposes only:** Includes approximately 49.2 million Units issued at an illustrative issue price of S\$0.5153 per new Unit under an equity fund-raising exercise to fully fund the Total Acquisition Cost (inclusive of 0.4 million Units to be issued as Acquisition Fee Units) and 80% of the base management fees for FY 2015 is payable to the Manager in Units.
- (3) **Purely for illustrative purposes only:** Includes approximately 29.6 million Units issued at an illustrative issue price of S\$0.5153 per new Unit under an equity fund-raising exercise to fund 60% of the Total Acquisition Cost (inclusive of 0.4 million Units to be issued as Acquisition Fee Units) and 80% of the base management fees for FY 2015 is payable to the Manager in Units.
- (4) **Purely for illustrative purposes only:** assuming all-in cost of new borrowings to fund 40% of the Total Acquisition Cost was 4.2%, being the average all-in cost of borrowings as at 31 December 2015.

Pro Forma NAV**FOR ILLUSTRATIVE PURPOSES ONLY:**

The pro forma financial effects of the Acquisition on the Group's NAV per Unit as at 31 December 2015 as if the Acquisition was completed on 31 December 2015 are as follows:

	31 December 2015		
	Before the Acquisition	After the Acquisition	
		Scenario 1	Scenario 2
NAV (S\$'000)	653,741	677,841	667,733
Units issued and to be issued ('000)	734,027 ¹	783,068 ²	763,452 ³
NAV per unit (S\$)	0.89	0.87	0.87

Notes:

- (1) Number of Units issued and to be issued as at 31 December 2015.
- (2) **Purely for illustrative purposes only:** Includes approximately 49.0 million Units issued at an illustrative issue price of S\$0.5153 per new Unit under an equity fund-raising exercise to fund 60% of the Total Acquisition Cost (inclusive of 0.4 million Units to be issued as Acquisition Fee Units).
- (3) **Purely for illustrative purposes only:** Includes approximately 29.4 million Units issued at an illustrative issue price of S\$0.5153 per new Unit under an equity fund-raising exercise to fund 60% of the Total Acquisition Cost and (inclusive of 0.4 million Units to be issued as Acquisition Fee Units).

Pro Forma Capitalisation

FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma capitalisation of the Group as at 31 December 2015, as if the Acquisition was completed on 31 December 2015, is as follows:

	31 December 2015		
	Before the Acquisition	After the Acquisition	
		Scenario 1	Scenario 2
Current			
Secured borrowings (S\$'000)	147,288	147,288	147,288
Non-Current			
Unsecured borrowings (S\$'000)	230,696	230,696	230,696
Secured borrowings (S\$'000)	103,100	103,100	113,208 ¹
Total borrowings (S\$'000)	481,084	481,084	491,192
Unitholders' funds (S\$'000)	653,741	677,841 ²	667,773 ³
Total capitalisation (S\$'000)	1,134,825	1,158,925	1,158,925

Notes:

- (1) **Purely for illustrative purposes only:** Includes S\$10.1 million of secured borrowings drawn to fund 40% of the Total Acquisition Cost.
- (2) **Purely for illustrative purposes only:** Includes S\$25.3 million of additional Unitholders' fund (or approximately 49.0 million new Units issuable at an illustrative price of S\$0.5153 per new Unit) issued to fund 100% of the Total Acquisition Cost (inclusive of 0.4 million Units to be issued as Acquisition Fee Units).
- (3) **Purely for illustrative purposes only:** Includes S\$15.2 million of additional Unitholders' fund (or approximately 29.4 million new Units issuable at an illustrative price of S\$0.5153 per new Unit) issued to fund 60% of the Total Acquisition Cost (inclusive of 0.4 million Units to be issued as Acquisition Fee Units).

8. STATEMENT OF THE AUDIT COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 917(4)(a)(ii) of the Listing Manual, the audit committee of the Manager, comprising Mr Yong Kok Hoon, Mr Lim Kok Hoong and Ms Ng Shin Ein (the "**Audit Committee**"), will obtain an opinion from an independent financial adviser (the "**IFA**"), to be appointed in due course, on whether or not the Transaction is (a) on normal commercial terms and (b) prejudicial to the interests of Sabana REIT and its minority Unitholders.

The Audit Committee will form its views after taking into account the opinion of the IFA.

9. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDERS

As at the date of this announcement, certain directors of the Manager collectively hold an aggregate direct and indirect interest in 28,277,112 Units.

A Non-Executive Director of the Manager, Mr Henry Chua, is currently the Executive Director and Chief Corporate Development Officer of the Sponsor. Mr Chua also holds the position of Executive Director in a number of other subsidiaries of the Sponsor.

Saved as disclosed above and based on the information available to the Manager as at the date of this announcement, none of its Directors (other than in his capacity as a Director or Unitholder in

Sabana REIT) has any interest, direct or indirect, in the Transaction. As at the date of this announcement, Sabana REIT does not have any controlling Unitholders.

10. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Manager in connection with the Transaction or any other transaction contemplated in relation to the Transaction.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the valuation reports issued by Knight Frank and Savills and the Option Agreement are available for inspection, with prior appointment, 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

15 December 2016

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 21 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\$1.1 billion.

Sabana REIT is listed in several indices within the SGX S-REIT Index, Morgan Stanley Capital International, Inc (MSCI) Index, the Global Property Research (GPR) index, FTSE index and S&P Dow Jones Indices.

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 in Sabana REIT ("Units") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, HSBC Institutional Trust Services (Singapore) Limited, as trustee of Sabana 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 of any Units in the United States. The Units have not been and will not 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.

This announcement is not to be distributed or circulated outside of Singapore. Any failure to comply with this restriction may constitute a violation of United States securities laws or the laws of any other jurisdiction.