**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)

**CLARIFICATION ANNOUNCEMENT ON THE NEWS ARTICLE PUBLISHED IN THE STRAITS TIMES**

Sabana Real Estate Investment Management Pte Ltd, as manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT", as the manager of Sabana REIT, the "Manager") refers to the news article published on 25 January 2017 by The Straits Times titled "Angry investors want Reit manager kicked out".

The Manager wishes to make the following clarifications in response to following areas in the article.

- "…Sabana Real Estate Investment Management, which collects multimillion-dollar fees every year for performance, acquisitions and divestments,…"

  The Manager's fee structure is in line with market practice in the Singapore REIT sector and the fee structure is set out in the Trust Deed constituting Sabana REIT. The fee structure is also disclosed in Sabana REIT's IPO prospectus and its annual reports.

  Since IPO till date, the Manager has elected to receive 80% of the fees in units and 20% in cash. By accepting the majority of its management fees in units, the Manager takes a vested interest in the performance of Sabana REIT. This is in alignment with the Unitholders' interests.

- "…who bought into the REIT at an average price of about $1, only to see the price fall steeply, closing at 37 cents yesterday."

  The Manager wishes to clarify that 37 cents was the closing price of the Units on 24 January 2017, which is after the closing date for subscription of the Rights Issue. This price therefore takes into account the new units issued at S$0.258 pursuant to the Rights Issue. The Manager also wishes to highlight that the Rights Issue received strong support from the Unitholders and was oversubscribed by approximately 209.1%.

  Sabana REIT share price performed reasonably well in the first three years post listing as almost all the properties were under triple net master leases. As disclosed in the IPO prospectus, master leases would start to expire in 4Q2013 and most of them were not renewed. As a result, the affected properties were converted into multi-tenanted buildings which resulted in the REIT taking up expenses such as land rent, property tax and maintenance. This was made more challenging in the midst of lacklustre economic growth and policy changes on anchor / non-anchor subletting rules.

- "In the last few years, the manager has purchased a number of properties at a high price that don't really add a lot of value to the company, and management is able to bypass unit holders most of the time."

  The Manager wishes to clarify that all acquisitions are carefully considered by the Manager and are supported by independent property valuations which are based on valuation methodologies adopted by REITs and are in line with market practice.

  All acquisitions were approved by the Board of Directors in accordance with the Property Funds Appendix and the SGX-ST Listing Manual.

- "…Reit's decision last month to buy three properties in Eunos and Changi for $77.5 million and fund the deals by a dilutive rights issue…but the price fell off a cliff after the rights issue was announced on Dec 20."

  The Manager has carefully evaluated the recent proposed acquisitions of the three properties in Eunos and Changi and the rationale for the acquisitions has been clearly set out in the announcements and the Offer Information Statement issued by the Manager. To reiterate, the rationale of acquiring these 3 properties via a Rights Issue include:

  1. Good opportunity to acquire three strategically located quality assets in Singapore;
  2. The rental arrangements of the proposed acquisitions provide stability and downside protection;
  3. Enhance asset and tenant diversification of Sabana REIT and increase its weighted average lease expiry;
  4. Increase Sabana REIT's portfolio size, strengthen its balance sheet and increase its financial flexibility. Upon successful completion of the Rights Issue, the aggregate leverage (as at 30 September 2016) is expected to be reduced from approximately 41.5% to approximately 39.2% on a pro forma basis ;
  5. The Rights issue will provide opportunities for existing Eligible Unitholders to participate in an equity fund raising exercise; and
  6. The Rights Issue may improve Sabana REIT's trading liquidity.

  Despite the subdued outlook expected for the global economy and the Singapore industrial property market, the Manager will continue to stay proactive in managing the lease expiry profile and maintain rigorous marketing and leasing efforts to increase the REIT's portfolio occupancy. The Manager is also very focused on actively managing Sabana REIT's cost and remains committed to enhancing the REIT's portfolio to deliver a stable income stream to the Unitholders. We hold all our Unitholders in high regard and value their feedback. We are committed to constructively engaging with Unitholders in a compliant and transparent manner.

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
26 January 2017

**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$1.0 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.

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