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)

ANNOUNCEMENT

RESPONSES TO ADDITIONAL SUBSTANTIAL AND RELEVANT QUESTIONS FROM SABANA UNITHOLDERS

DEADLINE FOR SUBMISSION OF PROXY FORMS ON 1 DECEMBER 2020

The Board of Directors (the "**Board**") 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 "**Sabana Manager**") refers to:

(a) the scheme document (the "**Scheme Document**") despatched electronically to the unitholders of Sabana REIT ("**Sabana Unitholders**") on 12 November 2020 in relation to the proposed amendments to the Sabana Trust Deed and the merger (the "**Merger**") of ESR-REIT and Sabana REIT by way of a trust scheme of arrangement (the "**Scheme**");

(b) the announcement dated 20 November 2020 in relation to Sabana Manager's response to the first set of substantial and relevant questions received from the Sabana Unitholders; and

(c) the announcement dated 27 November 2020 in relation to the SIAS-Sabana REIT Virtual Dialogue Session held on 25 November 2020 and facilitated and moderated by Securities Investors Association (Singapore).

Unless otherwise defined, all capitalised terms in this Announcement shall bear the same meaning as set out in the Scheme Document.

RESPONSES TO ADDITIONAL QUERIES FROM SABANA UNITHOLDERS

The Sabana Manager wishes to thank Sabana Unitholders for their questions in advance of the extraordinary general meeting ("**EGM**") and the scheme meeting ("**Scheme Meeting**"), which will be held by electronic means on **Friday, 4 December 2020** at **2.00 p.m.** and **2.30 p.m.** respectively. Sabana Manager's responses to the second set of substantial and relevant questions received to date from the Sabana Unitholders, including unanswered questions raised during the SIAS-Sabana REIT Virtual Dialogue Session, are set out in the Appendix to this Announcement. Sabana Manager values the questions which have been raised by Sabana Unitholders and has sought to respond to all substantial and relevant questions to the best of the Sabana Manager's knowledge and based on the latest information available.

CLARIFICATION OF BUSINESS TIMES ARTICLE

The Sabana Manager notes that The Business Times has published an article on 28 November 2020 titled **"*Proxy advisers Glass Lewis, ISS recommend proposed merger of Sabana and ESR-Reit*"** in relation to the recommendations of Glass Lewis and ISS. Sabana Unitholders should note that Glass Lewis and ISS are independent third party proxy advisers who have provided voting recommendations specifically to their clients. Sabana Unitholders should review the Scheme Document (including the opinion from the Sabana IFA and the recommendations of the Sabana Independent Directors) issued by the Sabana Manager so as to consider and evaluate the merits of the Merger and the Scheme and vote accordingly at the EGM and the Scheme Meeting.

IMPORTANT REMINDER

Sabana Unitholders are also urged to exercise their voting rights at the coming EGM and Scheme Meeting by completing and submitting the two proxy forms, namely Proxy Form A (EGM) (green-coloured) and Proxy Form B (Scheme Meeting) (beige-coloured), in the following manner:

(i) if submitted electronically, be submitted via email to sabana-meetings@boardroomlimited.com; or

(ii) if submitted by post, be lodged at the office of the Boardroom Corporate & Advisory Services Pte. Ltd. (the "**Unit Registrar**") at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

Sabana Unitholders are reminded that Proxy Form A (EGM) must reach the Unit Registrar **NO LATER THAN 1 December 2020** at **2.00 p.m.** and Proxy Form B (Scheme Meeting) must reach the Unit Registrar **NO LATER THAN 1 December 2020** at **2.30 p.m.**.

By Order of the Board

Sabana Real Estate Investment Management Pte. Ltd.
(Company registration no: 201005493K, Capital markets services licence no: CMS100169)
As Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

Han Yong Lee (Donald)
Chief Executive Officer
28 November 2020

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Appendix

Question 1:

Will Sabana Reit shareholder be at [the] losing end for this merger?

We firmly believe the Merger is beneficial to Sabana Unitholders for the following reasons:

(a) The Merger has a historical pro forma distribution per unit ("**DPU**") accretion of 12.9%, the highest among precedent S-REIT mergers.

This DPU accretion is mainly due to interest cost savings from refinancing Sabana REIT's existing borrowings at a lower interest rate of 2.5% per annum at the Enlarged REIT. The loan agreements are already signed.

(b) The Merger has compelling transaction rationale. Sabana REIT, being the smallest industrial REIT, has been facing increasingly intense competition from the bigger players since inception. The COVID-19 pandemic has made things even more uncertain and challenging.

The Merger, which is a unit-for-unit merger, offers a platform of greater scale, diversity and enhanced portfolio resilience for Sabana REIT to overcome the constraints of being a small standalone REIT and to better withstand macroeconomic uncertainties by:

- Accelerating Sabana REIT's growth and immediately propelling it to be amongst the largest industrial REITs in Singapore
- Increasing the possibility of inclusion in key indices, which offer the benefits of higher trading liquidity and a potential re-rating
- Enhancing financial flexibility and improving access to wider pools of capital and lower cost of funds to drive growth via asset enhancement or redevelopment initiatives and value-accretive acquisitions, with lower execution risks
- Placing Sabana REIT in a stronger position to undertake initiatives to improve and rejuvenate the portfolio at lower costs and minimum execution risks.
- Improving its growth prospects by leveraging the ESR Group's strong network and pipeline of assets.

(c) Sabana REIT's independent financial adviser ("**IFA**") is of the opinion that the financial terms of the Merger are fair and reasonable based on the considerations as set out in its IFA letter. Sabana Unitholders are strongly encouraged to carefully review the IFA letter in Appendix C of the Scheme Document.

(d) This Merger is a unit-for-unit merger and not an asset sale and the merger will allow Sabana Unitholders to receive Consideration Units (if the Merger is approved) and stay invested in the Enlarged REIT to benefit from any potential upside from the Enlarged REIT's portfolio of assets for the long term.

Question 2:

Are there other means of cooperation apart from this merger to benefit both REITS? Have we considered those means instead before deciding on the merger proposal?

- The Sabana Manager is open to exploring viable options that will benefit the REIT and its unitholders for the long term. However, co-operation, where possible in areas that the two entities do not compete, will not yield significant benefits. The proposed Merger is the only offer that the Board has received since its independent strategic review in 2017.

- After careful evaluation of the commercial terms of the Merger and the compelling transaction rationale for unitholders, as set out in Paragraph 2.4 of the Scheme Document (namely, (a) the creation of a sizeable and liquid S-REIT, (b) enhanced portfolio diversification, strength and resilience, (c) improved growth outlook, (d) enhanced balance sheet flexibility and cost of capital and (e) DPU accretion for Sabana Unitholders on a historical pro forma basis), the Board believes the Merger is beneficial to its unitholders in the long term and hence decided to put forth the Merger to unitholders to vote.

If the merger does not go through, what is Plan B?

- The Sabana Manager will continue to focus on enhancing Sabana REIT's portfolio returns through leasing activities and asset enhancement initiatives ("**AEIs**") to provide stable returns to unitholders, but this will take a significantly longer time as the REIT will still be one of the smallest REITs and will therefore face the following challenges:
  (a) Limited financing resources to fund growth
  (b) Higher cost of funds due to higher credit and portfolio risk
  (c) Lower development limit to undertake more frequent and larger AEIs to rejuvenate the portfolio
  (d) Higher vacancy rate and financial impact from loss of revenue due to downtime from AEIs and/or redevelopments
  (e) Overseas expansion will be more difficult [to execute[without the network and pipeline that a strong sponsor can provide

- The better option is therefore to capitalise on the proposed merger with ESR-REIT to create a more sizeable, more liquid and more resilient platform. The Sabana Manager wants to be well-positioned to capitalise on opportunities that may arise from the recovery in demand for industrial / logistics space when the economy picks up, but it would be challenging to execute such strategic initiatives as a sub-scale REIT.

Question 3:

(i) When would be the estimated timeline for the Manager to release the retained DPU before the acquisition, if the cash retained was not utilized as rebate?

- If the Merger is approved**,** clean-up distribution accruing up to the day before the Scheme becomes effective (the "**Effective Date**") will be declared in favour of existing Sabana Unitholders. Based on the Expected Timetable in the Scheme Document (Pg 19), payment of clean-up distribution is expected to be made on 5 January 2021, assuming an expected 31 December 2020 Effective Date and a 30 December 2020 books closure date for determining Sabana Unitholders' entitlement to the clean-up distribution.

- The clean-up distribution includes (i) the distribution for 1 July 2020 to the day immediately before the Effective Date and (ii) the S$6.1 million, to the extent unutilised, which was previously retained in 1H2020 for prudent cashflow management in view of uncertainties arising from the COVID-19 pandemic.

- Such clean-up distribution is payable **<u>in addition</u>** to the Scheme Consideration.

- However, if the Merger <u>is not</u> voted successfully, the Sabana Manager will endeavour to make distribution in ordinary course of business, taking into consideration various factors including market outlook and cash flow required for working capital for the business of Sabana REIT after the reporting of its half-yearly results.

(ii) I am generally unsatisfied with ESR REIT's offer and will vote no to this acquisition.

- We believe Sabana Unitholders looking to maximise the value of their investments would be better off with the proposed Merger as it will help to accelerate Sabana REIT's growth and propel the Sabana REIT immediately to be amongst the largest industrial REITs in Singapore as part of the Enlarged REIT. The enhanced scale will enable Sabana REIT to be more competitive, while the larger asset and tenant base from the merger will put Sabana REIT in a stronger position to undertake initiatives to improve and rejuvenate the portfolio at lower costs with minimised execution risks as part of the Enlarged REIT.

Question 4:

Why is Sabana REIT not merging with ESR-REIT one-to-one, Is Sabana REIT offer to ESR-REIT too cheap?

- The Scheme Consideration is based on a fixed gross exchange ratio ("**GXR**") of 0.940x, which represents a **premium to historical GXRs**, and was agreed upon by the Sabana Manager's and ESR-REIT's boards after heavy negotiations and considering various factors.

- The GXR is derived from both the REIT's respective unit prices, which is the market's reflection of the REIT's valuation. This methodology is generally accepted by the finance practitioners and is consistent with various precedent S-REIT mergers.

- As stated in Paragraph 4 of Appendix A to the Scheme Document, factors taken into account before arriving at the GXR include:
  (a) The prevailing and historical relative market prices of the Sabana Units and the ESR-REIT Units,
  (b) The NAVs of Sabana REIT and ESR-REIT, prevailing and historical prices to NAV per unit, distribution yield, market capitalisation, trading liquidity, capital structure, debt costs and debt tenor of each of Sabana REIT and ESR-REIT,
  (c) The market conditions and market value of the respective property portfolios,
  (d) Relevant precedent trust scheme transactions in Singapore and
  (e) The resulting pro forma financial impact of the Merger on Sabana REIT and ESR-REIT.

- The current Scheme Consideration and GXR have been negotiated extensively to take into account the interests of both groups REIT's unitholders in order to create a "win-win" and balanced outcome for both. Through this Merger, both REITs' unitholders will stand to benefit from an Enlarged REIT with an enhanced and diversified portfolio, improved organic growth opportunities, better access to wider pools of capital at lower costs, while being well-supported by a strong and committed developer-sponsor.

Question 5:

Why should Sabana be in a merger when NAV is much higher than the offer? It is obvious that by closing down Sabana, strip selling all asset could potentially realize the NAV, which is at least 20% in excess of the merger value?

- There is no guarantee that the sale consideration of an asset sale will be at or above valuation. There is also risk of better- quality assets being sold, with weaker assets being left in a sub-scale portfolio.

- Since the independent strategic review conducted in 2017, **the Merger is the only offer** that the Board has received (**either for the Sabana Units or Sabana REIT's entire portfolio**).

- The Scheme Consideration is based on a fixed GXR of 0.940x, which represents a **premium to historical GXRs.**

- The GXR is derived from both the REIT's respective unit prices, which is the market's reflection of the REIT's valuation. This methodology is generally accepted by the finance practitioners and is consistent with various precedent S-REIT mergers.

- Given that this is a **unit-for-unit merger, the GXR is the relevant metric**. While NAV is a pertinent evaluation consideration, it should not be the only factor when considering the merits of the Merger and Sabana Unitholders should also take into consideration other factors, such as the historical pro forma DPU accretion (which is the highest among prior S-REIT mergers) and compelling transaction rationale (as set out in Paragraph 2.4 of the Scheme Document).

- Unlike an asset sales whereby unitholders lose their interest in their investment and do not get to reap any future upside, the unit-for-unit Merger offers Sabana Unitholders Consideration Units and the option to stay invested in an even larger, stronger, and more resilient platform, and continue to reap the potential upside of both Sabana REIT's and ESR-REIT's assets.

- Unitholders looking to maximize the value of their investments would be better off rolling their investment into the Enlarged REIT which will be able to compete more effectively in the industrial S-REIT space.

- We therefore believe that this Merger offers long-term upside to Sabana Unitholders as a result of the Enlarged REIT's greater size, diversification and resilience, which are particularly relevant in the current uncertain environment. An outright sale would not achieve this. Moreover, there are several challenges that one would need to consider when selling part of, or the entire property portfolio of Sabana REIT, as outlined in Appendix A to the Scheme Document:

  - The Singapore industrial sector is heavily regulated by JTC
  - Risk of better-quality assets being sold, with weaker assets remaining in a sub-scale portfolio; this will in turn impact Sabana REIT's ability to grow accretively going forward
  - Execution risks of putting up material assets for sale which may impact ongoing and future tenancies.

Question 6:

For the extension at New Tech Park, can you please comment on the progress? Ie. Completion date, GFA added, % leased, tenant profile.

- As reported in our 3Q2020 interim business update, construction of the new mall at New Tech Park is expected to be completed in 1Q2021. Its total GFA spans approximately 43,000 sq ft and more than 50% of the retail units under Phase 1 of the mall's opening have been leased to a mix of established and 'new to the market' retail and F&B tenants, including Collins, Wine Connection and Dutch Colony Coffee. Leases at the food court space under Phase 2 are also being negotiated.

Question 7:

Will the board and management resign if the merger fails?

- The Sabana Manager's Board and management team are committed to creating value in the interest of all unitholders.

- If the Merger is not approved, the Sabana Manager will continue to focus on enhancing Sabana REIT's portfolio returns through leasing activities and AEIs to provide stable returns to unitholders. However, the REIT will face the following challenges as it will remain as one of the smallest REITs in Singapore:
  (a) Limited financing resources to fund growth
  (b) Higher cost of funds due to higher credit and portfolio risk
  (c) Lower development limit to undertake more frequent and larger AEIs to rejuvenate the portfolio
  (d) Higher vacancy rate and financial impact from loss of revenue due to downtime from AEIs and/or redevelopments
  (e) Overseas expansion will be more difficult [to execute] without the network and pipeline that a strong sponsor can provide

Why did you propose the merger when you have not received any committed support from independent unitholders?

- As both Sabana REIT and ESR-REIT are listed entities and given that the Merger is highly price-sensitive, the managers of both REITs had to approach the deal with care and maintain strictest confidentiality to minimize any risk of leakage which would have jeopardised the execution of the Merger. As such, the Sabana Manager was not able to carry out any prior engagement with its unitholders until l the proposal is final and ready to be announced to all unitholders.

- The Sabana Manager has actively reached out to and invited unitholders for meetings in the course of its investor outreach subsequent to the launch of the Scheme, to understand and address unitholders' issues and concerns.

Why did you not add in the contribution from 151 Lorong Chuan in your calculation?

- The preparation of the pro forma financial effects follows strict accounting guidelines that only allows adjustments directly related to the Merger to be made. The financial effects have also been prepared in accordance with the financial reporting standards, as reviewed by the Reporting Accountant. As disclosed in Sabana REIT's 1H2020 results presentation, the retail component is envisaged to be completed in 1Q2021 and cannot be directly attributed to the Merger.

Question 8:

Does this merger give Sabana management an easy exit from working to create value internally? Are they biased in seeing the benefits of the merger instead of negotiating better for its unitholders?

- The Sabana Manager wants to do more and grow Sabana REIT even faster, so as to better deliver returns to unitholders, and believes that it will be better able do so as part of an Enlarged REIT with greater scale and enhanced financial flexibility, as well as more visible acquisition opportunities given that the Enlarged REIT will get to have 'first look' at the US$26 billion pipeline of assets in APAC that the Enlarged REIT's sponsor, ESR Cayman, can provide.

- While Sabana REIT can continue as a standalone REIT and grow by undertaking AEIs, it will be more challenging and will take a significantly longer time for Sabana REIT to do so, due to challenges such as having limited debt headroom and being more affected by the loss of DPU when any one asset is shut down for AEIs.

Question 9:

Wouldn't it be more beneficial for S unitholders if the manager raises more debt & undertakes AEIs to enhance the portfolio & utilize plot ratios rather than undertake this merger at discounted NAV?

- The Sabana Manager wants to undertake more AEIs, but Sabana REIT has limited debt headroom for funding such AEIs as banks have historically lent to the REIT on a secured basis, and with 94% of the REIT's assets already encumbered, the REIT can only potentially obtain up to S$26 million of new loans.

- With the Merger, however, the Enlarged REIT will have a larger debt headroom, greater financial flexibility and more competitive cost of funding. This will accelerate the growth process as AEI plans can be executed at lower cost and with minimum execution risks.

- As a standalone REIT, it will be more challenging and will take a significantly longer time for Sabana REIT to maximise its untapped gross floor area ("**GFA**"). However, following the Merger, the Enlarged REIT may potentially benefit from optimising its untapped GFA given that:
  (a) The closing down of assets may not adversely impact DPU as much or may potentially be negligible, given that each asset accounts for a much smaller proportion of the portfolio;
  (b) More flexible leasing arrangements may be made with existing tenants who still have leases running (e.g., relocating existing tenants to other assets within the portfolio) as the portfolio is larger with alternative assets which may suit tenant requirements;
  (c) The cost of funding these redevelopments can be cheaper, resulting in higher returns; and
  (d) The Enlarged REIT will have an increased development headroom under the Property Funds Appendix, given the larger portfolio.

Question 10:

To keep things short, shareholders are not happy with the offer. I don't mind a merger, but I want a higher share swap ratio than 0.94. 6% additional premium to match 1 to 1 would seems fairer.

- The Scheme Consideration is based on a fixed GXR of 0.940x which represents a **premium to historical GXRs**, and was agreed upon by the Sabana Manager's and ESR-REIT's boards after heavy negotiations and considering various factors.

- As stated in Paragraph 4 of Appendix A to the Scheme Document, factors taken into account before arriving at the GXR include:
  (a) The prevailing and historical relative market prices of the Sabana Units and the ESR-REIT Units,
  (b) The NAVs of Sabana REIT and ESR-REIT, prevailing and historical prices to NAV per unit, distribution yield, market capitalisation, trading liquidity, capital structure, debt costs and debt tenor of each of Sabana REIT and ESR-REIT,
  (c) The market conditions and market value of the respective property portfolios,
  (d) Relevant precedent trust scheme transactions in Singapore, and
  (e) The resulting pro forma financial impact of the Merger on Sabana REIT and ESR-REIT.

- The GXR is based on the unadjusted unit prices, which reflects the "market-to-market" nature of the transaction. This methodology is generally accepted by finance practitioners and is consistent with various precedent S-REIT mergers.

- The Scheme Consideration and GXR have been negotiated extensively to take into account the interests of both REITs' unitholders to create a "win-win" and balanced outcome for both. Through this Merger, both REITs' unitholders will stand to benefit from an Enlarged REIT with an enhanced and diversified portfolio, improved organic growth opportunities, better access to wider pools of capital at lower costs, while being well supported by a strong and committed developer-sponsor.

Question 11:

NAV is also a valuation done by property valuers to determine the price of underlying asset. What is stopping SABANA from selling everything and close down the REIT, returning $$ back to shareholder?

- There are practical challenges to selling part of, or the entire property portfolio of, Sabana REIT. Some of these challenges include:
- Unlike other property sectors, the Singapore industrial sector is heavily regulated by JTC, with only approved buyers (e.g. qualified end-users, REITs and CMS licensed entities) allowed to acquire properties on JTC land. There are also other assignment policies in place such as:
  (a) Moratorium period for assignment/sale;
  (b) Value-adding criteria whereby prospective end-buyers are subject to JTC's assessment of their proposed usage, current utilisation of space, business plan and value to be generated from their business for the next five years; and
  (c) Requirement for sales to be approved not only by JTC, but also other authorities, such as URA, NEA and LTA.
  (d) Transactions involving JTC properties typically take more than six months to review and if approval is not granted, the whole marketing process for the property has to be repeated.
- A sale of a property portfolio runs the risk of better-quality assets being sold, and weaker assets being left behind in a sub-scale portfolio; this will in turn hinder growth; and
- Execution risks of putting up material assets for sale. A delay in or failure to achieve the sale outcome due to regulations may impact ongoing and future tenancies, as tenants may be concerned with the identity and stability of their landlords.

Question 12:

With this merger, can we have savings on the Directors fees & Management fees?

- The managers of ESR-REIT and Sabana REIT have the flexibility to receive their management base fee in units or cash under their respective trust deeds. With the Enlarged REIT adopting ESR-REIT's management fee structure, the interests of its unitholders and its manager will be more aligned, and is one of the reasons for an immediate pro forma DPU accretion of 12.9% on a historical pro forma basis, the highest among prior S-REIT mergers. Additionally, with ESR-REIT's management fee structure, the Enlarged REIT's manager remains incentivised to drive DPU growth going forward.

- The directors' fees are payable by the manager of the Enlarged REIT and not by the unitholders of the Enlarged REIT.

Question 13:

Sabana's NAV of 0.51 vs. ESR's NAV of 0.433, yet the merger yield Sabana unitholders holder 0.94 of ESR unit. Not to mention higher debt gearing into the merger. How does it compare to sale?

- The Scheme Consideration is based on a fixed GXR of 0.940x, which represents a **premium to historical GXRs**, and was agreed upon by both REIT managers' boards after extensive negotiations to take into account the interest of both REITs' unitholders in order to create a "win-win" and balanced outcome for both. The GXR is not computed directly by applying the ratio of the REITs' NAV per unit.
- As stated in Paragraph 4 of Appendix A to the Scheme Document, factors taken into account in arriving at the gross exchange ratio include:
  (a) The prevailing and historical relative market prices of the Sabana Units and the ESR-REIT Units,
  (b) The NAVs of Sabana REIT and ESR-REIT, prevailing and historical prices to NAV per unit, distribution yield, market capitalisation, trading liquidity, capital structure, debt costs and debt tenor of each of Sabana REIT and ESR-REIT,
  (c) The market conditions and market value of the respective property portfolios,
  (d) Relevant precedent trust scheme transactions in Singapore, and
  (e) The resulting pro forma financial impact of the Merger on Sabana REIT and ESR-REIT.

- Banks look not only at gearing, but at many factors when assessing the credit risk of a potential REIT borrower These include the quality and portfolio risk of the REIT's portfolio, the level of secured vs unsecured debt, the percentage of unencumbered properties in the portfolio, the strength of the sponsor and the debt expiry profile. Having greater scale and diversity, among other things, will decrease a REIT's credit risk profile and better position it to obtain lower cost debt. This is evident from the fact that three of the four banks lending to ESR-REIT for the Merger are currently lending to Sabana REIT at an interest rate of 3.8% per annum on a secured basis, whereas the Enlarged REIT is able to obtain a lower rate of 2.5% per annum with a longer tenor on an unsecured basis for the same portfolio.

- Unlike an assets sale whereby unitholders lose their interest in their investment and do not get to reap any future upside, the unit-for-unit Merger offers Sabana Unitholders Consideration Units and the option to stay invested in an even larger, stronger and more resilient platform, and continue to reap the potential upside of both Sabana REIT's and ESR-REIT's assets

- Those unitholders looking to maximize the value of their investments would be better off rolling their investment into the Enlarged REIT which will be able to compete more effectively in the industrial S-REIT space.

Question 14:

Are the INEDs of Sabana "buddies" truly independent? Are they truly competent for such roles in a company undergoing change? We have seen too many lame INEDs in SGX fiascos recently.

- The INEDs (Independent directors), are considered independent for the purposes of the Scheme in accordance with the Singapore Code on Take-overs and Mergers (the "**Takeover Code**"). The basis of assessment has been disclosed in the Scheme Document and the various announcements made by the Sabana Manager, including the announcement dated 22 November 2020.

- The INEDs bring to the Board their respective skills, experience and core competencies in relevant areas such as law, finance, property and business development, which are highly relevant and useful for purposes of evaluating the Merger.

- The Board had gone through a thorough process involving lengthy and careful deliberations with the management team and the financial advisers to evaluate the terms of the Merger and there were extensive negotiations with the ESR-REIT manager to secure the best possible terms for Sabana Unitholders.

- Moreover, as required by the Takeover Code, the INEDs have also appointed the IFA to advise them on the merits of the Merger. Based on IFA's analysis and after having carefully considered the information available to the IFA as at the LPD, the IFA has opined that the financial terms of the Merger are fair and reasonable and has advised the INEDs to recommend that the Sabana Unitholders vote in favour of the Scheme. For details on the bases of the IFA's opinion, please see the IFA letter contained in Appendix C of the Scheme Document.

Question 15:

BT Journalist Ben Paul wrote that the IFA failed to give opinion on the fact that since the ratio was much lower than Sabana's NAV compared with ESR Reit, the deal was unfair.

- The IFA, Deloitte & Touche Corporate Finance Pte Ltd, looked at a range of parameters in evaluating and assessing the Merger to present an objective and independent opinion, including but not limited to:
  (a) Comparison of the price-to-NAV (P/NAV) implied by the Scheme Consideration and the Reference Price with historical P/NAV of Sabana Units, and
  (b) Comparison of P/NAV of Sabana Units implied by the Scheme Consideration and the Reference Price with selected comparable industrial S-REITs
  Please refer to the Letter from the Sabana IFA in Appendix C of the Scheme Document dated 12 November 2020 for full details on the IFA's comprehensive review.

- The discount to NAV, which reflects the challenges and constraints that Sabana REIT faces as a small standalone REIT, should be considered in light of the REIT's trading price. The resultant P/NAV, based on the scheme consideration represents a 5% premium above the P/NAV last traded at the time of the announcement of the Merger.

Merger[1]	Target	P/NAV based on scheme consideration[2]	Last traded P/NAV[3]	Difference between P/NAV based on scheme consideration vs. last traded P/NAV
ESR-REIT-VIT	VIT	1.26x	1.17x	0.09x
CMT-CCT	CCT	1.14x	1.15x	(0.00x)
ART-AHT	AHT	1.07x	0.96x	0.11x
FLT-FCOT	FCOT	1.03x	1.03x	0.01x
OUECT-OUEHT	OUEHT	1.00x	0.98x	0.02x
ESR-REIT-Sabana REIT	Sabana REIT	0.74x	0.70x	0.03x

- While NAV may be a pertinent metric in a sale, it should not be the only factor when considering the merits of the Merger; Sabana Unitholders should consider the compelling transaction rationale as well as historical pro forma DPU accretion of 12.9%, the highest among precedent S-REIT mergers.

Question 16:

Since listing, Sabana has been plagued by incompetent management and board, so why would a merger fix that problem?

- The Sabana Manager is committed to creating value for unitholders and believes that the Merger is a compelling way for doing so as it present significant benefits and will accelerate the REIT's growth.

- It offers a platform of greater scale, diversity and enhanced portfolio resilience for Sabana REIT to overcome the constraints of being a small standalone REIT and to better withstand macroeconomic uncertainties by:
  - Accelerating Sabana REIT's growth and immediately propelling it to be amongst the largest industrial REITs in Singapore
  - Increasing the possibility of inclusion in key indices, which offer the benefits of higher trading liquidity and a potential re-rating
  - Enhancing financial flexibility and improving access to wider pools of capital and lower cost of funds to drive growth via asset enhancement or redevelopment initiatives and value-accretive acquisitions, with lower execution risks
  - Placing Sabana REIT in a stronger position to undertake initiatives to improve and rejuvenate the portfolio at lower costs and minimum execution risks.
  - Improving its growth prospects by leveraging the ESR Group's strong network and pipeline of assets.

Question 17:

(i) The revised indicative timeline didn't indicate the expected payment date for the clean-up dividend. Please indicate it for unitholders' information.

(ii) Will all retained DPUs be released?

- If the Merger is approved**,** clean-up distribution accruing up to the day before the Scheme becomes effective (the "**Effective Date**") will be declared in favour of existing Sabana Unitholders. Based on the Expected Timetable in the Scheme Document (Pg 19), payment of clean-up distribution is expected to be made on 5 January 2021, assuming an expected 31 December 2020 Effective Date and a 30 December 2020 books closure date for determining Sabana Unitholders' entitlement to the clean-up distribution.

- The clean-up distribution includes (i) the distribution for 1 July 2020 to the day immediately before the Effective Date and (ii) the S$6.1 million, to the extent unutilised, which was previously retained in 1H2020 for prudent cashflow management in view of uncertainties arising from the COVID-19 pandemic.

- Such clean-up distribution is payable **in addition** to the Scheme Consideration.

(iii) If Sabana releases all the retention monies but ESR does not, how then will ESR unitholders (pre-merger) be differentiated from the Post-Merger ESR unitholders to ensure equity, i.e. such that the retained sum will not unfairly be shared by all including the Sabana converted ESR unitholders.

- We are unable to comment on ESR-REIT's plan for their retained sum.

Question 18:

I think I had read somewhere that CEO mentioned the constraint of AEI and acquisition, due to limited debt headroom if the merger fail(s). If merger fail(s), could CEO able to execute Phase 3 of his strategy? Has phase 2 of strategy completed? In near term, is there any AEI plans in mind, but constraint by debt headroom.

- If the Merger is not successful, the Sabana Manager will continue to evaluate and carry out feasible AEI plans to enhance and grow Sabana REIT's portfolio organically. It will be an on-going process and will take time as there is much work to be done and the Sabana Manager will need to study carefully any AEI plans to minimise execution and leasing risks. We will need to take into account factors such as the expiry of existing tenancies to minimise disruption to existing tenancies and this will impact on when we can carry out the AEI or redevelopment works. We need to also consider if there are opportunities to purpose-built for a particular tenant which would be preferred.

- As Sabana REIT is constrained by several factors such as debt headroom, development limit and cost of funding due to its size, execution of both AEIs and acquisition of assets will have to be carefully timed and phased out over a longer period of time to minimise cash flow disruption and to limit the financial impact on DPU resulting from the closing down of a property for redevelopment due to its small asset base as a small REIT.

Sabana REIT

Sabana REIT was listed on the SGX-ST 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. As at 30 September 2020, Sabana REIT has a diversified portfolio of 18 quality properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors. The total assets of the Group amount to approximately S$0.9 billion as at 30 September 2020.

Sabana REIT is listed in several indices within the SGX S-REIT Index, Morgan Stanley Capital International, Inc (MSCI) Index and FTSE index. Sabana REIT is one of the constituents of the FTSE ST Singapore Shariah Index.

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 www.sabana-reit.com.

Directors' Responsibility Statement

The directors of the 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 ESR-REIT and/or the ESR-REIT 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 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 ESR-REIT and the ESR-REIT Manager), the sole responsibilityof the directors of the 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 Manager do not accept any responsibility for any information relating to ESR-REIT and/or the ESR-REIT Manager.

Important Notice

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 of Sabana REIT 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.