



SINGAPORE, 19 October 2020 – HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Sabana Shari’ah Compliant Industrial Real Estate Investment Trust (“**Sabana REIT**” and in such capacity, the “**Trustee**”) refers to (i) the letters dated 3 September 2020 and 29 September 2020 from Quarz Capital Management Limited and Black Crane Capital regarding the Proposed Merger (together, the “**Letters**”) (ii) the statement issued by the Trustee dated 23 September 2020 (“**Statement**”). Capitalised terms used here which are not separately defined will have the same meanings set out in the Statement.

The Trustee notes the queries contained in the Letters which can be summarised as follows (i) whether the Sabana Manager has, in its conduct of the Proposed Merger, failed to follow the terms of the deed of trust constituting Sabana REIT (“**Trust Deed**”) to the prejudice of the Sabana REIT unitholders and (ii) the Trustee’s duty to Sabana REIT unitholders, particularly in the context of the Sabana Manager’s potential conflicts of interests.

1. Sabana Manager’s compliance with the Trust Deed in respect of the Proposed Merger

The Trustee notes that it has been asked to state its views as to whether the Sabana Manager, in its conduct of matters relating to the Proposed Merger, has failed to comply with Trust Deed provisions generally requiring it to act in a proper, diligent responsible manner, in the best interests of Sabana REIT and in compliance with relevant laws (“**Relevant Trust Deed Provisions**”).

Nothing has come to the Trustee’s attention which would suggest that the Sabana Manager, in its conduct of the Proposed Merger thus far, has breached or failed to comply with the Relevant Trust Deed Provisions.

In forming its view, the Trustee considered amongst other things the following factors which, to its knowledge and understanding, accurately reflect the manner and circumstances under which the Sabana Manager proceeded with the Proposed Merger:

- (i) prior to proceeding with the Proposed Merger, relevant financial advisors and other professionals were retained by the Sabana Manager to evaluate the commercial terms of the Proposed Merger and the terms of the Proposed Merger were arrived at following extensive negotiations. This demonstrates the formal proposal relating to the Proposed Merger presented to the Sabana Manager received due consideration with the benefit of proper third party advice;
- (ii) the Sabana Manager Board, which determined the formal proposal was sufficiently credible to warrant proceeding on, does not contain any representation of directors from ESR Cayman or the ESR-REIT Manager, and there is no overlap of the respective management teams of the Sabana Manager and the ESR-REIT Manager;
- (iii) as far as the Trustee could observe, there was nothing to suggest that the Sabana Manager proceeded with negotiations on the relevant transaction documents other than on an arm’s length basis. In addition, the Sabana Manager had, amongst other things, commissioned legal due diligence on ESR-REIT in connection with the documentation and negotiation process;
- (iv) the Proposed Merger is subject to regulatory and other approvals from, amongst others, the Singapore Courts, the Securities Industry Council of Singapore, the Monetary Authority of Singapore, the Singapore Exchange Securities Trading Limited and the Inland Revenue Authority of Singapore, and the process to obtain all relevant approvals remains ongoing. This ensures that the proposal for the Proposed Merger eventually tabled for Sabana REIT unitholders’ approval complies with relevant laws. The Trustee notes also that the sanctions/approvals sought are generally in line with other REIT mergers effected by way of trust scheme of arrangement; and



- (v) information on the Proposed Merger, including the opinion of the Independent Financial Advisor, will be contained in a scheme document which will be despatched to Sabana REIT unitholders in due course. Efforts have and continue to be taken to ensure that the scheme document will contain relevant and pertinent information to allow Sabana REIT unitholders to make an informed decision on the Proposed Merger.

2. Trustee's duty to Sabana REIT unitholders and Sabana Manager's potential conflicts of interests

The Trustee is responsible for safe custody of Sabana REIT's deposited property as well as safeguarding the rights and interests of Sabana REIT unitholders. The Sabana Manager is charged with overall management of Sabana REIT. Consistent with this position and in line with their respective roles and duties vis-à-vis Sabana REIT, the Sabana Manager and the Trustee are licensed to carry out different regulated activities.

In the context of a transaction being undertaken by Sabana REIT, the Trustee will fulfil its duties by monitoring such transactions for compliance with the Trust Deed and relevant laws to protect the rights and interests of Sabana REIT unitholders. The Trustee generally reviews but does not participate directly in the assessment or negotiation of the commercial aspects as that is the domain of the Sabana Manager.

As far as the Trustee could observe, there is nothing to intimate that the Sabana Manager negotiated in a manner suggestive of an actual conflict of interest. The Sabana Manager had, together with their financial advisors, participated in extensive arm's length negotiations, and provided corporate resolutions and other relevant documentation to the Trustee documenting its decision-making process and rationale for proceeding with the Proposed Merger.

That being said, the Trustee would also like to provide more context to its previous response in paragraph 2 of the Statement:

- (i) while the Trustee's duties include exercising all due care, diligence and vigilance in carrying out its functions and duties and in safeguarding the rights and interests of Sabana REIT unitholders in line with the Trust Deed, this does not enter the domain of supervising or ensuring the Sabana Manager's compliance with laws relevant to it in its personal capacity including any conditions or measures imposed on it by its regulator; and
- (ii) while the Trustee may make enquiries of the Sabana Manager from time to time, as separate and distinct institutions, there is a limit to the Trustee's ability to verify the adequacy of any measures or safeguards imposed on the Sabana Manager.

In light of the above, insofar as the Letters suggest that the Trustee has been in any way remiss in their duties, the Trustee categorically rejects the same. The Trustee takes its obligations to safeguard the rights and interests of Sabana REIT unitholders very seriously, and the Trustee will always uphold its legal and regulatory obligations and act in the best interests of Sabana REIT unitholders. All the Trustee's rights are reserved, including the Trustee's rights to supplement their responses herein at a later juncture.

The Trustee reiterates that it has no reason to believe that the Sabana Manager has pursued the Proposed Merger in a manner inconsistent with the Relevant Trust Deed Provisions, and as the decision to proceed with the Proposed Merger lies in the hands of the independent Sabana REIT unitholders, all Sabana REIT unitholders should carefully consider the information that will be provided in the Scheme Document including the assessment and advice of the Independent Financial Advisor before deciding whether or not to vote in favour of the Proposed Merger.