

**QUARZ CAPITAL MANAGEMENT AND BLACK CRANE CAPITAL ISSUE
LETTER TO THE MANAGEMENT AND BOARD OF SABANA REIT (SGX: M1GU)**

ALL RECIPIENTS ARE ADVISED TO READ
“IMPORTANT DISCLOSURE INFORMATION”
AT THE END OF THE ATTACHED LETTER

December 15, 2020

**UNITHOLDERS DEMAND CLEAR ANSWERS
AND ACTIONS FROM SABANA REIT MANAGER**

Dear Mr. Han, Management and Members of the Board of Sabana REIT Manager,

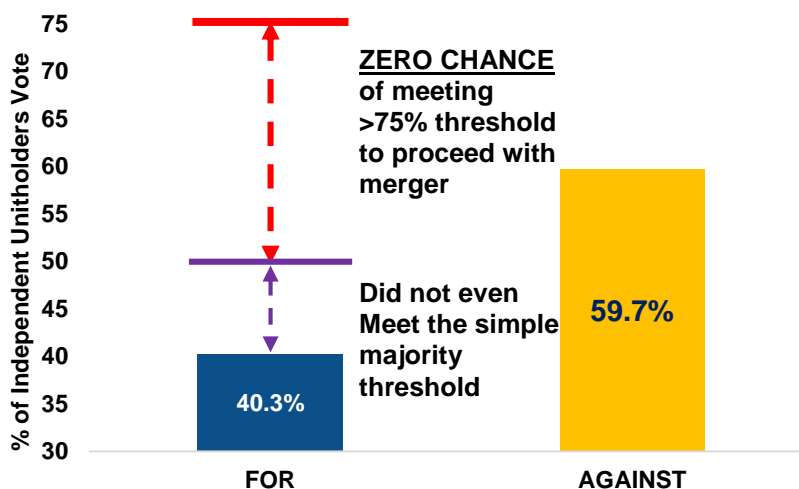
We and other unitholders collectively own more than 12% of the total units of Sabana Shari’ah Compliant REIT (the “Sabana REIT”, “Trust”, “Sabana”, or “SSREIT SP”).

Sabana Real Estate Investment Management Pte. Ltd (the “Sabana REIT Manager”, “REIT Manager”, or “Manager”) is fully responsible for the failure of the disastrous and value destructive proposed merger between Sabana and ESR REITs.

This is the first time in the 18-year history of the SGX REIT market that a proposed merger was voted down. Independent unitholders turnout was also the highest in REIT history to oppose the unprecedented ‘value destructive merger’ negotiated by the Sabana REIT manager which was at a substantial discount to Sabana REIT’s NAV and significantly skewed in favor of ESR REIT.

In the Extraordinary General Meeting (EGM) to vote on the amendment of the trust deeds, the FOR vote was far from meeting the 75% majority required to pass the resolution. This is despite the inclusion of the FOR votes from concert parties such as ESR Cayman and Mr. Tong Jinquan. Excluding the concert parties, 60% of votes cast were against the merger.

Translating All Independent Unitholders (~321.6m units) Vote at EGM to Scheme Meeting



From our discussions with independent unitholders who voted FOR and AGAINST the merger, there was almost universal lack of confidence in the Sabana REIT Manager due to the continued poor performance of the share price relative to NAV, the potential conflict of interest with ESR (its owner) and the fact that such a value destructive merger was promoted by them.

The significantly lower number of independent unitholders who voted FOR the merger attributed their decision to 1) fears that the Sabana REIT Manager would continue its underperformance, 2) having larger economic interests in ESR REIT relative to Sabana REIT (which would substantially benefit from the lowball offer) and/or 3) gains from arbitrage opportunities in the share price of both REITs.

Independent unitholders, including ourselves, have repeatedly and publicly informed the Sabana REIT manager that there is insufficient independent unitholder support for the value destructive merger. **However, the Sabana REIT manager chose to ignore their own unitholders and proceeded to propose the merger at significant expense to unitholders. The manager also chose not to consult us ahead of launching the merger which cannot have had any realistic prospect of success if it was opposed by us. We cannot understand how this is consistent with their fiduciary duty to unitholders.**

The manager's actions clearly show that the interest of Sabana REIT Manager which is owned by ESR Cayman is not aligned with independent unitholders in whose best interests it is supposed to act and whose interests it ought to prioritize over its own under law and MAS' Regulation.

It is also a strong Vote of "No Confidence" in the Sabana REIT Manager.

In the aftermath of the botched proposed merger, the Sabana REIT Manager seem to have 'gone into hiding' without acknowledging and taking full responsibilities in the failed merger. There have also been no clarifications on a number of key items and no clear articulation of forward strategy.

Unitholders are losing patience with the inactivity and the lack of competence of the REIT Manager whom they pay S\$4.5million in yearly fees to.

Independent unitholders demand clear answers and actions from the Sabana REIT Manager. If the existing Sabana REIT Board is unable to address our concerns, they should resign and make way for the internalization of the REIT Manager and bring in professionals with the right expertise and skillset to manage Sabana REIT and increase DPU and unit price. A new Board could then conduct a strategic review with the aim of closing the value gap between the unit price and NAV and determining the best long term strategy for Sabana REIT and its assets.

Sabana REIT Manager Should Be Fully Accountable (including All Incurred Cost) For the Failure of Their Proposed REIT Merger

- 1. What is the total amount spent on the proposed merger (including fees to Independent Financial Advisor, Financial Advisors, SIAS videos, marketing material, legal advisors and consultants and materials to unitholders)?**
- 2. Given that the failure of the merger could have been easily avoided and can be fully attributed to the REIT Manager, does Sabana REIT Manager **take full responsibility****

and undertake to pay for ALL the expenses incurred in the proposed merger (and not pass it on to unitholders)?

We reserve our rights to take legal action against the board of directors for breaching their fiduciary duties and causing significant financial harm to Sabana REIT unless the Sabana REIT Manager fully covers the cost of the entire failed proposed merger.

Payment of Unitholder Distribution

The Sabana REIT Manager arbitrarily retained S\$6.1million of distribution (0.58 cents) in addition to provisioning for S\$1million of bad debt impairment and S\$0.8million for rental rebates for SME (Fortitude budget).

3. Does Sabana REIT Manager commit to **return at least 75% (0.44 cents, ~1.3% Dvd Yld) of the total retained distribution in Jan 2021?**
4. **Please state your forecast for the 2H2020 distribution** given that you have reported an increase in vacancy rate and decrease in financing cost in 3Q2020?
5. **Please confirm that the 2H2020 distributable income (>~3.3% Dvd Yld) will be fully distributed to unitholders in Jan 2021?**

We reiterate that the **Sabana REIT Manager SHOULD NOT USE ANY OF THE RETAINED DISTRIBUTION TO PAY FOR THE FAILED MERGER. THE TOTAL COST SHOULD BE SOLELY BORNE BY THE REIT MANAGER** for not engaging with its independent unitholders.

Independence of the Board of Directors and Independent Unitholders Representation

6. Is the resignation of Ms Ng Shin Ein connected to any investigation against herself, regulatory or otherwise?
7. If so, is the investigation related to Sabana REIT, ESR REIT and ESR Cayman and its affiliates?
8. Should the entire board also resign as they should be held fully accountable for the failed merger and have lost unitholders' confidence?
9. We demand that their replacement be representatives from independent unitholders since it is clear from the failed merger that the REIT manager lacks the support of independent unitholders. We invite Sabana Manager and ESR to commence a dialogue with us on a proper replacement for Ms. Ng before making yet another unilateral decision without the backing of unitholders.

NAV of Sabana REIT

10. Did Vibrant renew their leases at 51 Penjuru Road and 33&35 Penjuru Lane?

The Sabana REIT manager had assumed that the leases would end in Nov 2020 which resulted in the book value of both properties to be substantially lowered by ~14% in June 2020.

11. If Yes, why did the Sabana REIT Manager assume the non-renewal of the leases in June which reduced the book value of Sabana REIT? And why was this positive news not announced ahead of the merger vote? How can the non-disclosure of such price-sensitive information be justified in light of the Sabana Manager's legal disclosure obligations?
12. Will the renewal of the master leases increase the book value of Sabana REIT?
13. Will the completion of the retail component at 151 Lorong Chuan further increase Sabana REIT's book value and by how much?
14. When was the above information made available to the Sabana REIT Manager?
15. Why was all this material information not promptly communicated to unitholders ahead of the merger vote given its significant importance in determining Sabana REIT's real value?

Forward Strategy for Sabana REIT

Instead of 'vague statements' which the Sabana REIT Manager has consistently 'hidden behind' to cloud their continued underperformance despite the S\$4.5million p.a. of management fees paid to them by unitholders, unitholders demand **CLEAR TARGETS** in order to judge and evaluate the performance of the Sabana REIT Manager.

16. In what month will the rental contribution from 151 Lorong Chuan start?
17. Will you be able to achieve a rent of ~S\$12.5 psf/month and NPI margin of ~70%? What is the tentative rental contribution from the retail component p.a.?
18. Why are you unable to achieve the NPI margin of ~70% when other Retail REIT peers in Singapore have achieved NPI margins of ~73%?
19. Do you commit to achieve market average occupancy rate of >80% and financing cost of <2.8% in 2021E? We understand that the high cost of debt can be attributed to interest rate hedges which will expire between now and end of FY21.
20. **What is the targeted DPU 2021 given all the contributions from the above?**

Please elaborate your detailed plan for Sabana REIT. Instead of meaningless 'broad strokes', we invite you to an open dialogue where all unitholders can have a better understanding of your strategy:

21. Can Sabana REIT Manager increase the leverage level to fund the purchase of yield accretive assets or unit buybacks (due to the substantial discount to NAV)?

Under Vibrant's ownership, Sabana REIT Manager with the **same portfolio** was able to **have leverage level >38% and more than S\$250million of unencumbered assets to further increase debt headroom. Sabana REIT's leverage level is now 31.8% and will further decrease when the higher book value from 151 Lorong Chuan Retail Component and the renewal of the leases are factored in. If the current Sabana REIT Manager is unable to achieve this, it is a clear demonstration of their lack of capability.**

22. If you are unable to satisfactorily address all the above questions from unitholders, we would assume that you do not have the requisite capabilities to improve Sabana REIT?
23. If so, will you resign and make way for professionals with better expertise and skillset to improve the REIT?

Given the large gap which still exist between the NAV and current unit price of Sabana REIT, **it is obvious that Sabana REIT manager's No. 1 priority should be to close this substantial valuation gap.** Once the gap is closed, the full range of options for Sabana REIT becomes available such as raising capital for AEI and acquisitions.

Strategic mergers also become relatively straight forward when the unit price and DPU of Sabana REIT is optimized and trading at fair value.

We call on all independent unitholders to unite and take action against the underperforming Sabana REIT Manager.

We look forward to a conflict free and re-energized Sabana REIT with strong prospects to increase DPU and Unit Price

Sincerely yours,

Jan F. Moermann
CIO, Quarz Capital Management

Peter Kennan
Founder, Black Crane Capital

For further information, please contact:
info@savesabanareit.com

Or visit:
www.savesabanareit.com

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