



**Securities Investors Association (Singapore)**

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UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Sabana Real Estate Investment Management Pte. Ltd.

**Security:** Sabana REIT

**Meeting details:**

Date: 23 April 2019

Time: 10.00 a.m.

Venue: Meeting Room 324 – 326, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593

**Company Description**

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 18 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 S\$1.0 billion. 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.

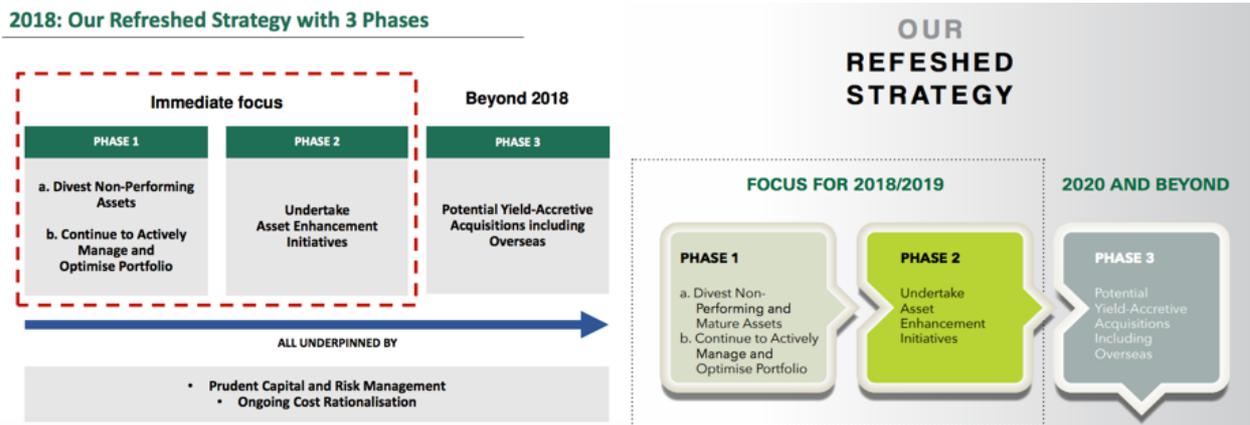
(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=M1GU](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=M1GU))

1. In November 2017, the REIT manager updated unitholders that possible acquisition/merger talks with another listed REIT has ended and Sabana REIT would focus on the following three key initiatives to improve its performance:

- Rejuvenate portfolio through selective divestments and active asset management
- Renewal of senior leadership
- Enhancing the Board of Directors

Mr Han Yong Lee Donald joined as the new Chief Executive Officer of the manager and there have been changes to the board as well, with the addition of Mr Kelvin Tan Wee Peng and Mr Tan Cheong Hin as independent directors on the board.

The Refreshed Strategy was unveiled at the last Annual General Meeting by Mr Donald Han, and updated and shown in the 2019 annual report:



(Source: 2018 AGM Presentation, left; 2019 Annual report, right)

- (i) **Phase 1:** As noted in the “Letter to unitholders”, the manager has completed Phase 1 of the Refreshed Strategy. **Would it mean that the manager is satisfied with the remaining portfolio of 19 assets?**
- (ii) **1 Tuas Avenue 4:** The property’s book value was \$23.3 million as at 30 June 2018, based on an earlier valuation report by Knight Frank. On 28 September 2018, the REIT manager announced the sale of the property for a consideration of \$11.18 million. The latest September 2018 independent valuation by Suntec Real Estate Property Consultants Pte. Ltd. and Knight Frank Pte. Ltd. valued the asset at S\$10.9 million and S\$11.1 million respectively. This was a stark drop from the book value of \$23.3 million due to “outdated” assumptions.

**Would the audit committee help unitholders understand how the assumptions to support a valuation of \$23.3 million was arrived at? How did the audit committee review and evaluate the assumptions used in the valuation report? Did the audit committee review if the carrying book value of other properties may be overstated due to “outdated” assumptions as well? What improvements have the REIT manager made to**

**provide more robust assumptions to be used in the valuation report? How does the audit committee ensure that the valuations are prudent and fair?**

On 25 March 2019, the REIT received a notice of rescission to rescind the sale. **Can the manager help unitholders understand its new plan for the asset?**

- (iii) 9 Tai Seng: Similarly, can the audit committee explain the huge discrepancy between the book value of 9 Tai Seng of \$39.6 million as at 30 June 2018 (valuation by Edmund Tie & Company (SEA) Pte Ltd) and the sale consideration of \$99.6 million? How can unitholders rely on the asset valuation/book value to understand the value of the REIT?**
- (iv) New Tech Park (151 Lorong Chuan): What is the final/formal approval for the asset enhancement initiative (AEI) expected? What is the capital investment required for the AEI? What is the manager's projected return on investment (ROI) for the AEI?**

2. As announced on 26 October 2018, the REIT manager announced the renewal of three master leases with the sponsor with the following terms:

Properties	Commencing on	Expiring on
51 Penjuru Road, Singapore 609143	26 November 2018	25 November 2020
33 & 35 Penjuru Lane, Singapore 609200/609202	26 November 2018	25 November 2019
18 Gul Drive, Singapore 629468	26 November 2018	31 December 2019

The aggregate rental for the three master leases amounts to \$11.53 million (on a triple-net basis).

Since November 2015, the sponsor has been extending the leases for 1-year terms. Prior to 2015, the combined rental received from the sponsors for the three assets was \$12.5 million.

It was lowered to \$10.5 million in November 2015 and to \$10.1 million in November 2016.

In the latest announcement, the REIT manager announced that the aggregate rental is \$11.53 million. The lease for 33 & 35 Penjuru Lane is for a year while the leases for 51 Penjuru Road and 18 Gul Drive were 2 years and approximately 13 months respectively.

- (i) To help unitholders understand the master lease agreement better, can audit committee state the aggregate lease on a like-for-like basis, i.e. the master lease amount to be received by the REIT for 12 months from 26 November 2018? Please provide the aggregate rental for each asset individually on a 12-month term basis.**

- (ii) Does the REIT manager have visibility on the underlying utilisation rates of these three assets?**
- (iii) What is the long term strategic value of these three master-leased assets to the REIT? Is the decreasing rental and short term lease dragging down the performance of the REIT?**
- (iv) What is the rental/income/resale potential of the three assets in the open market?**

3. The board has been refreshed with the appointment of Mr Kelvin Tan as independent director and audit committee chairman and Mr Tan Cheong Hin as independent director.

The profiles of Mr Tan Cheong Hin and Mr Kelvin Tan Wee Peng could be found on pages 14 and 15 of the annual report.

- (i) Has the REIT arranged for Mr Tan Cheong Hin to undergo necessary training on the roles and responsibilities of a director of a listed company in Singapore?**

At the time of his appointment, Mr Kelvin Tan Wee Peng sat on the boards of UnUsual Limited, Viking Offshore and Marine Limited, IREIT Global and Transcorp Holdings Limited. The board has stated that it is satisfied that Mr Tan possesses *“the requisite competencies and experience to assume the responsibilities as an independent director, chairman of the audit committee and member of the nominating and remuneration committee and strategic review committee”*.

Mr Tan was also an independent director in Shanghai Turbo Enterprises Ltd. until April 2017 and listed as an advisor for RHT Forensics & Disputes Advisory.

- (ii) Given the multiple commitments outside Sabana REIT, would Mr Kelvin Tan help unitholders understand how he can devote sufficient time, energy and attention to the matters of the REIT during this critical stage of the REIT?**
- (iii) As the chairman of the audit committee, would Mr Tan help unitholders understand his experience, track record and performance as the chairman of the audit committee in protecting shareholders/unitholders’ interests in related/interested party transactions?**
- (iv) Mr Tan has also resigned from the board of another listed company to “pursue other interests” after approximately 18 months on the job. Would Mr Tan help unitholders understand the circumstances that led him to “pursue other interests” and if he could demonstrate that he is fully committed to the REIT?**



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A copy of the questions for the Annual Report for the financial year ended 31 December 2017 and 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Sabana%20REIT&cid=6322,4599,4303>

The company's response could be found here: -----