

Soilbuild Business Space REIT

(A real estate investment trust constituted on 13 December 2012 under the laws of the Republic of Singapore)

Managed by

SB REIT Management Pte. Ltd.

(Company Registration No.: 201224644N)

Clay Holdings III Limited

(Company Registration No.: 367645)
(Incorporated in Cayman Islands)

JOINT ANNOUNCEMENT

**EXTRAORDINARY GENERAL MEETING AND TRUST SCHEME MEETING
TO BE HELD ON 11 MARCH 2021
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

1. INTRODUCTION

The respective boards of directors of SB REIT Management Pte. Ltd., as manager of Soilbuild Business Space REIT ("**SB REIT**", and the manager of SB REIT, the "**SB Manager**"), and Clay Holdings III Limited (the "**Offeror**") refer to the scheme document (the "**Scheme Document**") despatched by electronic means from the SB Manager to the holders of the issued units in SB REIT (the "**SB Units**" and the holders of SB Units, the "**SB Unitholders**") on 17 February 2021, in relation to (a) the proposed amendments to the SB Trust Deed to facilitate a trust scheme of arrangement; (b) the proposed disposal of all the issued and paid-up units in Soilbuild Australia Trust to Clay SG Holdings II Pte. Ltd. and Clay SG Holdings III Pte. Ltd.; and (c) the proposed acquisition (the "**Acquisition**") of all the SB Units by the Offeror to be effected by way of a trust scheme of arrangement (the "**Trust Scheme**") in accordance with the Singapore Code on Takeovers and Mergers.

An electronic copy of the Scheme Document is available on the website of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") at www.sgx.com.

Unless otherwise defined, all capitalised terms used herein shall have the same meanings given to them in the Scheme Document.

2. RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

The SB Manager and the Offeror would like to thank all SB Unitholders for submitting their questions in advance of the Extraordinary General Meeting and the Trust Scheme Meeting. Both meetings will be held by way of electronic means on Thursday, 11 March 2021 at 2.00 p.m. and 2.30 p.m.¹ (Singapore time), respectively.

The SB Manager and the Offeror have compiled the questions submitted by SB Unitholders received to date, as well as the unanswered questions asked during the SIAS-SB REIT virtual dialogue session jointly organised with the Securities Investors Association (Singapore) held on 23 February 2021.

Please refer to the Appendix of this Joint Announcement for our responses to the substantial and relevant questions raised by SB Unitholders in relation to the Trust Scheme.

¹ Or as soon thereafter following the conclusion of the Extraordinary General Meeting, whichever is later.

3. RESPONSIBILITY STATEMENTS

3.1 SB Manager

The directors of the SB Manager (including any director who may have delegated detailed supervision of the preparation of this Joint Announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Joint Announcement which relate to SB REIT and/or the SB Manager (excluding information relating to the Offeror, Offeror HoldCo, Blackstone SPV, the Blackstone Purchasers and/or Blackstone (collectively, the "**Offeror Group**") or any response provided by the Offeror Group) are fair and accurate and that, where appropriate, no material facts which relate to SB REIT or the SB Manager have been omitted from this Joint Announcement, and the directors of the SB 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 the Offeror Group, Ernst & Young LLP, the IFA and the Independent Valuers), the sole responsibility of the directors of the SB Manager has been to ensure that, through reasonable enquiries, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Joint Announcement. The directors of the SB Manager do not accept any responsibility for any information relating to the Offeror Group and/or any response provided or any opinion or rationale expressed by the Offeror Group, Ernst & Young LLP, the IFA and/or the Independent Valuers.

3.2 Offeror

The directors of the Offeror (including any director who may have delegated detailed supervision of the preparation of this Joint Announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Joint Announcement which relate to the Offeror Group (excluding information relating to the SB Group, the SB Manager and/or the SB Independent Directors or any response provided by the SB Group and the SB Manager) are fair and accurate and that, where appropriate, no material facts which relate to the Offeror Group have been omitted from this Joint Announcement, and the directors of the Offeror 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 the SB Group, the SB Manager, the SB Independent Directors, Ernst & Young LLP, the IFA and the Independent Valuers), the sole responsibility of the directors of the Offeror has been to ensure that, through reasonable enquiries, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Joint Announcement. The directors of the Offeror do not accept any responsibility for any information relating to the SB Group, the SB Manager and/or the SB Independent Directors and/or any response provided or any opinion or rationale expressed by the SB Group, the SB Manager, the SB Independent Directors, Ernst & Young LLP, the IFA and/or the Independent Valuers.

1 March 2021

By order of the board of directors

By order of the board of directors

SB REIT MANAGEMENT PTE. LTD.
as manager of
SOILBUILD BUSINESS SPACE REIT
(Company Registration No.: 201224644N)

CLAY HOLDINGS III LIMITED
(Company Registration No.: 367645)

Any queries relating to this Joint Announcement, the Acquisition or the Trust Scheme should be directed during office hours to the following:

DBS Bank Ltd.
as Financial Adviser to the SB Manager
Tel: +65 6878 6347

Citigroup Global Markets Singapore Pte. Ltd.
as Financial Adviser to the Offeror
Tel: +65 6657 5300

IMPORTANT NOTICE

The value of the SB Units and the income derived from them may fall as well as rise. The SB Units are not obligations of, deposits in, or guaranteed by, the SB Manager, the SB Trustee or any of its affiliates.

An investment in the SB Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the SB Manager or the Offeror redeems or purchases its SB Units while the SB Units are listed. It is intended that SB Unitholders may only deal in their SB Units through trading on the SGX-ST. Listing of the SB Units on the SGX-ST does not guarantee a liquid market for the SB Units.

This Joint Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for SB Units.

The past performances of SB REIT and the SB Manager are not necessarily indicative of their respective future performances.

This Joint Announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. None of SB REIT, the SB Manager, the Offeror, their respective affiliates or any of their respective directors, officers, partners, employees, agents, representatives, advisers or legal advisers assumes any responsibility to amend, modify, revise or update publicly any forward-looking statements.

You are cautioned not to place undue reliance on these forward-looking statements, which are based on the view of the SB Manager and/or the Offeror of future events.

Appendix

Question 1:

I have supported SB REIT all this while even when it was facing persistent tenant defaults one after another. Now that we are just about to recover from the pandemic, why privatise at the bottom of the cycle, forcing SB Unitholders who have supported SB REIT all this while to exit at a loss?

Response:

From SB REIT Management Pte. Ltd., the SB Manager

The SB Manager did not initiate the privatisation. The proposed privatisation of SB REIT by way of the Acquisition and the Trust Scheme materialised from private negotiations between Mr. Lim Chap Huat, as the co-founder and sole shareholder of the sponsor of SB REIT, Soilbuild Group Holdings Ltd., and The Blackstone Group Inc..

It is the duty of the SB Independent Directors to present any credible offer to SB Unitholders for their consideration, irrespective of market conditions, to allow SB Unitholders the opportunity to evaluate the terms of and vote on the Acquisition and the Trust Scheme.

From Clay Holdings III Limited, the Offeror

SB REIT has lagged in growth as compared to its industrial S-REIT peers and has further been impacted by the onset of the COVID-19 pandemic, which contributed to an overall decline in the value of its property portfolio.

The Offeror believes that the Trust Scheme is the best option for minority SB Unitholders. It presents an opportunity for SB Unitholders to exit their investment in SB REIT at an attractive premium to the current price of the SB Units and redeploy their capital into other investments.

Question 2:

- (a) How was the Scheme Consideration of S\$0.550 per SB Unit determined? The IPO unit price was at S\$0.78 per SB Unit.**
- (b) The Scheme Consideration of S\$0.550 per SB Unit is well below the IPO unit price, the median unit price and the average unit price since SB REIT's IPO, which were around S\$0.70. SB REIT's future value for investors is its high yield. Isn't the Acquisition and the Trust Scheme trying to take advantage of the current economic situations as it does not provide any incentive to Unitholders?**

Response:

From SB REIT Management Pte. Ltd., the SB Manager

Since the IPO of SB REIT, the board of directors and the management of the SB Manager have remained committed to the growth and optimisation of SB REIT's portfolio to maximise value for SB Unitholders. The SB Manager has undertaken several strategic initiatives, including expansion into the Australian market and the disposal of select Singapore properties to realise value for SB Unitholders.

Despite these efforts, SB REIT has continued to trade at a high yield and was further impacted by the onset of COVID-19 in 2020, which contributed to an overall decline in the value of its property portfolio.

On 4 September 2020, the SB Manager announced that Mr. Lim Chap Huat had entered into a non-binding term sheet in relation to a possible transaction involving the direct and deemed interests held by the Lim Family (being Mr. Lim Chap Huat and his three sons, Mr. Lim Han Feng, Mr. Lim Han Qin and Mr. Lim Han Ren) in SB REIT. Thereafter, the SB Independent Directors engaged in negotiations in relation to the Trust Scheme.

The SB Independent Directors have evaluated the merits of the proposal and negotiated the best possible terms for minority SB Unitholders. As the resultant Trust Scheme represents a credible offer in the face of challenging market conditions, the SB Independent Directors wish to present it to SB Unitholders for their consideration.

It is noted that the total distributions declared, made and paid by the SB Manager to SB Unitholders since SB REIT's IPO amount to S\$0.40 per SB Unit and the Adjusted Scheme Consideration is S\$0.53806, both of which combined exceed the price of S\$0.78 per SB Unit on IPO.

From Clay Holdings III Limited, the Offeror

The Scheme Consideration was arrived at based on a range of factors, including but not limited to:

- (a) the historical market price of the SB Units; and
- (b) the carrying value of SB REIT's investment properties.

The Scheme Consideration is S\$0.550 per SB Unit, to be paid out to SB Unitholders entirely in cash. As stated in the Scheme Document, if any distribution other than a Permitted Distribution is declared, made or paid by the SB Manager on or after 14 December 2020 ("**Distribution**"), the Offeror reserves the right to reduce the Scheme Consideration by the amount of such Distributions (including for the avoidance of doubt, any Ordinary Course Distribution in respect of the financial period for 4Q2020 and 1Q2021 (which shall include the 4Q2020 Distribution)).

On 21 January 2021, the SB Manager announced the 4Q2020 Distribution of 1.194 Singapore cents per SB Unit for the fourth quarter ended 31 December 2020. The books closure date for this distribution was 29 January 2021. Accordingly, the Scheme Consideration of S\$0.550 per SB Unit to be received by SB Unitholders will be reduced by the 4Q2020 Distribution amount, resulting in the Adjusted Scheme Consideration of S\$0.53806 per SB Unit.

The Adjusted Scheme Consideration represents an attractive premium of approximately 31.9% and 49.9% to the 3-month VWAP and 6-month VWAP of SB REIT up to and including 31 August 2020, being the last full trading day immediately prior to the date of the Holding Announcement, respectively.

The Adjusted Scheme Consideration also implies a P / NAV multiple of 0.96 to 0.99 times, which exceeds the historical pre-COVID-19 P / NAV trading multiples of the SB Units.

Question 3:

The inclusion of SB REIT in an index seems to have been the aim of Mr. Lim Chap Huat. Many SB Unitholders are very happy with the good distribution that they are currently receiving. This is not fair.

Response:

From SB REIT Management Pte. Ltd., the SB Manager

The SB Independent Directors have evaluated the merits of the Trust Scheme and negotiated the best possible terms for minority SB Unitholders. As the resultant Trust Scheme represents a credible offer in the face of challenging market conditions, the SB Independent Directors wish to present it to the SB Unitholders for their consideration.

KPMG Corporate Finance Pte Ltd has been appointed as the IFA to advise the SB Independent Directors and the SB Trustee on the terms of the Trust Scheme. The IFA has opined that the terms of the proposed transactions are fair and reasonable from a financial point of view. Accordingly, the IFA has advised the SB Independent Directors to recommend that the SB Unitholders vote in favour of the proposed transactions at the Trust Scheme Meeting.

From Clay Holdings III Limited, the Offeror

As seen over the last few years, SB REIT's ability to undertake DPU accretive acquisitions has been limited. Growing SB REIT through DPU accretive acquisitions requires its DPU yield to trade sufficiently low as well as its ability to effectively raise capital to fund such acquisitions. Support from minority SB Unitholders to subscribe for their pro-rata share of equity issuance is also critical. SB REIT may also turn to raising debt to fund acquisitions; however, it has a relatively low debt headroom of approximately S\$145.3 million as at 31 December 2020, assuming a 45% LTV which is SB REIT's target leverage level, and increasing LTV over 45% may increase the cost of debt and risk profile of SB REIT.

Given these constraints, SB REIT has lagged in growth compared to its industrial S-REIT peers. Consequently, SB REIT still has a long way towards inclusion into the EPRA Nareit Index. Most of the large cap REITs trade at lower DPU yields partly because they are part of key REIT indices which are likely to confer better trading liquidity, larger institutional following, stronger valuations and hence a lower cost of capital.

As such, the Offeror believes that the Trust Scheme represents a good opportunity for SB Unitholders to exit their investment in SB REIT at an attractive premium, and to redeploy their capital into other investments.

Question 4:

Following the privatisation and change of domicile and ownership structure, will SB REIT have local management continuity to ensure that the prospectus terms are complied with, with respect to existing securities?

From SB REIT Management Pte. Ltd., the SB Manager

The S\$88,000,000 3.60% notes will mature on 8 April 2021, prior to the expected date of the delisting of the SB Units on 14 April 2021 ("**Expected Delisting**").

Following the Expected Delisting, the sole outstanding securities relate to an issuance of S\$65,000,000 6.00% perpetual securities ("**Perpetual Securities**") with first call date on 27 September 2021. Regardless of whether there is local management continuity, the management of the SB Manager is required to comply with the terms set out in, *inter alia*, the pricing supplement dated 20 September 2018 in respect of the Perpetual Securities (the "**Pricing Supplement**"). The Pricing Supplement contains a dividend stopper clause, which restricts the payment of distributions to SB Unitholders if payment of

distribution is not made to the holders of the Perpetual Securities. A notes trustee has been appointed as the trustee to act for the holders of the Perpetual Securities.

From Clay Holdings III Limited, the Offeror

As highlighted in the Scheme Document, there is presently no intention to (a) introduce any major changes to the business of SB REIT; (b) re-deploy the fixed assets of SB REIT; or (c) discontinue the employment of the employees of the SB Group, in each case, save in the ordinary course of business (which in the case of SB REIT would include the sale or purchase of properties used primarily for business space purposes, including those assets subject to a right of first refusal granted by SBGH) or as a result of any internal reorganisation or restructuring which may be implemented after the Trust Scheme.

However, the Offeror retains and reserves the right and flexibility at any time and from time to time to consider any options or opportunities in relation to the SB Group which may present themselves or which the Offeror may regard to be in the interests of the Offeror and the SB Group.