



EC WORLD REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 5 August 2015 under the laws of the Republic of Singapore)

FY2019 ANNUAL GENERAL MEETING RESPONSES TO SUBSTANTIVE AND RELEVANT QUESTIONS

The Board of Directors (the “**Board**”) of EC World REIT Asset Management Pte Ltd, as the Manager (the “**Manager**”) of EC World Real Estate Investment Trust (the “**EC World REIT**”), would like to thank unitholders for submitting their questions in advance of EC World REIT FY2019 Annual General Meeting (“**AGM**”) to be held on 9 June 2020.

Due to the overlap in many of the questions, the Manager has grouped the substantive and relevant questions of similar nature together. These questions have been classified into the following broad categories:

- (i) Asset Portfolio and Operation
- (ii) Investment Strategy
- (iii) Financial and Capital Management
- (iv) Distributions
- (v) Outlook

Please refer to the Appendix hereto for our responses to the questions.

By Order of the Board

Goh Toh Sim
Executive Director and Chief Executive Officer
EC World Asset Management Pte. Ltd.
(Company Registration No. 201523015N)
As manager of EC World Real Estate Investment Trust

Date: 8 June 2020

APPENDIX

RESPONSES TO SUBSTANTIVE AND RELEVANT QUESTIONS

Asset Portfolio and Operation	
1.	<p>What is the basis on given rebate and will there be any more rental rebates in the coming quarters?</p>
	<p>The extended Spring Break Holiday, the various lockdown measures imposed by the Chinese government to curb the spread of COVID-19, the need to seek the relevant authorities' approval for the resumption of business operations and the compulsory quarantine period for returning migrant workers imposed by the Chinese government have significantly impacted tenants' operations at EC World REIT's assets. As a result, tenants had experienced a slowdown due to shorter operational period and a shortage of employees. The Manager was informed that more time will be needed for EC World REIT's assets to resume at full operational capacity and for business demand to return to pre COVID-19 levels given the significant uncertainty of the global COVID-19 situation.</p> <p>In view of the foregoing and due to a number of tenants facing short term difficulties and a significant loss of income, tenants have requested for rental rebates. This is not uncommon as the Manager is also aware of other property owners in China granting rental rebates to their tenants. The Manager had agreed to provide rental rebates as a show of support to EC World REIT's tenants in view of the difficult situation and to enhance the landlord-tenant relationship.</p> <p>The Manager expects the rental rebates to be one-off in nature, barring any further deterioration in the COVID-19 situation in China.</p> <p>The above information has also been disclosed in our announcement titled "Update to Unitholders on COVID-19 Situation" dated 3 April 2020. For more detailed information regarding the rental rebates, please refer to the announcement.</p>
2.	<p>Please provide an update on the impact of COVID-19 on the operations of EC World REIT.</p> <p>What are some measures taken to protect revenue and occupancy in the current COVID-19 crisis?</p>
	<p>All of EC World REIT's tenants are back in operations.</p> <p>The Manager noted that the impact of COVID-19 on EC World REIT's tenants was generally short-term. The Manager is working closely with the Property Manager in China to ensure that business operations at the assets return to normal so as to enable sustainable and stable distributions to Unitholders.</p>

		<p>Four of EC World REIT's assets (Chongxian Port Investment, Stage 1 Property of Bei Gang Logistics, Fu Heng Warehouse and Fuzhou E-Commerce) are currently master leased to the Sponsor and/or its subsidiaries, with lease terms till 2024. This provides certainty in revenue as well as occupancy. The Manager continues to work closely with the Property Manager in China to maintain a healthy occupancy for EC World REIT's portfolio.</p>
3.	<p>Due to COVID-19, is there a boost over the logistic or warehousing demand in terms of occupancy rate because of the surge in e-commerce activity?</p>	<p>The e-commerce sector has certainly fared better than most other industries and provided support to the logistics sector in general and the Manager expects this trend to continue as the COVID-19 situation evolves. The Manager is also monitoring the broad macroeconomic situation closely, especially the market impact on consumption which will ultimately affect the fulfillment and logistics sector too.</p> <p>The Manager has been in active discussions with the Property Manager on existing and prospective tenants on renewals and potential new leases for any vacancy. The Manager will provide an update should there be any material developments.</p>
4.	<p>Has there been any tenants requesting for early termination?</p> <p>Have any tenants approached EC REIT to reduce/delay rent payment, sublet or reduce lease area?</p>	<p>There has been one case of pre-termination at Wuhan Meilute in Wuhan, the epicenter of the COVID-19 pandemic. A tenant has requested to pre-terminate its lease on 30 April 2020, 1 year 1 month into its 2 years 11 months lease due to changes in their business plan. The tenant has agreed to pay the pre-termination penalty and forfeit their security deposit which is equivalent to 4.6 months of rent. Contribution from this tenant represents only 0.5% of total portfolio net lettable area and 0.1% of total gross rental income. As at the date of this announcement, there have been no other cases of early termination at the other properties and the Manager is working with the Property Manager closely to source for a replacement tenant.</p> <p>As announced by the Manager on 3 April 2020, rental rebates were provided to tenants within EC World REIT's portfolio as a show of support to EC World REIT's tenants in view of the difficult situation and to enhance the landlord-tenant relationship. The Manager expects the rental rebates to be one-off, barring any further significant deteriorations in the COVID-19 situation in China.</p>

5.	How can warehousing and logistics be resilient when the end demand (consumer) is spending less than before?	<p>About half of EC World REIT's portfolio primarily serves e-commerce related logistics services. In 1QFY2019, the Manager noted that some of these services within EC World REIT's warehouses were deemed essential services and had continued operations despite the extended Spring Break Holidays. In addition, according to the National Bureau of Statistics, China, e-commerce sales in China increased 5.9% year-on-year to RMB 1,853.6 billion in March 2020, a 2.9% increase from the online purchase of physical goods in January to February 2020.</p> <p>Notwithstanding the above, the Manager is also monitoring the broad macroeconomic situation closely on impact on consumption which will ultimately affect the fulfillment and logistics sector too.</p>
6.	<p>What is the Weighted Average Lease to Expiry ("WALE")?</p> <p>Please provide an update on the progress of the lease expiries due in FY20.</p>	<p>As at 31 March 2020, EC World REIT has a WALE of 3.8 years by gross rental income.</p> <p>As disclosed in our 1Q2020 Financial Results Presentation, 15.2% (by gross rental income) of our leases will expire in 2020. Such lease expirations pertain to certain leases from Hengde Logistics, Chongxian Port Logistics and Wuhan Meiluote. The Manager has been in active discussions with the Property Manager, existing and prospective tenants on renewals and potential new leases. The Manager will provide an update should there be any material developments.</p>
Investment Strategy		
7.	Are there any plans to acquire property in view of the growing e commerce in China?	<p>The Manager adopts a disciplined investment approach towards the evaluation of potential acquisitions. In addition to the location and quality of asset, the Manager is cognisant of the need for the acquisition to be yield-accretive.</p> <p>The Manager is constantly looking for potential investments which complements and value-add to its current portfolio. The Manager will provide an update should there be any material developments.</p>
8.	Any asset enhancement plans this year?	<p>The Manager and the Property Manager continues to maintain and improve the quality of our assets. One example is the solar power system installed at Fuheng warehouse in FY 2019 which is a testament of EC World REIT's sustainability effort.</p> <p>For FY2020, we have not planned for any major capex and enhancement works in light of the</p>

		current situation but the Manager plans to conduct incremental enhancement works such as the upgrading of aged air-conditioning system at Hengde Logistics to enhance the quality of the asset.
Financial and Capital Management		
9.	Trade receivables for 1Q20 was at \$18.8 million (about 80% 1Q20 revenue \$23.5 million), presumably most of it is due from the Sponsor, is this a cause of concern and when will such receivables be paid?	<p>As a result of the severe COVID-19 situation in China in 1Q2020, the operations and businesses of almost all of our tenants and sub-tenants were significantly disrupted. This has also led to some delay in rental payments from the underlying tenants to the master lessees which in turn caused some delay in rental payments from the master lessees.</p> <p>The Manager is working closely with the Property Manager and expects the collection of receivables to gradually catch up and the reduction in amount of receivables by end of June 2020.</p>
10.	Is EC World REIT's revolving credit facility RCF with an interest rate of 1.5 to 2.6% per annum with a China bank? Does EC World need to pledge properties to establish RCF? What needs to be done by EC World in order to expand RCF facility since a large portion of existing RCF facility had already been drawn down?	EC World REIT's RCFs (or "Revolving Credit Facilities") are mainly used for distribution and offshore operating expenses and are arranged with three Singapore banks. No properties are pledged under the RCFs. The Manager intends to repay part of the RCFs to expand the available portion at a suitable timing. In FY2019, S\$50m of RCFs was repaid during EC World REIT's refinancing exercise which increased the available quantum of RCFs. The cash pledged under the RCFs was then used for the acquisition of Fuzhou E-Commerce.
11.	EC World REIT has high gearing ratio and high debt/equity ratio. Can you please address the possible devaluation of asset?	<p>EC World REIT's gearing ratio as at 31 March 2020 is 38.6% which is well below the regulatory limit of 50% and we continue to be in full compliance with all of our financial covenants.</p> <p>Having said that, the Manager is highly cognisant of the impact the COVID-19 situation may have on our asset valuations. We note that while the COVID-19 situation has impacted the broader economy, certain sectors such as e-commerce have remained relatively resilient.</p>
Distributions		
12.	What's the target dividend distribution for 2020, 2021, 2022?	The Manager does not provide forward looking distribution target. The Manager is cognisant of the evolving market conditions and is committed to delivering stable, sustainable and growing distributions to our unitholders.

13.	<p>Do you expect to hold back DPU like some of the other REITs for the rest of the year?</p> <p>What is the impact to dividend payouts due to COVID-19 for the rest of the year?</p>	<p>In 1QFY2020, for prudence, EC World REIT retained approximately 5% of the amount available for distribution. The Manager will evaluate the payout ratio, keeping in mind the global economic climate. However, the Manager expects to maintain a payout ratio of at least 90% for FY2020.</p>
14.	<p>How do management maintain or even increase dividends for unitholder in this COVID-19 season? What are the risks of dividend cut in the next few quarters?</p>	<p>In August 2019, EC World REIT acquired Fuzhou E-Commerce, a quality e-commerce asset in Hangzhou which contributes positively to the earnings. The revenue from Fuzhou E-Commerce and the embedded rental escalation in the property's master lease agreement will have a full-year revenue contribution in FY2020.</p> <p>In 1QFY2020, EC World REIT retained approximately 5% of the amount available for distribution. The Manager will evaluate the payout ratio, keeping in mind the global economic climate. However, the Manager expects to maintain a payout ratio of at least 90% for FY2020.</p>
Outlook		
15.	<p>Amid the global pandemic of COVID-19, and the US-China trade disputes, Hong Kong status, and global economic slowdown, how would EC World REIT transform and adapt for further growth and performance?</p> <p>What is your outlook for 2020 and 2021?</p>	<p>EC World REIT has a healthy occupancy of 99.1% as at 31 March 2020 and a weighted average lease to expiry of 3.8 years (by gross rental income). Barring any further deterioration of the COVID-19 situation in China as well as macro-economic downturn, the Manager expects EC World REIT's performance to be relatively stable.</p> <p>We will, however, remain highly vigilant to the global macroeconomic and geopolitical risks and their impact on economy, our sector and assets.</p>
16.	<p>Please share on the next 10-year plan for growth</p>	<p>The Manager plans to continue on its mission to deliver sustainable and predictable returns to its unitholders. It plans to continue to expand through yield-accretive acquisitions while ensuring a prudent capital structure and robust risk management infrastructure.</p>

- END -

IMPORTANT NOTICE

The value of the Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by the Manager, DBS Trustee Limited (as trustee of EC World REIT), or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Unitholders have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders 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.

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

This 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. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of EC World REIT. The forecast financial performance of EC World REIT is not guaranteed. A potential investor is cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.