



## EC WORLD REAL ESTATE INVESTMENT TRUST

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

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### EC WORLD REAL ESTATE INVESTMENT TRUST 2022 EXTRAORDINARY GENERAL MEETING RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS

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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 2022 Extraordinary General Meeting (“**EGM**”).

The Manager has grouped and in some cases, paraphrased for clarity, substantial and relevant questions of a similar nature into the following broad categories, alongside the respective responses:

- (i) Overview and Rationale
- (ii) Divestment Plan
- (iii) Financial and Capital Management
- (iv) Distribution and Operation Post Divestment

Please refer to the appendix hereto (the “**Appendix**”) for the list of the responses to the questions. This list of responses should be read in conjunction with the “Circular To Unitholders In Relation To The Proposed Divestment Of Stage 1 Properties Of Bei Gang Logistics And Chongxian Port Logistics” dated 24 November 2022 (the “**Circular to Unitholders**”). Unless otherwise defined, all capitalised terms used in the Appendix shall have the meaning ascribed to them in the Circular to Unitholders. Unitholders are encouraged to refer to the relevant EGM documents by visiting the dedicated EGM webpage set up by **EC World REIT** at <https://ecwreit.listedcompany.com/egm2022.html>.

For and on behalf 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: 9 December 2022

## APPENDIX

### RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS

Overview and Rationale		
1.	Why is EC World REIT having issues in securing refinancing?	<p>A key component of EC World REIT's strategy in enhancing returns to Unitholders is to take on debt financing within the limits set out in the Property Funds Appendix. Since the IPO, EC World REIT's debt financing and refinancing agreements have always been on a secured basis and contained covenants which are pegged to the valuations of its properties.</p> <p>Rising inflation, monetary tightening policy, and the ongoing war in Ukraine have also continued to exert pressure on the Chinese economy despite a gradual resumption of domestic economic activities. Notwithstanding the current measures to relax the COVID-19 restrictions, the earlier COVID-19 restrictions have also contributed to more difficult operating conditions for businesses in China. In addition, due to the current macro-economic and real estate market conditions in the People's Republic of China, lenders have generally become more cautious on the entire real estate sector, not just the residential property segment. This has resulted in some challenges and delays to EC World REIT's ability to refinance and the lenders of the Existing Offshore Bank Loans and Existing Onshore Bank Loans have called on EC World REIT to repay the Mandatory Repayment amount by 31 December 2022.</p>
2.	Why is the Manager proposing to divest properties in EC World REIT?	<p>The Manager is proposing to divest the two properties so that it can enable debt financing and refinancing, realise value, and preserve long-term value for Unitholders.</p> <p>The Proposed Divestment will enable debt financing and refinancing by generating sufficient net proceeds for EC World REIT to meet Mandatory Repayment obligations that are due by 31 December 2022, while also enabling EC World REIT to return cash to Unitholders in the form of the Special Distribution.</p> <p>The Proposed Divestment is also an opportunity to realise value as the Agreed Property Value of each of the Divestment Properties is at a premium to their respective appraised valuations, book value of the Target Companies, and IPO acquisition costs.</p> <p>The Proposed Divestment will help preserve long-term value for Unitholders as EC World REIT will be able to avoid further decline in asset value caused by shifting market trends and upcoming major overhaul costs.</p>
3.	Why are the properties in Stage 1 Properties of Bei Gang Logistics and Chongxian Port Logistics (collectively referred to as the Divestment Properties) selected to be divested?	<p>As compared to the other properties in the EC World REIT portfolio that are pure logistics assets, the Divestment Properties are assessed to be the most suitable for divestment.</p> <p>Should the Divestment Properties continue to form part of EC World REIT's portfolio, the long-term value to</p>

		<p>Unitholders would deteriorate due to the following reasons:</p> <ul style="list-style-type: none"> <li>- Decline in asset valuations compared to IPO levels</li> <li>- Beigang Logistics is no longer as attractive to tenants due to market trends</li> <li>- Chongxian Port Logistics is an ageing property with extensive repairs required in the next couple of years</li> <li>- Unfeasible to overhaul and reposition Divestment Properties to capture evolving e-commerce trends</li> </ul> <p>Furthermore, the Agreed Property Values and Valuations of the Divestment Properties are at premium to valuation, after taking into account independent valuations and arm's length negotiations.</p> <p>The Aggregate Agreed Property Value of the two Divestment Properties is nearly 18% higher than their initial purchase prices at IPO and at a premium to valuation.</p>
4.	<p>How much did the Divestment Properties contribute to EC World REIT's gross revenue in FY2021?</p>	<p>The Manager is of the view that the relevant and reflective benchmark for evaluating the financial performance of the properties would be net property income ("<b>NPI</b>") instead of revenue. A segment level revenue breakdown within EC World REIT's portfolio was disclosed in the annual reports.</p> <p>The pro-forma financial effects of the Proposed Divestment on ECW were shared in the announcement dated 3 October 2022.</p> <p>The same announcement noted that the NPI attributable to the Divestment Properties in terms of relative percentage to the EC World REIT's total NPI was 28.1%, based on the audited accounts for FY2021.</p>
5.	<p>What options does EC World REIT have if the divestment falls through?</p>	<p>The Manager, having carried out extensive engagements with the lending banks and having evaluated the Proposed Divestment, is of the view that without the proceeds from the Proposed Divestment, EC World REIT is at the risk of an imminent default of the Mandatory Repayment obligations due 31 December 2022.</p> <p>Therefore, the Manager seeks support from all Unitholders to approve the Proposed Divestment.</p> <p>As disclosed in the announcement dated 22 November 2022, the Board assessed that EC World REIT remains as a going concern, based on the Board's expectation that the repayment of the Mandatory Repayment and refinancing of April 2023 Outstanding Loans would be completed before these borrowings become due for repayment.</p> <p>The Sponsor has provided undertakings to the relevant lenders that it will ensure that the Mandatory Repayment</p>

		<p>is made by 31 December 2022 whether by acquisition of asset(s) of EC World REIT and/or its subsidiaries, or otherwise.</p> <p>The Manager is currently in discussions with the lead lenders of the Existing Offshore Bank Loans and the Existing Onshore Bank Loans to refinance the April 2023 Outstanding Loans.</p> <p>The Manager remains open to all fund raising options.</p>
6.	Is the Sponsor still committed to supporting EC World REIT?	<p>The Sponsor has informed the Manager that it remains fully committed to supporting EC World REIT. The Sponsor's interest in EC World REIT is fully aligned with other Unitholders.</p> <p>In addition to the undertaking that the Sponsor has provided to the relevant lenders that it will ensure that the Mandatory Repayment is made by 31 December 2022 whether by acquisition of asset(s) of EC World REIT and/or its subsidiaries, or otherwise, the Sponsor has been supporting EC World REIT via master lease arrangements since IPO and increased its stake in EC World REIT from 41.5% at IPO to 43.8% as at 30 September 2022.</p>
<b>Divestment Plan</b>		
7.	Other than talking to the Purchasers, did EC World REIT try to achieve a higher value for the Divestment Properties through an open process?	<p>EC World REIT is open to all options in the best interest of Unitholders. Potential divestments are not limited to related parties.</p> <p>The Manager had appointed Merrill Lynch (Singapore) Pte. Ltd. to assist with an evaluation of the Proposed Divestment and to obtain indications of interest from the market for EC World REIT's interests in the Divestment Properties.</p> <p>Following the exercise, the Proposed Divestment remains the only definitive proposal received by the Manager. There are no alternative potential offers in the market at this point in time.</p> <p>The Manager had:</p> <ul style="list-style-type: none"> <li>- evaluated the price and terms of the offer received;</li> <li>- engaged in several rounds of discussions with the Purchasers, the Sponsor and their representatives to negotiate the terms of the Proposed Divestment; and</li> <li>- appointed independent valuers Jones Lang LaSalle Corporate Appraisal and Advisory and Knight Frank Petty Limited to value the properties in mid-2022.</li> </ul>
8.	Do you have a timeline to complete the divestments?	Completion of the Proposed Divestment shall, at the best endeavours of the Vendor, the Sponsor and the

		Purchasers, occur by 31 December 2022, or such other date as may be agreed among the Parties.
<b>Financial and Capital Management</b>		
9.	Has the Manager approached other banks for refinancing loans, including Singapore banks?	<p>The majority lenders of EC World REIT, including lead lenders, are Singapore banks.</p> <p>The Manager is working closely with the lead lenders on the refinancing process.</p>
10.	What is the impact to NAV, DPU, Gearing Ratio, and Interest coverage after divestment of the Stage 1 properties at Beigang Logistics and Chongxian Port Logistics?	<p>The financial effects of the Proposed Divestment are presented in the Circular to Unitholders and will be presented to Unitholders at EGM for their approval.</p> <p>Unitholders may visit <a href="https://ecwreit.listedcompany.com/egm2022.html">https://ecwreit.listedcompany.com/egm2022.html</a> and peruse the relevant EGM documents.</p>
11.	Will the proposed divestment lead to any drop in EC World REIT's aggregate leverage?	<p>The Proposed Divestment will enable EC World REIT to pare down its existing loans by the Relevant Mandatory Prepayment Amount.</p> <p>It is expected that the gearing pre-completion and post-completion should remain stable.</p> <p>The actual effect of the leverage will be determined at the completion of the Proposed Divestment.</p>
<b>Distribution and Operation Post Divestment</b>		
12.	What is the target payout date of the Special Distribution?	<p>Subject to the completion of the Proposed Divestment, the Manager intends to make a Special Distribution to Unitholders within 40 Business Days of Completion.</p> <p>Unitholders should note that there is no certainty or assurance that the Special Distribution will be made.</p> <p>Depending on, among other factors, the likelihood of refinancing the April 2023 Outstanding Loans based on terms that are acceptable to EC World REIT, post-Completion, the Manager may decide not to make the Special Distribution at all or may determine a lower quantum of the Special Distribution than what is currently expected.</p>
13.	Following the proposed divestment, EC World REIT's DPU will be reduced to 4.58 cents (from 6.41 cents before the divestment) – a decline of 28.5%. How is this "preserving long-term value for Unitholders" when DPU is going to drop by close to 30% thereafter?	<p>Driven by the current macroeconomic and real estate conditions in the PRC, the lenders of both the Existing Offshore Bank Loans and the Existing Onshore Bank Loans had called on EC World REIT to repay at least 25% of the aggregate principal amount of the Existing Offshore Bank Loans and the Existing Onshore Bank Loans by 31 December 2022, and to proceed to refinance the remaining loans due by 30 April 2023.</p> <p>The Manager, having carried out extensive engagements with the lending banks and having evaluated the Proposed Divestment, is of the view that without the proceeds from the Proposed Divestment, EC World REIT is at the risk of an imminent default of the Mandatory Repayment obligations due 31 December 2022.</p>

		<p>The Manager is of the view that should the Divestment Properties continue to form part of EC World REIT's portfolio, the long-term value to Unitholders would deteriorate due to the following reasons:</p> <ul style="list-style-type: none"> <li>- Decline in asset valuations compared to IPO levels</li> <li>- Beigang Logistics is no longer as attractive to tenants due to market trends</li> <li>- Chongxian Port Logistics is an ageing property with extensive repairs required in the next couple of years</li> <li>- Unfeasible to overhaul and reposition Divestment Properties to capture evolving e-commerce trends</li> </ul> <p>Furthermore, the Agreed Property Values and Valuations of the Divestment Properties are at premium to valuation, after taking into account independent valuations and arm's length negotiations. The Aggregate Agreed Property Value of the two Divestment Properties is nearly 18% higher than their initial purchase prices at IPO and at a premium to valuation.</p> <p>In light of the foregoing, the Proposed Divestment presents an attractive option for EC World REIT to realise the value of the Divestment Properties.</p> <p>Subject to the completion of the Proposed Divestment, the Manager intends to make a Special Distribution to Unitholders as well.</p>
14.	<p>Is there a list of properties from which EC World REIT has ROFR from its Sponsor in order to replace the Divestment Properties, to restore the DPU to 6.41 cents (the amount before the divestment)? Is there a timeframe in which the REIT will acquire the properties and restore the DPU?</p>	<p>As disclosed in EC World REIT IPO prospectus, the Sponsor has granted a right of first refusal to EC World REIT that provides EC World REIT with access to opportunities for the acquisition of income-producing e-commerce and logistics properties located in China.</p> <p>When acquisition opportunities arise, the Manager will evaluate the merits according to its investment criteria.</p>

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### **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.