

QUESTIONS AND ANSWERS RAISED AT THE EXTRAORDINARY GENERAL MEETING (“EGM”) OF EC WORLD REAL ESTATE INVESTMENT TRUST (“EC WORLD REIT”, “ECW” OR THE “REIT”) HELD ON 16 DECEMBER 2022

Unless otherwise defined in this Annexure A or in the above minutes, all capitalised terms used shall have the meaning ascribed to them in the circular of EC World REIT dated 24 November 2022 (“Circular”). Some questions and answers have also been edited for clarity.

Question 1

One of the reasons cited for disposing Beigang Logistics Stage 1 (“**Beigang**”) was that it is no longer attractive to tenants due to market trends, and for Chongxian Port Logistics (“**Chongxian**”), that it is an aging property with upcoming extensive repair required. When did these concerns arise and why were they not disclosed at a previous Annual General Meeting or published on SGXNET to update the Unitholders?

Answer 1

One of the rationales for the Proposed Divestment is to make the 25% repayment to the lenders in accordance with the requisite timeline by 31 December 2022. The Board and Management had explored other options, such as a rights issue, but found that they were not viable. The Proposed Divestment was ascertained to be the best option after due consideration.

As for the Divestment Properties, their condition and impact on the REIT was not so dire as to warrant an announcement by the REIT. For Chongxian, the REIT is proposing to dispose it because Chongxian is the most likely to require major repairs in the future, as compared to the other assets of the REIT.

Question 2

The distribution per unit (“**DPU**”) of the REIT will see a huge decline of 30% after the Proposed Divestment and the REIT’s unit price will plunge upon ex-dividend. In view of the capital loss arising from this double whammy, what is Management’s plan over the next one year to cover the 30% gap, and in particular, is there any plan to acquire properties in light of the right of first refusal granted by the Sponsor to the REIT (“**ROFR**”)?

Answer 2

The REIT constantly explores opportunities, be it acquisitions or disposals. Currently, the REIT is proposing the Proposed Divestment.

The REIT will continue to explore ROFR opportunities from the Sponsor and if appropriate, the REIT will make an announcement. However, there is currently nothing concrete.

Question 3

In the recent announcement on Responses to Unitholders’ Substantial and Relevant Questions in relation to this EGM, it was mentioned that “Unitholders should note that there is no certainty or assurance that the Special Distribution will be made. 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.”

Can Management elaborate on the scenarios where the Special Distribution may not be paid out? In the October 2022 announcement on Proposed Divestment, it was announced that a Special Distribution would be made.

Answer 3

The REIT has about 40 Business Days from the Completion Date to make the Special Distribution. However, this is contingent upon the refinancing the April 2023 Outstanding Loans which is imminent in April 2023. The refinancing of the April 2023 Outstanding Loans due in April 2023 is critical to the REIT.

Management is also engaging with the lenders on the refinancing of the the April 2023 Outstanding Loans.

The exact amount of the Special Distribution would depend on, among others, the exchange rate, and the timing of the Special Distribution is subject to negotiation with the lenders on the refinancing. Management would need to have clarity on the latter before it can make further announcements on the Special Distribution.

Question 4

Pertaining to the announcement on Update on Financing Obligations of EC World REIT released on 23 November 2022, "In respect of the obligation of the Sponsor to ensure that the Mandatory Repayment is made by 31 December 2022, the Board of the Manager (the "**Board**") is of the view that the Sponsor has sufficient financial resources to meet its obligations under the Offshore Undertaking and the Onshore Undertaking by ensuring that the Mandatory Repayment is made by 31 December 2022. This is based on the management's review of latest audited financial statements of the Sponsor and written confirmation from the Sponsor that the Sponsor is able to fulfil its undertakings to the existing lenders of ECW that the Sponsor will ensure ECW to repay Mandatory Repayment by 31 December 2022."

- (a) Does that mean that the Sponsor has the financial resources to meet the debt obligation to repay at least 25% of borrowings by 31 December 2022 without proceeding with the Proposed Divestment? If this is the case, why not wait for the market to turn for the better before divesting the Divestment Properties?
- (b) Is there a Plan B for the REIT if the Proposed Divestment is not carried or if the Proposed Divestment cannot be completed by 31 December 2022?

Answer 4

The Purchasers had signed the Equity Purchase Agreement (the "**Agreement**") and the Sponsor had also declared to the lenders that they remained committed to support the Transaction. It would not be appropriate for us from the Vendor's perspective to comment on whether the Purchasers are able to raise their financing to complete the purchase.

All parties including the Purchasers are working hard to secure the deal.

Question 5

What does Management intend to do for the market to value the REIT correctly? The REIT's unit price was 70 to 80 cents previously and it is now trending around 40 to 50 cents.

Answer 5

The developments in the world economy, the China economy and the geopolitical issues for the past three years should be viewed in context relative to the performance of a company. Further, there is the trend of rising interest rates faced by companies.

The Manager and the Board always bear in mind the interests of the Unitholders. The REIT has consistently made its distribution at around 8% yield.

In China, some real estate companies dealing with bonds were unable to pay the coupons. The real estate market in China has been under pressure, which in turn pressured the banks to react.

The challenge on us now is on refinancing. The REIT's unit price fluctuation was a result of uncertainty over the current situation and its refinancing status.

Once we are able to settle the refinancing, we hope the REIT would be on more stable ground in terms of its unit price and DPU.

The refinancing is a critical milestone for the REIT to achieve.

Question 6

What is the indicative timeline for the Proposed Divestment exercise?

Answer 6

Firstly, we need to complete this EGM with Unitholders' approval for the resolution. This is also one of the conditions precedent in the Agreement. Post-EGM, the Purchasers and the Vendor will attempt to complete the Transaction as soon as possible.

With the current COVID-19 surge situation in China and the upcoming Chinese New Year festive season, these may pose a challenge to the completion timeline. Management will engage with the Purchasers on the timeline once Unitholders have given their approval at this EGM.

Question 7

What happens if the REIT cannot meet the debt obligation to repay at least 25% of borrowings by 31 December 2022?

Answer 7

We are in close contact with the lenders. We have been communicating with them very closely to ensure that the interests of the Unitholders are protected.

Question 8

The REIT's current gearing ratio is approximately 39%, way below the gearing limit required by the Monetary Authority of Singapore ("MAS") of 50%.

- (a) Why are the lenders pressing for at least 25% repayment?
- (b) Is this a reflection of lack of confidence of the lenders towards the REIT or the Sponsor?

Answer 8

We do not have the answer for the lenders. My own opinion is that it could be due to challenges faced by the real estate sector in China.

Question 9

In the Company's announcement dated 20 November 2022, it was announced that the Purchasers did not complete the Transaction Financing Documents by the Transaction Financing Long-Stop Date and this caused the plunge of the REIT's unit price. I am concerned whether the REIT can complete the Proposed Divestment by end December. Do you think that the Purchasers can complete the purchase by end December 2022?

Answer 9

It is not appropriate for us from the Vendor's perspective to answer this question.

The Agreement had been signed by the parties and the Sponsor had given its undertaking to complete the Transaction. It is therefore not for us to second guess the Purchasers.

As of now, we have not been informed by the Purchasers whether they can or cannot complete the purchase by end December 2022.

In the event of any material development, the Manager will make the appropriate announcement to the market.

Question 10

What is Management's assessment on the Completion?

Answer 10

Under the Agreement, the Purchasers are not entitled to walk away from the deal but the Vendor may do so in certain circumstances.

We would have to wait till 31 December 2022 to assess the situation. In the meantime, we seek your support on the Proposed Divestment. By doing so, we will be able to send a clear signal to the market that we have received support from the Unitholders for the Transaction.

Question 11

With the Proposed Divestment, the REIT will become a smaller REIT. Even with the Sponsor's ROFR, the prospects may not look positive. Will you be considering divesting all the REIT's assets as proposed before? The REIT's unit price is half of its net asset value ("**NAV**") now.

Answer 11

Acquisitions and divestments are part and parcel of the REIT's business and we will consider them as and when opportunities arise.

To maintain an 8% yield of the REIT is a challenge for us. Notwithstanding this, we will still continue to explore suitable opportunities.

As to whether we will dispose of the rest of the REIT's assets, it will depend on whether there is any potential buyer(s). The Board will assess and review whether such offer will be beneficial to the Unitholders. It will be speculative to say whether any buyers will buy the remaining five assets at this juncture.

Question 12

- (a) What is the Plan B if the Proposed Divestment does not go through?
- (b) What is the Board's assessment if the Proposed Divestment falls through – is the REIT still able to meet the repayment timeline?

Answer 12

The Sponsor has given its undertakings on the Mandatory Repayment of 25% of the REIT's existing bank loans by 31 December 2022. These undertakings are independent of the Proposed Divestment.

Question 13

Is the Proposed Divestment the only viable option available?

Answer 13

The Proposed Divestment is the best option.

Question 14

If the Proposed Divestment does not go through, would the REIT not be able to meet its repayment obligations?

Answer 14

Yes, the REIT would not be able to.

Question 15

Referring to page 53 of the Circular setting out the REIT's substantial unitholders, how did Sunkits Resources Limited ("**Sunkits**") and Fosun International Holdings Ltd. ("**Fosun**") respond to the Proposed Divestment? Have they raised any concerns?

Answer 15

Sunkits and Fosun are cornerstone investors of the REIT during the REIT's IPO. Management is not allowed to discuss such matters with them only.

Instead, Management has been communicating closely with the Sponsor and the Purchasers.

Once the Proposed Divestment is completed, the REIT will be able to meet its repayment obligations and there is no need for Management to go to these cornerstone investors.

So far, Management has not heard anything from these cornerstone investors.

Question 16

In view of the tight timeline imposed by the lenders, is it possible to extend the repayment timeline to March 2023 given the COVID-19 surge situation in China?

Answer 16

The repayment timeline is 31 December 2022 and we would have to wait for the Purchasers to come back to us on when the Proposed Divestment can be completed.

On the other hand, Management has already commenced negotiations with the lenders on the April 2023 refinancing term sheet.

The results of the EGM will help with the Management's discussion with the lenders.

If the resolution is not passed at this EGM, it will send a strong signal to the lenders that Unitholders did not lend their support. As such, it is important that the Unitholders support the resolution tabled at this EGM.

Question 17

Is it possible to extend the repayment timeline to March 2023?

Answer 17

We will bear your suggestion in mind. Currently, there are a few milestones to clear. The Board and Management will take into account the Unitholders' interests in making decisions.

Question 18

Why are the lenders demanding a 25% repayment when the assets are 100% collateralised to them and the properties are valued at their fair value? Such a request will affect the REIT going forward as the lenders would be unlikely to continue giving loans if they cannot extend the repayment timeline.

- (a) Will the Proposed Divestment be completed by 31 December 2022 if the resolution tabled at this EGM is passed?

Answer 18

There are a lot of uncertainties in today's market.

Once Management has visibility on the said matter, an appropriate announcement will be made. It is the Manager's responsibility to inform the Unitholders (via announcement) on all material developments.

We will make the appropriate disclosure once we have received confirmation from the Purchasers.

As to why the lenders insist on 25% repayment, we as the borrowers are unable to comment for the lenders.

Question 19

Is there any chance for the Purchasers to back out of the deal even though they had already signed the Agreement?

Answer 19

Under the Agreement, the Purchasers are not entitled to walk away from the deal once the Unitholders have approved the resolution.

Question 20

- (a) What if the Purchasers are unable to pay for the Divestment Properties?
(b) Under this scenario, what action can be taken against them?

Answer 20

There will be consequences for the Purchasers under the Agreement. Having said that, the Manager will be placed in a precarious position in this scenario.

Please be assured that the Board and Management have noted the Unitholders' concerns and are working hard to address all issues.

Question 21

What kind of consequences will be imposed on the Purchasers?

Answer 21

There are indemnity clauses in the Agreement.

The Sponsor also acts as the guarantor for the Purchasers. The Sponsor has guaranteed to the Vendor the due and punctual performance and observance by the Purchasers of all of the commitments and undertakings of the Purchasers under the Agreement. If the Purchasers are unable to complete the purchase, the Vendor has recourse against the Sponsor for the Purchasers' breach.

The Sponsor has approximately 43% unitholdings in the REIT and as such, the Sponsor's interest is aligned with the Vendor. The Purchasers are also related parties to the Sponsor. The Sponsor is supportive of the deal.

Question 22

The current situation looks negative to the market whereby the REIT is unable to pay its debt and is now forced to sell its properties. Why is the REIT in such a desperate situation?

For other REITs, when they are faced with challenges, they have their Sponsor to step in for corporate exercise such as rights issue and placement, has the Board considered these alternatives?

Answer 22

We have explained earlier that the rights issue option was not viable. It is not appropriate for the Manager to advise that the Sponsor does not wish to render its support. The Sponsor has its own considerations and the Manager is unable to speak on its behalf.

The Independent Directors have deliberated all options in the circumstances, taking into account the Unitholders' interests, and have recommended the Proposed Divestment as the best option.

Question 23

The REIT is forced to sell its properties when it has a decline in earnings. How does the Manager address the situation in China? Will the Manager consider selling the REIT or merging with other REITs?

Answer 23

We would like to obtain support from the lenders on the refinancing and the amount of approximately S\$600m is not small.

In the current uncertain market, EC World REIT is not the only REIT facing challenges.

We do not expect the DPU and the NAV of the REIT to continue its downward trend perpetually.

If there is any interested investor(s) who wants to buy over the REIT, the Board will consider the interests of the Unitholders should there be such a proposition.

Question 24

- (a) With the Chinese Government reversing its zero COVID-19 policy, do we expect to see another divestment from the REIT next year?
- (b) Given the reduced size of the REIT, would merging with the other REITs be considered?

Answer 24

Let us focus on settling the more urgent challenge currently faced by the REIT.

Once the refinancing issue is settled, we will be in a more stable situation. While we hope the REIT continues to make progress, there are many possibilities as well.

The COVID-19 situation has affected the real estate market in China. The Chinese Government is working hard to revive the economy and I am confident that they are able to overcome their situation.

As for a potential merger with other REITs, most mergers usually take place within the same group in the market. The opportunities in Singapore may be limited. Merging with other overseas REITs would also have its own set of challenges.

Notwithstanding this, the Board is open to and will consider such opportunities if they will benefit the Unitholders.

There were ongoing discussions, broadly to look at opportunities to make the REIT stronger. Unitholders will be kept informed if there is any material development.

The Board has an obligation to ensure that material information relating to the REIT is publicly announced where applicable, and this is also a requirement under the SGX Listing Manual.

Question 25

- (a) Noted that United Overseas Bank Limited and DBS Bank Ltd. are providing the existing offshore bank lines. Given the REIT's properties are located in China, why is the REIT not able to obtain its loans from the banks in China where the interest rate is lower?
- (b) Can the Unitholders make an appeal to the Sponsor to make a privatisation offer to all Unitholders? After the Proposed Divestment, the market capitalisation of the REIT would not be substantial. It is also unlikely that the REIT's unit price will go up to 70 or 80 cents. I am willing to accept if there is a slight discount of 5% for the privatisation offer.

Answer 25

The REIT has structured its loans from both onshore (China) and offshore (Singapore).

The bank loan interest rate in China is in fact higher than the local banks in Singapore.

Normally, the syndicated loans depend on the lead lenders and how they structure the loan. CITIC is one of the parties in the syndicated loan.

For privatisation, if the Sponsor wants to privatise the REIT, the Board will consider it if it is presented. We note that you are prepared to accept a 5% discount.

Question 26

With the reduced size of the REIT, it is logical to think that the Sponsor has intention to privatise it, particularly given the Sponsor is the major unitholder of the REIT.

Last year, the Board announced that the Sponsor had intention to acquire all the REIT's properties, but at the end of the year, the plan was called off. When the first announcement was released, the REIT's unit price shot up.

I noted that the Forchn group conducts many businesses in China. Let us remind the Sponsor that their worthiness and integrity are at stake.

Since the Sponsor has given its undertaking in relation to the Proposed Divestment, their reputation will be at stake if the deal does not go through. The Sponsor is an important stakeholder of the REIT.

Answer 26

The Sponsor will be notified of the proceedings at this EGM.

Question 27

Noted that there is leeway to enforce the Agreement as mentioned in the Circular. Before you take any enforcement action, please weigh the expected cost and time involved.

What is the strategy to prevent default on the loans with the lenders?

Answer 27

We have elaborated on this earlier.

The Purchasers are also actively discussing their options.

Please be assured that we are working closely with the Purchasers and the lenders. In the meantime, we must demonstrate to the lenders that we have support from the Unitholders for the deal.