ANNEXURE A

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RAISED AT THE ANNUAL GENERAL MEETING ("AGM") OF EC WORLD REAL ESTATE INVESTMENT TRUST ("EC WORLD REIT" OR "ECW") HELD ON 29 JULY 2024

*Unless otherwise defined in this Annexure A, all capitalised terms used shall have the meaning ascribed to them in the annual report of EC World REIT for the financial year ended 31 December 2023 ("**FY2023**" and the annual report for FY2023, the "**Annual Report**"). Some questions and answers have also been edited for clarity.*

1.	**Questions by Unitholder :**	<u>Repayment of liabilities</u> On page 126 of the Annual Report, it was mentioned that on 10 June 2024, the Offshore Lenders, through the Offshore Facility Agent, issued a letter to ECW, requiring it to fulfil certain conditions and milestones, among others, that the Group shall divest assets in such amount sufficient to repay the liabilities under the Offshore Facility agreement by 31 May 2025. (a) Is it to repay the whole facilities? The unitholder referred to page 107 where it was mentioned that the existing offshore bank loans have been refinanced in full with the aggregate principal of up to S$348.9 million ("m"). The unitholder opined that given the current market conditions, the divestment of ECW's assets, if any, might be lower than their valuation. The divestment proceeds would therefore be unlikely to be sufficient to pay the outstanding liabilities. The unitholder commented that there were reports of oversupply of the warehouse market in the PRC which will continue to persist in the next 3 years. Couple with the current economy downturn in the PRC and given that the rental income of ECW is insufficient to sustain its interest payment and operating expenses, the unitholder concluded the outlook of the REIT is bleak. In the event the Offshore Lenders were to seize ECW's assets, the unitholder opined that it would be difficult for them to sell in the current market situation. The unitholder further asked the following questions: (b) What is the gap between the rental income of ECW and its interest payment and operating expenses? (c) Is the extended timeline, 31 May 2025, to dispose ECW's assets a final timeline by the Offshore Lenders or subject to further negotiation? <u>Suspension of ECW's units</u> The units of ECW have been suspended for almost a year since August 2023. ECW has so far been transparent of its disclosures regarding its financial position and/or material updates. The unitholder asked the below: (e) Any indicative timeline that ECW is able to lift its suspension? (f) What other strategic options has the Board considered for ECW given that the Sponsor is in severe financial difficulties. Is it possible to look for other bigger China companies to inject other assets apart from warehouse, so that ECW is able to diversify its assets risk.
	Comment by Chairman:	There is not only just oversupply of warehouses in the PRC. The economy downturn had resulted in softer demand for logistics space leading to higher vacancy rate of warehouses. The Chairman then invited the CEO to address the unitholder's questions.

	Answer by CEO:	There is an overall reduction in consumption level in the PRC. With lesser activity, the warehouse occupancy rate also declines. While the PRC government is trying to improve the current situation and has introduced or implemented various measures, we have yet to see the real impact at this juncture. We look forward to seeing the positive impact from the rolled-out measures by the PRC government. <u>Suspension of ECW's units</u> The suspension of ECW's units will reach its one-year mark in end August 2024. We will write to SGX to extend the suspension as we are still trying to resolve the current challenges facing ECW. Once we are able to reach a certain level of confidence, particularly with some clarity of ECW's financial health, we will then apply to lift the suspension of ECW's units. <u>Strategic Investors</u> Our brokers have reached out more than 100 potential investors, Some potential investors have expressed interest in ECW's assets and a few are currently doing their due diligence. The possibility of selling at a premium is slim given the distressed situation of ECW. In any case, the Board will seriously consider any offer made and will take into consideration the interest of the minority unitholders. Even if we are able to divest, there is priority of payment to creditors. The Lenders being secured creditors would have their first right of recovery from the sales proceeds.
2.	**Questions by Unitholder** :	The unitholder expressed her concerns of the disclaimer opinion by the auditors. The default in repayment poses significant risk to the unitholders and the REIT will be at risk of insolvency. (a) What is the estimated timeframe that the Manager foresees to resolve the current difficulties amid the going concern issue where ECW's current liabilities far exceeded the current assets and ECW is not able to pay its debt due as and when the fall due? This would force the Lenders to recall their loans and seize ECW's properties. (b) The last distribution which was supposed to pay out on 28 September 2023 had been deferred due to insufficient funds. What is the revised payment timeline? The unitholder also opined that there is high risk of non-collected rents because of the current dismal logistics market in the PRC. She further asked: (c) What is the strategy going forward in order to mitigate the current problems?

<table>
<tr><td></td><td>Answer by CEO:</td><td><u>Going Concern</u>

The Lenders are also concerned of ECW's going concern issue. We are working closely with our bankers and so far, they have been very understanding and supportive to us.

The Onshore Lenders had allowed us to defer the interest payment until such time we are able to recover or manage to recover from sale of ECW's assets.

We are also actively engaging with the Lenders to restructure ECW's financial obligations.

Whether the extended timeline of 31 May 2025 is an absolute timeline, we will cross the bridge when it comes. The Lenders understand the current market conditions. At this point, it benefits both parties to work together during this difficult period. We hope the market conditions in China will improve, recovery of consumption and restoring the vibrancy once the market turns around.

<u>Receivables</u>

ECW has receivables from its Sponsor.

During the ECW's IPO master leases, we had asked for a one-year security deposit.

We are working closely with the Sponsor for an overall settlement package as ECW also owes the Sponsor monies.

The Sponsor had paid ECW RMB330.0m as prepayment for the Proposed Divestment* which was unable to complete by the long-stop date (31 October 2023)*. ECW had used this amount to pare down its loans and is expected to return the same amount back to the Sponsor.

*Please refer to the announcement dated 26 October 2023 released to SGX-ST.

It is a complex situation for ECW and the Sponsor. We will discuss and propose an acceptable solution to both ECW and the Sponsor.

<u>Distribution</u>

ECW does not have sufficient cash to pay its distribution and is not a case which we do not want to pay.

We are not able to predict when we can pay. We are working with the Lenders on the current situation and only if there is permission from the Lenders, we can then make the distribution. We will make the relevant announcement(s) should there be any update.</td></tr>
<tr><td>3.</td><td>Questions by Unitholder :</td><td>(a) The unitholder commented that there was no clear strategy by the Board to clear up the mess and just placing hope on the recovery of the China market as things are not within control.</td></tr>
<tr><td></td><td>Answer by Chairman:</td><td>It is not totally beyond our control.

The receivables from rental are in the hands of the Lenders and they get to decide on who can or cannot pay.

For us as Independent Directors, we have reiterated that at staff level of the Manager, the staff have to be paid duly.

Although there is a lag in recovery of the property market in the PRC which we are caught in such challenging situation, we have to face the reality, and we are not in a position to give up. We are actively engaging with the Lenders and they are also not inclined to declare a default. At Board level, we remain transparent and make the appropriate disclosures to public promptly under the guidance of our legal adviser.</td></tr>
<tr><td></td><td></td><td>(b) Do you view the economy downturn in the PRC as a cyclical trend or is it going to persist as a downward trend for a long term?</td></tr>
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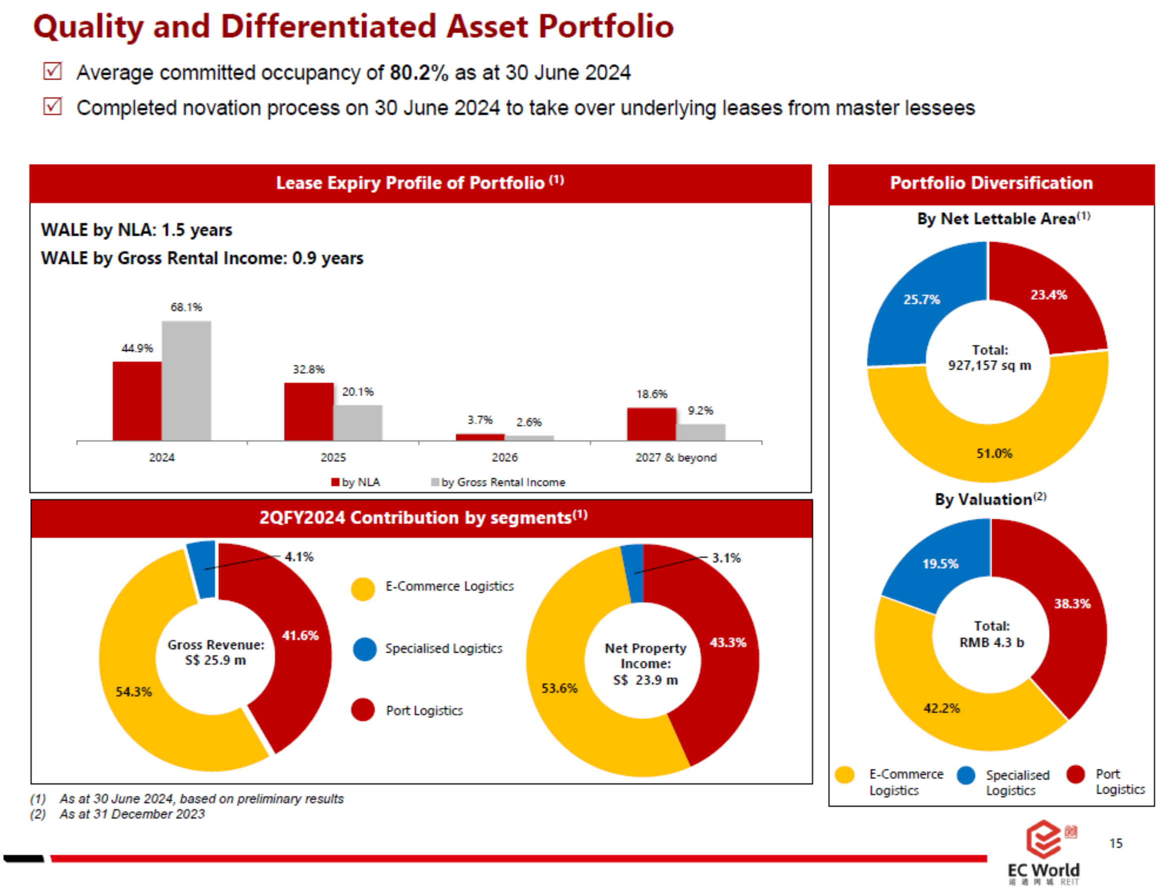
	Answer by CEO:	We are working on matters closely with the stakeholders, such as the Lenders and the Sponsor and tackling the issues as much as we can. We have also engaged financial adviser (KPMG Services Pte Ltd) to advise the Board. The economy downturn and the deteriorating market conditions for real estate sector in the PRC is a reality, which is also the prevailing market situation. The Chinese government is also working hard to keep the economy going amid the challenging environment/world.
		(c) It was mentioned earlier that the rent collected would not be enough for ECW to sustain its operating expenses, as it is in a negative cashflow position. How long do you expect that ECW would not be able to operate?
	Answer by CFO:	Rental income we received is not enough to pay interest expenses, The Onshore Lenders had, after negotiations, agreed to the below, among others under the Onshore Supplementary Agreement: (a) Margin reduction by 2% per annum. (b) Waiver fee of 2% per annum on the current outstanding principal payable by 30 April 2026 Based on our forecast taking into account the current interest due, ECW is able to keep its operations going. We are also taking action to improve ECW's operations, for example increasing the rental income at Hengde. With the current actions, we could achieve a breakeven position. As the offshore lenders had agreed to defer interest payment, we have enough cashflow to continue our operations.
4.	**Questions by Unitholder :**	(a) What is the financial situation of the Sponsor, Forchn Holdings Group Co. Ltd? (b) Are the master lessees paying? (c) Can we cut the master leases and pass them to other party so that the REIT can improve its cashflow?
	Answer by CEO:	The Master Lease Agreement is still in place. To address rental arrears issues, we have completed the novation process to take over the underlying leases from the master leases (as announced on 30 June 2024 to SGX-ST). Previously, the tenants paid to the Master Leases, and now they pay directly to the REIT. We are currently working with the Sponsor on the appropriate settlement which we need to work out taking into account the security deposit, prepayment and receivables among others. We are keeping the master leases currently pending settlement and they will gradually expire by the end of the year.
	Answer by Chairman:	The rental rates will be different when the Master Lease expires. When the Master Leases were signed, it was about 6 or 7 years ago. Now we are facing a different market situation which we would expect a gap between previous and current rental rates. With regard to the financial position of the Sponsor, we are not in a legal position to comment. We are also not a member of the Sponsor's Board.
5.	**Questions by Unitholder :**	(a) What is the rental for this AGM venue at Marina Bay Sands ("MBS")? Are we able to save some cost if other location is selected?

	Answer by CEO:	We are not able to anticipate the number of shareholders who will turn out at the AGM. Based on the current number of unitholders of ECW, Management had decided the AGM venue at MBS which is a convenient location.
		(b) Currently, you have going concern, divestment of assets and loans restructuring issues to deal with. What is the probability of materialising for each of them?
	Answer by CEO:	We are working closely with the Lenders to restructure ECW's financial obligations, which is still on-going. As for divestment of ECW's assets, as mentioned earlier, the brokers reached to more than 100 potential buyers, a few are exploring and had already started their due diligence process. However, we are not able to shortlist them as they have not made any offer to ECW.
		(c) Is it possible to request the Offshore Lenders who have presence in the PRC, to consider their loans holistically and request them to lower their interest rate with respect to their loans?
	Answer by CFO:	Each of the Lenders have their internal rules and decision making on allocation of funds/loans and we are not in the position to comment on your question. Currently, we have 70% offshore loans and 30% onshore loans.
6.	**Questions by Unitholder :**	(a) Referring to the financial position of ECW Group on page 73 in the Annual Report, there is a lot of exposure to ECW. The total return for the year become income tax as of 31 December 2023 was negative. The net asset value had also decreased by about 80% within a year. Would appreciate if you could give a detailed explanation on the above.
	Answer by CFO:	The main factor was the significant decline in valuation of ECW's properties as of 31 December 2023. As at 31 December 2022, the valuation was RMB7,604m and at the end of 2023, it declined to RMB4,336m. We are trying to improve the underlying leases and occupancy rates to help ECW tide over the current economy downturn. Once we are able to improve revenue income, the valuation would increase, and this will translate to improve in net asset value.
		(b) Regarding the 15 new leases (for Hengde Logistics Phase 1) which brought the occupancy rate to about 80% as of 30 June 2024, what are the tenure of these leases?
	Answer by CEO:	The new leases were secured following the termination of China Tobacco's lease in Hengde Logistics Phase 1 (about 159,794 square metres of Hengde Logistics).

	Answer by CFO:	Referring to page 15 of the presentation slides. ▪ WALE by Net Lettable Area ("NLA") is about 1.5 year. ▪ New leases contracted during the past 6 months have an average of 4 to 5 years lease term which were reflected in the 2027 bar chart. 
	Answer by CEO:	We are working closely with the Property Manager in China to improve the occupancy rate. Some leases have a tenure of 1 to 3 years. The vacancy created by China Tobacco in Hengde was a large part to fill while at Wuhan Meiluote, the vacancy was not significant. We are now targeting pharmaceutical industry as the players need to comply with their regulation of having a larger warehouse.
7.	**Question by Unitholder:**	Can the Offshore Lenders also give ECW interest rate at reduced margin?
	Answer by CFO:	We are not paying our Offshore Lenders interest for now. The interest payment is to defer indefinitely until we are able to settle. Till then, we will continue to engage them to discuss with them on reduction of margin through restructuring exercise.

	Comment by the ARC Chairman:	The Board has remained the same since the IPO of ECW. We would like to reassure unitholders that the Board is doing whatever it can, and this includes “ ▪ Actively engaging with the Lenders to restructure ECW’s financial obligations; ▪ Pursuing a universal settlement with the Sponsor considering the leases, receivables and prepayment issues among others; ▪ Disposing ECW’s asset – this is concurrently being explored and we have appointed consultants, Savilla Property Services (Shanghai) Co., Ltd and Cushman & Wakefield (HK) Ltd, to help us We are also looking at other strategic options, including potential investors who could replace the Sponsor. I would like to reiterate that the Board is working hard and committed to uphold transparency and making appropriate disclosure in the course of business. The Independent Directors have not been paid their fees since last year. Notwithstanding, the Board will work together to arrive at the best outcome despite the difficulties or challenges. Our interest is aligned with the minority unitholders.