



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

ANNOUNCEMENT

RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

EC World Asset Management Pte. Ltd., in its capacity as manager of EC World Real Estate Investment Trust (“**EC World REIT**” or “**ECW**”, and as manager of EC World REIT, the “**Manager**”), refers to the announcement dated 1 July 2023 in relation to annual report of EC World REIT for the financial year ended 31 December 2022 (“**FY2022 Annual Report**”) and the update announcement dated 10 July 2023 in relation to the update on the proposed divestment (the “**10 July 2023 Announcement**”).

The Manager received the following questions from the Securities Investors Association (Singapore) (the “**SIAS**”) on 11 July 2023, and wishes to announce the following responses to the questions.

Question (1)

“On 6 June 2023, the REIT announced the completion of the refinancing of its onshore and offshore bank loans, following several months of delay. The REIT is currently focused on finalising the proposed divestment, with a target completion date of [31 October 2023], as detailed in the company’s announcement on 16 June 2023.

Subsequently, on 10 July 2023, the REIT disclosed the signing of a supplementary agreement to the Equity Purchase Agreement. This supplementary agreement introduces several provisions, including a two-stage completion process, providing the option to divest Chongxian Logistics first, followed by Hangzhou Beigang. The agreement encompasses higher agreed property values, while maintaining the equity consideration for the proposed disposal at RMB 1.37 billion.

After factoring in professional fees and other transaction costs, the estimated net loss on the proposed divestment is estimated at \$(7.9) million. The professional and facilities-related fees add up to \$9.7 million while the divestment fee payable to the manager is approximately \$2.0 million.

- (i) **Regarding the supplemental agreement to the Equity Purchase Agreement, who led the negotiations for the REIT? To what extent were the independent directors involved in the negotiation process?**
- (ii) **Can the manager provide an update on the expected timeline for the completion of the independent financial adviser's opinion?**
- (iii) **Apart from obtaining the opinion of the independent financial adviser, are there any other significant unresolved matters that need to be addressed before the Extraordinary General Meeting (EGM) can be convened?**
- (iv) **Can the manager provide additional clarity on the expected timing for the EGM? Please provide an estimated timeline outlining the remaining steps involved in the proposed divestment, including the EGM and the disbursement of the special distribution payment.**

After factoring in professional fees and other transaction costs, the estimated net loss on the proposed divestment is estimated at \$(7.9) million. The professional and facilities-related fees add up to \$9.7 million while the divestment fee payable to the manager is approximately \$2.0 million.

- (v) **Will the manager consider waiving the divestment fee given that this is an interested party transaction and that the REIT will incur losses of \$(7.9) million due to the proposed divestment?**

The manager has further stated that it intends to make a special distribution within 40 business days of the completion. For illustrative purposes only, based on the illustrative exchange rates, the special distribution is expected to be approximately S\$98,086,578, which represents approximately S\$0.1211 per unit.

- (vi) **Has the manager implemented any hedging strategies to fix the payment of the special distribution to unitholders?"**

Manager's Responses

- (i) The independent directors ("**Independent Directors**") of the Manager led the negotiations on the supplementary agreement dated 9 July 2023 (the "**Supplementary Agreement**"), which amended the equity purchase agreement dated 30 September 2022 (as amended by the supplementary agreement dated 30 January 2023), while management of the Manager supported the Independent Directors during the negotiation process.

The Independent Directors directed the management to obtain updated independent valuations of the Stage 1 Properties of Bei Gang Logistics, located at Block 1-8, No. 5-4 Yunhe Road, Linping District, Hangzhou, Zhejiang Province, the People's Republic of China ("**Beigang Logistics Stage 1**"), and Chongxian Port Logistics, located at No. 5-2 Yunhe Road, Linping District, Hangzhou, Zhejiang Province, the People's Republic of China (together with Beigang Logistics Stage 1, the "**Divestment Properties**").

The Independent Director subsequently reviewed and approved the terms of the Supplementary Agreement taking into account the independent valuations obtained.

As stated in the 10 July 2023 Announcement, the board of the Manager (with the non-Independent Directors abstaining) has assessed the Supplementary Agreement and is of the view that it is in the best interests of EC World REIT and its unitholders (“**Unitholders**”).

In addition, the Manager has appointed Provenance Capital Pte. Ltd., as the independent financial adviser (“**IFA**”) pursuant to Rule 921(4)(a) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”, and the Listing Manual of the SGX-ST, the “**Listing Manual**”) to provide an opinion on whether Long-Stop Date Extension, the Two-Stage Completion and the Revised Agreed Property Values (each as defined in the 10 July 2023 Announcement) under the Supplementary Agreement as an interested person transaction are on normal commercial terms and are not prejudicial to the interests of EC World REIT and its minority Unitholders. The Independent Directors and the Audit and Risk Committee will form their own views after reviewing the opinion of the IFA, which will be set out in the circular (the “**Circular**”) to be issued in respect of the extraordinary general meeting to be convened (the “**EGM**”) to seek the approval of Unitholders for the Supplementary Agreement.

- (ii) The opinion of the IFA will be finalised and issued by the time the Circular is issued. As stated in the 10 July 2023 Announcement, the opinion of the IFA will be set out in the Circular.
- (iii) Before issuing the Circular and convening the EGM, the Manager will need to obtain the clearance of the SGX-ST in respect of the draft Circular.
- (iv) The Manager intends to issue the Circular and the notice of EGM after receiving clearance of the draft Circular from the SGX-ST (as mentioned above). The EGM is expected to be held following a notice period of at least 21 clear calendar days from the date of notice of EGM.

The Manager intends to make a special distribution to Unitholders (the “**Special Distribution**”) within 40 business days of completion of the proposed divestment pursuant to the equity purchase agreement dated 30 September 2022 (as amended by the supplementary agreement dated 30 January 2023 and the Supplementary Agreement) (the “**Proposed Divestment**”).

The Manager will make further announcements on the Circular, the EGM and the Special Distribution (including the applicable record date for the purpose of determining Unitholders’ entitlements to the Special Distribution and the date of payment of the Special Distribution) in due course.

- (v) The Manager will consider the request from SIAS to waive the divestment fee. The decision as to whether to waive the divestment fee will be made by the Manager at a later juncture.

In the meantime, the Manager would like to highlight to Unitholders that the aggregate of the revised agreed property values of the Divestment Properties as set out in the Supplementary Agreement (being approximately RMB 2,041.8 million or S\$394.9 million¹) represents a blended premium of 18.4% (approximately RMB 316.6 million or S\$61.2 million²) compared to the purchase considerations of the Divestment Properties at the initial public offering (“**IPO**”).

1 Calculated based on the illustrative exchange rate of RMB 1.00 = S\$0.1934 as at 31 March 2023.

2 Calculated based on the illustrative exchange rate of RMB 1.00 = S\$0.1934 as at 31 March 2023.

of EC World REIT. The above-mentioned premium is significantly higher than the estimated net loss on the Proposed Divestment of approximately S\$7.9 million³.

- (vi) The Manager will evaluate and implement hedging strategies at a later date if and when it is appropriate to do so.

Question (2)

***“As stated in the letter addressed to unitholders, the chairman reaffirmed the REIT's commitment to fortify its market position and generate sustainable value and returns for stakeholders. This was despite the ongoing efforts to finalise the divestment of the Beigang Logistics Stage 1 and Chongxian Port Logistics assets, with a combined valuation exceeding RMB 2 billion. This divestment is necessitated by the lenders' requirement for EC World REIT to repay a minimum of 25% of the outstanding bank loans.*”**

- (i) ***Can the manager help unitholders better understand the growth prospects of the group? How does the strategic growth plans reconcile with the divestment?***
- (ii) ***Could the manager elaborate further on how its investment criteria have been modified in response to the changing Chinese and global economic landscape? Furthermore, what specific types of assets are currently within the REIT's scope of interest for potential investment opportunities?***
- (iii) ***Does the group have the financial resources to fund any such acquisitions?”***

Manager's Responses

- (i) One of the investment strategies to improve the growth prospects of EC World REIT is to actively pursue acquisition opportunities by acquiring yield accretive income-producing properties and to regularly explore repositioning opportunities to adapt to the fast-changing real estate market environment.

The Manager believes that the Proposed Divestment will facilitate the strategic growth plans of the ECW Group⁴ and provide long-term value for Unitholders. This is because as compared to the remaining properties in EC World REIT's portfolio immediately after completion of the Proposed Divestment, which are pure logistics assets kept in leasable condition and have been properly maintained, the Divestment Properties have proven to be sub-optimal to the operations of EC World REIT in recent years. The Manager believes that the Proposed Divestment is beneficial to EC World REIT as it provides EC World REIT with the opportunity to re-position itself and to also fulfil its repayment obligations under its financing arrangements.

- (ii) The main investment focus of EC World REIT continues to be the acquisition of yield accretive income-producing logistics properties globally. Although all the properties of EC World REIT are currently located in the People's Republic of China (“**PRC**”), EC World REIT will continue to explore suitable acquisition opportunities globally (not just in the PRC).

³ Please refer to paragraph 9 of the 10 July 2023 Announcement for further details.

⁴ “**ECW Group**” means EC World REIT and other entities under the same control of EC World REIT from time to time.

- (iii) EC World REIT may fund potential acquisitions through a combination of equity and debt. EC World REIT will explore appropriate equity or debt financing when suitable acquisition opportunities emerge.

Question (3)

“On 12 May 2023, the REIT announced its first quarter results for the financial year ending 31 December 2023. Gross revenue and net property income decreased by (12.5)% and (12.3)% year-on-year respectively, due to the cessation of income contribution from Fu Zhuo Industrial (as a result of the compulsory expropriation), lower late fee income and weakening of RMB (by 8.5% year-on-year).

Distribution per unit was 1.127 cents, down 18.5%. In addition, as at 31 December 2022, committed occupancy rate of Wuhan Meiluote, a multi-tenanted asset with 9 tenants, was 86.7%. As at 31 March 2023, the occupancy rate has fallen to just 39.2%.

- (i) **Could the manager provide additional insights into the factors contributing to the substantial decline in the occupancy rate of Wuhan Meiluote? What specific challenges are being encountered on the ground in Wuhan that have impacted the asset's performance?**
- (ii) **What proactive measures has the manager taken in terms of leasing activities? Has the focus and attention required for the proposed divestment affected the management's ability to carry out proactive lease management activities effectively?**

Overall, at the portfolio level, as at 31 December 2022, the weighted average lease expiry (WALE) was 1.4 years and 1.6 years by committed net lettable area (NLA) and gross rental income (GRI) respectively. As at 31 March 2023, WALE has further declined to 1.2 years and 1.4 years respectively.

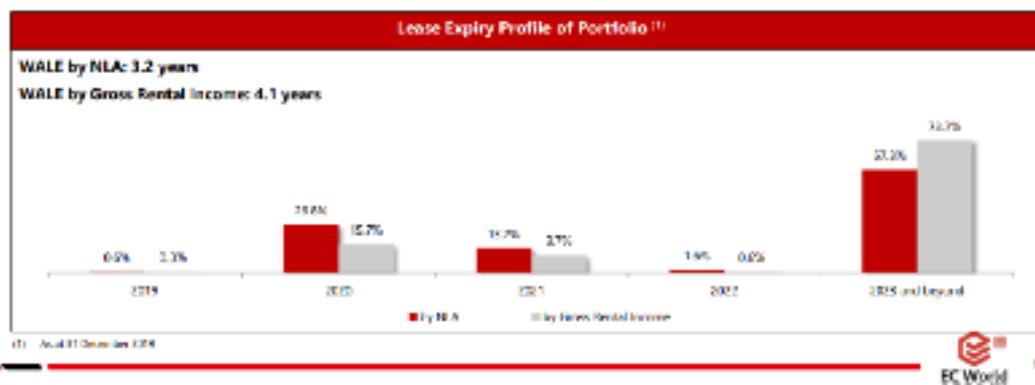


(1) As at 31 March 2023

(Source: First quarter (Q1FY2023) results announcement)

⁵ https://links.sgx.com/FileOpen/EC%20World_Results%20Presentation_1Q2023.ashx?App=Announcement&FileID=758893

In comparison, prior to the pandemic, as at 31 December 2019, the REIT had a WALE of 3.2 years and 4.1 years by NLA and GRI respectively.



(Source: Fourth quarter (4QFY2019) results announcement)

- (iii) ***Has the board conducted a comprehensive review of the underlying factors that have contributed to the short WALE of the REIT?***
- (iv) ***To what extent does the short WALE negatively impact the REIT, specifically in terms of operational uncertainties, lease renewals, refinancing activities, and overall valuation?***
- (v) ***What strategic guidance has the board provided to the manager to enhance portfolio returns, with the objective of achieving greater stability and fostering growth within the REIT?"***

Manager's Responses

- (i) In the first quarter of 2023, a few tenants including an anchor tenant vacated a large portion of the space they were leasing at Wuhan Meiluote. The anchor tenant moved into its own newly constructed warehouses, while the other tenants relocated to other warehouses in the same district. Overall, the logistics assets market in Wuhan has become more competitive as more industrial warehouses have been built or are currently under construction within the same area in recent years.
- (ii) The Proposed Divestment has little to no impact on the property manager's ability to carry out lease management activities for EC World REIT. The marketing team under the property manager of EC World REIT has been actively seeking new leasing opportunities and they are currently in the process of negotiating with potential tenants in respect of the vacant spaces in Wuhan Meiluote.
- (iii) The short weighted average lease expiry ("**WALE**") of the portfolio of EC World REIT in 2023 is mainly due to the upcoming expiry of the five master lease agreements ("**MLAs**") in the third and fourth quarters of 2024, which has been fully disclosed on page 14 of the FY2022 Annual Report. The board of the Manager has decided that EC World REIT should commence the process for negotiating the renewal of the MLAs and instructed the management to commence the negotiations on the renewal of MLAs.
- (iv) The Manager will be commencing the negotiation process for the renewal of MLAs with the relevant parties in the second half of 2023. As the MLAs represent the majority of EC World

REIT's portfolio by net lettable area and revenue, in the event that the MLAs are successfully renewed, the Manager envisages a stronger WALE for its portfolio in 2024.

- (v) EC World REIT's multi-pronged investment strategy was evaluated and approved by the board of the Manager and has been implemented by the Manager since IPO. EC World REIT will continue to implement its existing strategy which focuses on value creation for Unitholders with the following key focuses:
 - (a) proactive portfolio and asset management to optimise organic growth;
 - (b) yield accretive investments comprising development and acquisition of income-producing real estate assets;
 - (c) prudent capital management; and
 - (d) pursuing opportunities for future income and capital growth in jurisdictions in the PRC and also globally.

For and on behalf of the Board

EC WORLD ASSET MANAGEMENT PTE. LTD.

(as manager of EC World Real Estate Investment Trust)
(Company Registration No. 201523015N)

Goh Toh Sim

Executive Director and Chief Executive Officer
21 July 2023

Important Notice

The value of 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, the Trustee or any of their affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request the Manager to redeem 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.

Unitholders and potential investors are advised to exercise caution when dealing in Units. Unitholders and potential investors are advised to read this announcement and any further announcements to be released by EC World REIT carefully. Unitholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

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

The past performance of EC World REIT is not necessarily indicative of the future performance of EC World REIT.

This announcement may contain forward-looking statements that involve 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 similar developments, shifts in expected levels of property rental income, changes in operating expenses, property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.