ELITE COMMERCIAL REIT

(a real estate investment trust constituted on 7 June 2018 under the laws of the Republic of Singapore)
(Managed by Elite Commercial REIT Management Pte. Ltd.)
(Registration No.: 201925309R)

ANNOUNCEMENT

Extraordinary General Meeting held on 25 January 2021
Responses to Substantial and Relevant Questions

Elite Commercial REIT Management Pte. Ltd., as manager of Elite Commercial Real Estate Investment Trust ("**Elite Commercial REIT**", and the manager of Elite Commercial REIT, the "**REIT Manager**") would like to thank all Unitholders of Elite Commercial REIT ("**Unitholders**") who submitted their questions in advance of our extraordinary general meeting ("**EGM**") held virtually via "live" audio-visual webcast at 4:00pm on Monday, 25 January 2021.

Questions that are similar in nature are grouped together as shown below. Some relate to topics covered in the material presented during the EGM. Responses for the questions not addressed during the EGM are listed here.

A. COVID-19 Impact on Business Performance and Outlook	
1.	**What is the 12 to 18-month outlook for the REIT if the current COVID-19 situation in the UK continues to deteriorate?**
	Elite Commercial REIT's portfolio comprises 97 commercial buildings (the "**Initial Portfolio**") located across the UK with over 99.0% of the Group's revenue derived from current leases with the AA-rated UK Government, via The Secretary of State for Housing, Communities and Local Government. The Department for Work and Pensions ("**DWP**"), UK's largest public service department responsible for crucial welfare, pensions and child maintenance policy, is the REIT's key occupier, and remains critical as UK navigates the post-Brexit economy plagued by COVID-19 lockdowns. It serves over 20 million claimants – a third of the UK's population, administering a range of working age, disability and ill health benefits. While we are unable to provide an outlook or forecast due to the fluidity of the COVID-19 developments, as the DWP provides essential social welfare services and infrastructure, it has demonstrated increased utilisation during the pandemic concomitant with the sharp increase in claimant count (rising 2.1x from 1.2 million in March 2020 to 2.7 million in November 2020[1]). The DWP is a uniquely counter-cyclical tenant which uses 82.5% of the assets in the REIT's portfolio to provide key front-of-house services, primarily Jobcentre Plus[2] unemployment services which have increased in importance given the economic impact of COVID-19. In addition, the UK Government has committed to providing an additional GBP 3.6 billion in funding

[1] *Office for National Statistics ("ONS"), DWP statistics from GOV.UK*
[2] *Jobcentre Plus, which is part of the DWP, is a government-funded employment agency and social security office whose aim is to help people of working age find employment in the UK.*

	for the DWP, and has committed to increase the number of work coaches it employs to 27,000 by March 2021[3], to provide assistance and support to people in getting back into the workforce. Even during lockdowns, the DWP has reiterated that it will continue to keep its Jobcentres open to help those who need extra support and are unable to interact via phone or digital means[4]. These strongly indicate that the DWP will continue to have strong and sustained requirement for the space currently being leased from the REIT. The REIT's portfolio remains 100% occupied as of 31 December 2020, and the Group continues to receive over 99.0% of rental collection in advance. The portfolio's income visibility has also been enhanced by the Manager's successful negotiations to extend the break option for its property at John Street, Sunderland, by 12 months to 31 March 2022. In addition, the break option was not exercised for the property at Lodge House, Bristol, and the lease will therefore now only expire on 31 March 2028.
B. Capital Management, Methods of Financing & Distribution Policy	
2.	**Are loans taken from banks in the UK or Singapore? If the latter, are there any hedging strategies employed?**
	Elite Commercial REIT's income, assets and liabilities are all denominated in GBP and as such it benefits from a natural currency hedge. The REIT currently has borrowings of GBP 103.2 million. The borrowings to be incurred to fund the Proposed Acquisition will also be denominated in GBP. The interest rates on the REIT's borrowings are partially hedged, with 50% on floating rates, and 50% on fixed rates. Consequently, the REIT has benefitted from the fall in interest rates with the all-in cost of debt falling from approximately 2.3% p.a. at IPO to approximately 1.9% p.a. as of 31 December 2020. The Manager intends to continue its prudent hedging strategy by fixing at least 50% of the REIT's interest rate exposure.
3.	**Will there be a Rights Issue or Preferential Offering launched, and if this is a Yes, when would this likely take place and at what offering price please? It would also be helpful if there is an indication of the ratio to be allotted.**
	As detailed in the Circular to Unitholders announcement dated 28 December 2020, the Manager intends to finance the Proposed Acquisition with (i) the issue of Consideration Units to the Vendor or the Vendor Nominee, (ii) net proceeds from the Equity Fund Raising ("**EFR**") and/or (iii) external bank borrowings. If an EFR is done, the Manager will consider each potential form of EFR and decide on the most suitable method to be employed. Details of the form of EFR to be employed will be disclosed to investors at the appropriate time. For the avoidance of doubt, Elite Commercial REIT is able to complete the Proposed Acquisition without the EFR.
4.	**What is the company's policy on dividend? How many times a year will company issue dividend? When will the next dividend be paid and what is the amount?**
	As stated in the IPO Prospectus, Elite Commercial REIT's distribution policy is to distribute 100.0% of Elite Commercial REIT's Annual Distributable Income for the period from the Listing Date to the end of Projection Year 2021. Thereafter, Elite Commercial REIT will distribute at least 90.0% of its Annual Distributable Income for each financial year, determined at the Manager's discretion. The Manager also has the discretion to distribute any additional amounts (including capital). In determining whether to distribute additional amounts (including capital), the Manager will consider a range of factors including but not limited to Elite Commercial REIT's funding requirements, its financial position, its growth strategy, compliance with relevant laws, regulations and covenants, other capital management considerations, the overall suitability of distributions and prevailing industry practice.

[3] *"Thousands of new Work Coach vacancies open across the UK", Gov.UK, 10 September 2020.*
[4] *"Jobcentre guidance on new national COVID-19 restrictions", Gov.UK, 6 January 2021.*

	Distributions are made on a semi-annual basis, with the amounts calculated as at 30 June and 31 December each year for the 6 month period ending on each of the dates. The Manager will endeavour to pay distributions no later than 90 days after the end of each distribution period. The next distribution will be paid no later than 31 March 2021.
5.	**In the event that the share price remains below 68 pence, will the EFR still proceed?**
	As detailed in the Circular to Unitholders announcement dated 28 December 2020, the transaction is to be partially funded by Consideration Units issued to Elite UK Commercial Fund II (the Vendor) at a minimum price of £0.68 per Unit[5], with the balance financed through borrowings and an EFR. While the Manager's primary objective is to pursue an EFR, should market conditions not be conducive, the Manager may decide in the best interest of Unitholders to fund the Total Acquisition Outlay of £218.5 million (save for the Acquisition Fee[4]) through issuance of the Consideration Units, a drawdown of loan facilities and the Vendor's Loan, without the EFR. For the avoidance of doubt, Elite Commercial REIT is able to complete the Proposed Acquisition without the EFR. Upon completion of the Proposed Acquisition, and going forward, the Manager will look to maintain a prudent capital structure and balance its capital sources.
6.	**While it is a fact that "the manager has negotiated an option to pay for the acquisition with consideration units", has vendor committed how many units to absorb?**
	As disclosed in Section 3.1 of the Circular, the Manager in its sole discretion can decide to issue Consideration Units up to the value of £89.4 million to the Vendor. The Vendor has agreed to this term as part of the Principal Terms of the Share Purchase Agreement as disclosed in Section 2.8 of the Circular.
7.	**Why need a loan from sponsor/vendor? Even if loan is required, is interest rate 7% normal (bearing in mind market is flooded with liquidity whilst some European bonds giving negative yields)?**
	As disclosed in Section 2.5 of the Circular, The Manager has proposed this transaction with completion certainty in mind and has structured the option to request the Vendor to provide a Vendor's Loan. For avoidance of doubt, the loan is coming from the Vendor – a wholly-owned subsidiary of Elite UK Commercial Fund II and not the sponsor. The Manager's primary objective is to pursue an Equity Fund Raising. As disclosed in Section 7.12.3 and 8 of Appendix C within the Circular, the Independent Financial Adviser has considered the Vendor's Loan in conjunction with the transaction in its entirety and provided the opinion that the Proposed Acquisition (including the Vendor's Loan when considered in the context of the Proposed Acquisition) is on normal commercial terms and is not prejudicial to the interests of Elite Commercial REIT and its minority Unitholders.

[5] *In the Unitholder Circular, it is detailed that the price of consideration unit is computed based on:*
*(i) In the event that no capital is raised from the EFR to finance the Proposed Acquisition, the volume weighted average price for a Unit for all trades on the SGX-ST for the period of 10 Business Days immediately preceding the date of the issue of the Consideration Units (the "**VWAP Price**"), provided that in the event that:*
(a) the VWAP Price is less than 68 pence, the Consideration Unit Issue Price shall be 68 pence; and
(b) the VWAP Price is more than 76 pence, the Consideration Unit Issue Price shall be 76 pence.
(ii) In the event that capital is raised from the EFR to finance the Proposed Acquisition, the issue price of the Units in such EFR, provided that in the event that the issue price of the Units in such EFR is more than 76 pence, the Consideration Unit Issue Price shall be 76 pence.

C. Property Redevelopment and Tenancies	
8.	**Though "London properties have higher potential for redevelopment" due to commercial value, how many title deeds have restricted land use for redeveloping into similar public amenities? Or land owners have liberty to redevelop them for commercial use?**
	As confirmed by Colliers the value of the properties underpinned in some cases by potential for conversion to residential under current Permitted Development Rights (PDR) rules on a subject to planning basis. In 2013, the UK Government introduced temporary permitted development rights were introduced to permit offices to be converted to residential dwellings. These permissions were initially applied for a limited period of three years, however in October 2015, the government announced it would make office-to-residential permitted development rights permanent. Permitted development rights are a national grant of planning permission which allow certain building works and changes of use to be carried out without having to make a planning application. Certain areas of London, including the Central Activities Zone, the Canary Wharf area and Tech City, have been exempted from the permitted development rights. This means that office accommodation in these areas still requires a full planning application to convert to residential use.
9.	**Is it true that some tenancy agreements can be terminated at short notice? What is the percentage of such agreements in existing portfolio (before acquisition) and in the newly acquired portfolio? Any implication in rental yields if such agreements need to be re-negotiated when tenants threaten to terminate them?**
	Approximately 99% of the Initial Portfolio (before acquisition) and the enlarged portfolio (post-acquisition) are secured under 10-year leases with the tenants. All the leases are on the same terms, save for break options. For the Initial Portfolio, around 71% of the properties have break options with next permissible break date in 2022 and 2023, and the rest of the properties are on straight 10-year leases. For the enlarged portfolio, around 66% of the properties have break options with next permissible break date in 2022 and 2023, and the rest are on straight 10-year leases. Please refer to our response to Question 1 in this document for more details on income visibility and negotiations. The leases cannot be terminated at short notice as a one-year notice is required for the tenants to exercise the break clauses. The Manager is able to manage its re-leasing risks due to this arrangement and the fact that each asset is leased separately. Additionally, the lease breaks and re-leasing analysis have also been incorporated into the yield analysis in the valuations.
D. Future Plans	
10.	**Is the REIT going to focus just on UK government-related properties in future? What are other potential acquisitions in the pipeline? For future acquisitions, will the assets come solely from the Sponsors? Will the company be acquiring new office properties in the UK?**
	Elite Commercial REIT is a Singapore REIT established with the investment strategy of principally investing, directly or indirectly, in commercial assets and real estate-related assets in the UK. The Manager's strategy is to focus on predominantly government-leased assets with strong tenant creditworthiness. The Manager's immediate focus is on completing the Proposed Acquisition and harnessing the synergies of the New Properties with our existing government-leased assets in the UK. The Manager remains focused on the UK in the near future. The UK has a large real estate market with ample opportunities to acquire commercial assets leased to other UK government occupiers aside from the Department for Work and Pensions ("**DWP**"). The Manager is able to leverage its extensive sourcing capabilities in order to pursue accretive acquisition opportunities in the UK. This is further supported by the REIT's Sponsor, Elite Partners Holdings, which will continue to own a portfolio of assets leased to UK government tenants after the completion of the Proposed Acquisition.

	The Sponsors have provided Elite Commercial REIT with a right of first refusal ("ROFR") over all future UK commercial acquisitions, giving the REIT access to a pipeline of high-quality acquisitions that complement the existing assets in the REIT's portfolio.
11.	**Does the Manager have any plans for the REIT to be included in a REIT index (e.g., FTSE EPRA/Nareit Global Real Estate Index) in the future?**
	At present, the REIT is included in a number of indices. The Manager is committed to growing the REIT and has plans to grow its total assets to £1bn in the near future, including the current Proposed Acquisition. As the REIT grows in size, market cap and free float, it will increase its likelihood of being included in more indices. This is expected to increase the REIT's profile in the investor community, expand its unitholder profile, and boost its trading liquidity. Upon the successful acquisition of the New Properties, the REIT's size, market capitalisation, and income will increase as follows: • 59.8% increase in number of assets from 97 to 155 • 66.6% increase in portfolio valuation[6] from £319.1 million[7] to £531.6 million[8] • 59.1% increase in Net Property Income • 57.0% increase in market capitalisation
E. Other Questions	
12.	**How do the New Properties acquired increase the value of each unit?**
	As detailed in the Circular to Unitholders announcement dated 28 December 2020, Section 4.5, the DPU accretion would be 3.2%, from 1.95 pence to 2.02 pence, with the assumption that the transaction is financed through the issuance of Consideration Units and with a £30 million EFR.

BY ORDER OF THE BOARD

Elite Commercial REIT Management Pte. Ltd.
(as manager of Elite Commercial REIT)
(Company Registration Number: 201925309R)

Shaldine Wang
Chief Executive Officer

25 January 2021

[6] *As of 14 August 2020.*
[7] *Colliers are of the opinion that the aggregate market value, as at 31 August 2019 (reconfirmed as at 31 December 2019), of the Existing Portfolio is £319,055,000. The valuation of the Existing Portfolio, where referred to in this Announcement, represents the aggregate of the individual values of the properties and the fact that the Existing Portfolio is held within an SPV.*
[8] *Comprising valuations of the Existing Portfolio as described herein and valuations of the New Properties by Colliers.*