



## 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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### FY2021 ANNUAL GENERAL MEETING RESPONSES TO SUBSTANTIVE 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**” or “**ECW**”), would like to thank unitholders for submitting their questions in advance of EC World REIT FY2021 Annual General Meeting (“**AGM**”) to be held on 27 April 2022.

The Manager has grouped the substantive and relevant questions of similar nature together. These questions have been classified into the following broad categories:

- (i) Capital Management
- (ii) Asset Portfolio and Operation
- (iii) Investment

Please refer to the Appendix hereto for our responses to the questions.

By Order 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: 21 April 2022

## APPENDIX

### RESPONSES TO SUBSTANTIVE AND RELEVANT QUESTIONS

<b>Capital Management</b>		
1.	Please share any updates with regards to the REIT's refinancing plans.	<p>The Manager has previously, in ECW's financial results announcement for the quarter ended 30 September 2021, stated that the Manager has commenced its refinancing exercise. The Manager has further provided an update on the refinancing status in its announcement dated 5 April 2022. In ECW's announcement on 7 April 2022 in response to queries posed by Singapore Exchange Securities Trading Limited, the Manager has reiterated that the refinancing exercise is in the final stages of negotiation.</p> <p>In August 2020, the Chinese authorities introduced new regulations aimed at de-risking the residential real estate sector. The most significant regulation was the introduction of the Three Red Lines – a set of thresholds of three financial ratios which, if crossed, would limit property developers' ability to raise new debt. As a result, credit extended to property developers was tightened, with both mortgages and loans to developers reaching historical lows<sup>1</sup>. Although ECW is not directly impacted by this policy since it is not in the residential property sector, the Manager noted that the lenders have become much more cautious in giving out loans resulting in additional challenges to the REIT's refinancing.</p> <p>The Manager has actively engaged its lenders to assuage their concerns and conditions for the purpose of refinancing. At this juncture, the Manager expects that the refinancing exercise will be completed prior to the maturity dates of the term loans.</p> <p>The Manager will provide unitholders with further updates on the progress of the refinancing exercise should there be any material development.</p>
2.	Please advise on the cause of the delay in refinancing the term loans due in 2022.	<p>The Manager has been engaging its lenders proactively on a regular basis. On 17 May 2021, the Manager announced that it has been approached by Forchn International Pte. Ltd. in relation to a potential transaction ("Potential Transaction") involving ECW's interests in all of its properties, which may or may not lead to the divestment of these properties. On 28 December</p>

<sup>1</sup> [https://www.ecb.europa.eu/pub/economic-bulletin/articles/2022/html/ecb.ebart202202\\_01~48041a563f.en.html](https://www.ecb.europa.eu/pub/economic-bulletin/articles/2022/html/ecb.ebart202202_01~48041a563f.en.html)

		<p>2021, the Manager was informed that the buyers have decided not to proceed with the Potential Transaction.</p> <p>During the period of evaluation of the Potential Transaction, the Manager continued to engage with its lenders regarding refinancing. However, the lenders were not prepared to make a decision pending the outcome of the Potential Transaction. ECW was only notified of the outcome of the Potential Transaction in December 2021.</p>
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**Asset Portfolio and Operation**

3.	<p>What is the extent to which the REIT's 8 properties were impacted by the recent lockdowns by the Chinese government - and if any of the properties were affected, did the REIT provide any rental rebates to the affected tenants (and if so, how much?)</p>	<p>Reeling from the impact of the pandemic and the war in Ukraine, countries around the world grapple with supply-demand imbalances and rising inflation. The pandemic has caused major disruptions in global supply chain with shutdown of industries around the world, causing lower consumer demand and reduced industrial activity. Even as countries lift their lockdown measures, supply chains that were disrupted still face huge challenges such as worker shortages as well as the lack of raw material and key components. Border controls and mobility restriction continues to weigh in on economic recovery.<sup>2,3</sup></p> <p>The latest lockdowns in China cause new bottlenecks in global supply chains and threaten to undermine the growth momentum further with lower consumer spending and higher unemployment.<sup>4</sup> Suspension of business operations and production as well as widespread lockdowns in China are expected to disrupt the logistics sector significantly.<sup>5</sup></p> <p>The economic growth in China was 8.1% in 2021<sup>6</sup>. For 2022, the Chinese government has set a lower GDP target of 5.5%<sup>7</sup>. However, economists including inter-alia, Nomura, have indicated the growth target of about 5.5% is increasingly challenging due to the COVID outbreak as well as the war in Ukraine which has hampered key economic activities.<sup>8</sup></p>
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<sup>2</sup> <https://blogs.imf.org/2022/04/19/war-dims-global-economic-outlook-as-inflation-accelerates/>

<sup>3</sup> <https://www.cnbc.com/2021/10/18/supply-chain-chaos-is-hitting-global-growth-and-could-get-worse.html>

<sup>4</sup> <https://www.bbc.com/news/business-61137195>

<sup>5</sup> <https://fortune.com/2022/04/19/china-covid-lockdown-cripple-global-supply-chain/>

<sup>6</sup> [http://www.stats.gov.cn/english/PressRelease/202201/t20220117\\_1826409.html](http://www.stats.gov.cn/english/PressRelease/202201/t20220117_1826409.html)

<sup>7</sup> [http://www.stats.gov.cn/english/PressRelease/202201/t20220117\\_1826409.html](http://www.stats.gov.cn/english/PressRelease/202201/t20220117_1826409.html)

<sup>8</sup> <https://edition.cnn.com/2022/04/17/economy/china-q1-gdp-intl-hnk/index.html#:~:text=China's%20economy%20grew%208.1%25%20in,the%20lowest%20in%20three%20decades.>

		<p>ECW's portfolio of eight properties has not been materially affected by the recent lockdowns in China. ECW has not received any request for rental rebate and has not provided any rental rebate related to the recent lockdowns in China.</p> <p>The Manager continues to monitor the situation in China closely and will provide prompt updates in the event of any material impact resulting from the lockdowns on the REIT's portfolio.</p>
4.	<p>A huge bulk of the leases (76.6% by gross rental income) will be expiring in FY2024, and depending on whether or not the terms of the lease renewals are favourable, the REIT's financial performances in the years ahead will be directly impacted. Hence, I would like to ask whether or not discussions have begun on lease renewals, and if so, what is the current status of negotiations</p>	<p>The Manager has not commenced lease renewal negotiations for the leases expiring in FY2024. Majority of the expiring leases in FY2024 are attributed to the master leases for Fuzhou E-Commerce, Stage 1 Properties of Bei Gang Logistics, Chongxian Port Investments as well as Fu Heng Warehouse.</p> <p>Typically, negotiations for large lease renewals are conducted between six months to a year prior to the lease expiries. The Manager will provide timely updates to unitholders should there be any material developments in the lease renewal exercise.</p>
<b>Investments</b>		
5.	<p>Does the REIT have any asset acquisition plans (whether directly from the Sponsor, or from 3rd parties) to further improve returns to unitholders?</p>	<p>The Manager adheres to a disciplined growth strategy and remains cognisant of its Weighted Average Cost of Capital ("WACC") to ensure sustainable and predictable returns to unitholders.</p> <p>In recent years, the Manager has noted increased competition for quality logistics assets by other real estate players and private equity funds which has impeded the Manager's acquisition plans given the REIT's WACC. That being said, the Manager continues to keep a lookout for yield-accretive investments.</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.

Unitholders and potential investors are advised to exercise caution when dealing in units of EC World REIT. 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.

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.