



EC WORLD REAL ESTATE INVESTMENT TRUST

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

FY2020 ANNUAL GENERAL MEETING RESPONSES TO SUBSTANTIVE AND RELEVANT QUESTIONS

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**”), would like to thank unitholders for submitting their questions in advance of EC World REIT FY2020 Annual General Meeting (“**AGM**”) to be held on 20 April 2021.

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

- (i) Financial and Capital Management
- (ii) Distributions
- (iii) Asset Portfolio and Operation
- (iv) Outlook / Others

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: 19 April 2021

APPENDIX

RESPONSES TO SUBSTANTIVE AND RELEVANT QUESTIONS

Financial and Capital Management		
1.	<p>In the REIT's most recent results presentation, it was noted that the average term to debt maturity was 1.6 years, but there's no elaboration on the percentage of debts due in the respective financial years ahead. Can the management provide more detail on that?</p>	<p>The relevant debt maturity grouping profile can be found under "Liquidity Risk Disclosure" on page 111 of FY2020 Annual Report.</p> <p>As at 31 December 2020, EC World REIT's debt instruments comprise:</p> <ul style="list-style-type: none"> a) Onshore Facility comprising a 3-year RMB1,018 million (S\$206.0 million) and 10-year RMB77.0 million (S\$15.6 million) secured loan facility; b) Offshore Facility comprising a 3-year S\$305.6 million and US\$86.8 million (S\$114.8 million) secured term loan facility; and c) Revolving Credit Facilities. <p>The 3-year Onshore and Offshore Facility are due in mid-2022. The Manager is liaising with the banks to refinance the loans.</p> <p>The Revolving Credit Facilities generally have maturity of less than a year and will be repaid/rolled over at maturity.</p>
2.	<p>I note that the interest coverage ratio as at 31 December 2020 was just 2.62x - at this ratio, it's among the lowest in S-REITs. May I know if the management have any plans in place to improve on this particular statistic?</p>	<p>The interest coverage ratio has been adversely impacted by the rental rebates given to tenants in April 2020. For the three months period ended 31 December 2020, the interest coverage ratio has improved to 2.85x.</p>
3.	<p>Despite the increase in revenue and NPI, DPU has been decreasing since 2018 (even when calculated on a 100% payout basis). What are the management's plans moving forward to improve on DPU?</p>	<p>As announced in "FY2019 Annual General Meeting - Responses To Queries By The Securities Investors Association (Singapore)" on 8 June 2020, distribution per unit ("DPU") was 6.047 Singapore cents in FY2019, representing a 0.132 cent or 2.1% decrease compared to FY2018. The decrease was mainly due to the following:</p> <ul style="list-style-type: none"> a) foreign exchange differences as a result of the weakening of the RMB against SGD since EC World REIT's listing in 2016. Based on data retrieved from MAS, the RMB/SGD exchange rate weakened from 0.2028 on 28 July 2016 (being date of EC World REIT's listing) to 0.1931 as at 31 December 2019, representing a 4.8% decline;

		<p>b) technical timing difference between the loan drawdown and the completion of the acquisition of Fuzhou E-Commerce in 3Q19;</p> <p>c) retention of 5% of distributable income in 4QFY2019; and</p> <p>d) increase in the number of outstanding units since IPO to date due to issuance of new units as the payment for the management fees and acquisition fees</p> <p>Amount available for distribution for FY2020 is S\$47.2 million or about 3.3% lower than FY2019 mainly due to rental rebates provided to tenants in April 2020.</p> <p>For illustrative purposes only, including the after-tax rental rebates of approximately S\$3 million, the amount available for distribution would have been S\$50.2 million in FY2020. DPU for FY2020 would have been 6.242 cents based on a 100% payout ratio.</p> <p>The Manager will continue on its active asset management and prudent capital management to enhance returns for unitholders.</p>
4.	Gearing ratio is 38.1% in FY20 vs 38.7% in FY19. Are there plans to further reduce gross borrowings and reduce the cost of debt?	Amidst the uncertain economic environment, the Manager will continue to actively explore and diversify sources of funding as well as hedging instruments to optimise EC World REIT's capital structure.
5.	Gearing ratio is 38.1% vs the limit of 50%. What are the management's plans moving forward for potential acquisitions in the future?	As part of prudent financial management, the Board of Directors seeks to maintain a stable gearing ratio of not more than 40%. The Manager will consider an appropriate capital structure while evaluating any investment opportunities.
6.	The group has consistently increased net cash provided by operating activities however DPU has been decreasing. May management explain how the increase in cashflow has been utilised and the plans moving forward to translate this to shareholder value?	<p>As stated in Page 75 of FY2020 Annual Report, net cash provided by operating activities was approximately S\$81.1 million for the financial year ended 31 December 2020 and approximately S\$92.3 million for the financial year ended 31 December 2019.</p> <p>The Manager has been managing its cashflow through active monitoring of cash balances as well as prudent management of working capital.</p>

Distributions		
7.	I would like to seek the management's rationale on the need to increase the retention of distributable from 5% in Q4 FY2019 to 10% in Q4 FY2020 - considering the fact that the pandemic has more or less been successfully contained in China, and business operations have more or less resumed.	<p>EC World REIT's 4QFY2019 financial results was announced on 27 February 2020. At that juncture, the COVID-19 was deemed an epidemic. Subsequently, on 11 March 2020, the World Health Organization ("WHO") announced that the world was no longer facing¹ an epidemic of Covid-19 but a global and growing pandemic.</p> <p>In 2020, the China economy grew 2.3%². However, challenges and instabilities continue to emerge from the evolving conditions and global macro environment. The current pandemic still largely depends on the containment measures taken by governments around the world as well as the successful roll-out of vaccination campaigns around the world.</p> <p>When conducting the businesses of EC World REIT, the Manager undertakes a prudent approach to ensure sustainable and predictable returns to its Unitholders. The ripple effect of the COVID-19 on the global economies remains unclear as countries grapple with the collateral damages brought about by the pandemic. In view of the uncertainties, the Manager decided on the retention of 10% of amount available for distribution for Q4 FY2020.</p>
8.	Are there any timeline which the management is looking at to return the retained distributions back to unitholders?	<p>The Manager has been retaining part of the amount available for distribution in view of uncertainties arising from prolonged COVID-19 pandemic globally and for general working capital purpose. The amount distributed is still no less than 90% of distributable income, which is in line with EC World REIT's distribution policy.</p> <p>Depending on the pandemic and its impact globally, the Manager will assess the situation accordingly.</p>
Asset Portfolio and Operation		
9.	The annual rental escalation for master leases is generally low (1-2% referencing Page 12 of Annual Report 2020). This is below the average rental escalation of the logistics rental market (referencing Ascendas REIT, Mapletree Logistics Trust). Given that the inflation rate in China is 2.5% (referenced from	<p>At EC World REIT's listing in July 2016, the rental rates for the master leases ("Master Leases") at Chongxian Port Investment, Stage 1 Properties of Bei Gang Logistics and Fu Heng Warehouse were negotiated and committed at the higher end of the market for a lease term of four years.</p> <p>New lease terms were negotiated in 2019 in anticipation of the expiry of the Master Leases in 2020. As disclosed in EC World REIT's circular dated 29 March 2019, the rents for Year 1 of the new master leases ("New Master Leases") signify a premium over</p>

¹ <https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>

² http://www.stats.gov.cn/english/PressRelease/202101/t20210120_1812680.html

statista.com) the current rental escalation structure does not seem to improve Distribution Per Unit (“DPU”) to shareholders. Are there plans by the management to improve on the rental escalation and hence DPU?

the market rent per annum as valued by Jones Lang LaSalle Property Consultants Pte. Ltd.

The relevant section of the circular is reproduced below for your reference:

Asset Name	Floor Area (sq m)	Based on the Rent Valuation Report		Based on the New Master Lease Agreements		Premium of the Year 1 Rents over the Market Rent assessed by the Independent Valuer (%)
		Market Rent per annum (RMB'm)	Lease Term (years)	Rents for Year 1 of the New Master Lease Agreements (RMB'm)	Lease Term (years)	
Stage 1 Properties of Bei Gang Logistics	120,449	105.51	4 – 6	129.90	4	23.1
Chongxian Port Investment	112,726	158.48	4 – 6	166.50	4	5.1
Fu Heng Warehouse	94,287	47.63	4 – 6	50.04	4	5.1

Source: Circular, Rent Valuation Report, EY

Similarly, it is noted that the master lease rental rates at Fuzhou E-Commerce (“Fuzhou E-Commerce Master Leases”) were committed at a premium over the projected underlying rental income from Fuzhou E-Commerce as evaluated by Beijing Colliers International Real Estate Valuation Co., Ltd. (appointed by the Trustee) and Knight Frank Petty Limited (appointed by the Manager).

The details are disclosed in EC World REIT’s circular dated 4 June 2019. You can refer to the extract below for more information.

Year	Rental Income of Property from Master Leases (RMB million)	Underlying Rental Income from Property (RMB million)	
		Colliers	Knight Frank
1	86.0	79.8	71.9
2	87.9	84.0	77.2
3	89.9	88.0	82.8
4	91.1	92.4	88.0
5	94.0	97.0	94.7
6	-	101.3	97.5

Source: Circular

Therefore, the Manager believes that the built-in annual rental escalations are deemed to be reasonable at the point of signing of the Master Leases, the New Master Leases as well as the Fuzhou E-Commerce Master Leases.

The Manager will negotiate the rental terms according to the market trend when the abovementioned leases expire in 2024.

10.	Will EC World REIT manager update shareholders on consistent basis (examples: Quarterly or bi-annually) on any New Terms and condition for tenants that is/are not paying rental fees consistently due to current market condition?	<p>Lease management, including arrears management, is part of the normal operations of a REIT.</p> <p>Due to the pandemic, some tenants have been experiencing short-term cash flows difficulties in 2020. The Manager, together with the Property Manager, is working closely with these tenants to ensure timely rental payments. To date, tenants have been forthcoming in rental payments and this has enabled EC World REIT to meet its financial and distribution obligations. As such, the Manager has not implemented any new terms or conditions other than those previously disclosed.</p> <p>The Manager will continue on its unwavering efforts to ensure prompt and timely rental payment. The Manager will make timely disclosure should there be any revision of terms and conditions to the existing lease terms.</p>
Outlook / Others		
11.	Would like to have more information and outcome on recent CAD investigation of the CIO.	As stated in EC World REIT's announcement dated 2 July 2020, the Commercial Affairs Department indicated that EC World REIT and the Manager are not under investigation. As such, we are not privy to the details of the investigation. As announced on 17 July 2020, Mr Li Jinbo has ceased to be an employee of the Manager of EC World REIT.
12.	What is the forecast for 2021?	<p>EC World REIT strives to deliver stable, sustainable distribution to our Unitholders. In FY2020, despite the challenges brought upon by the macro environment, EC World REIT persist in its regular distribution to Unitholders.</p> <p>Due to the uncertainties caused by the pandemic, the Manager remains cautious in its outlook. Nonetheless, the Manager expects EC World REIT's performance to be stable.</p>

- END -

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.

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.