Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

REIT: EC World Real Estate Investment Trust
(Manager: EC World Asset Management Pte. Ltd.)

Stock code: BWCU

Meeting details:
Date: 24 July 2023
Time: 10.00 a.m.
Venue: Cassia Junior Ballroom 3211-2, Level 3, Marina Bay Sands Expo and Convention Centre, 10 Bayfont Avenue, Singapore 018956

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Q1. 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 31 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.

(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?**

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Q2. 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 the 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?**

Q3. 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%[1]

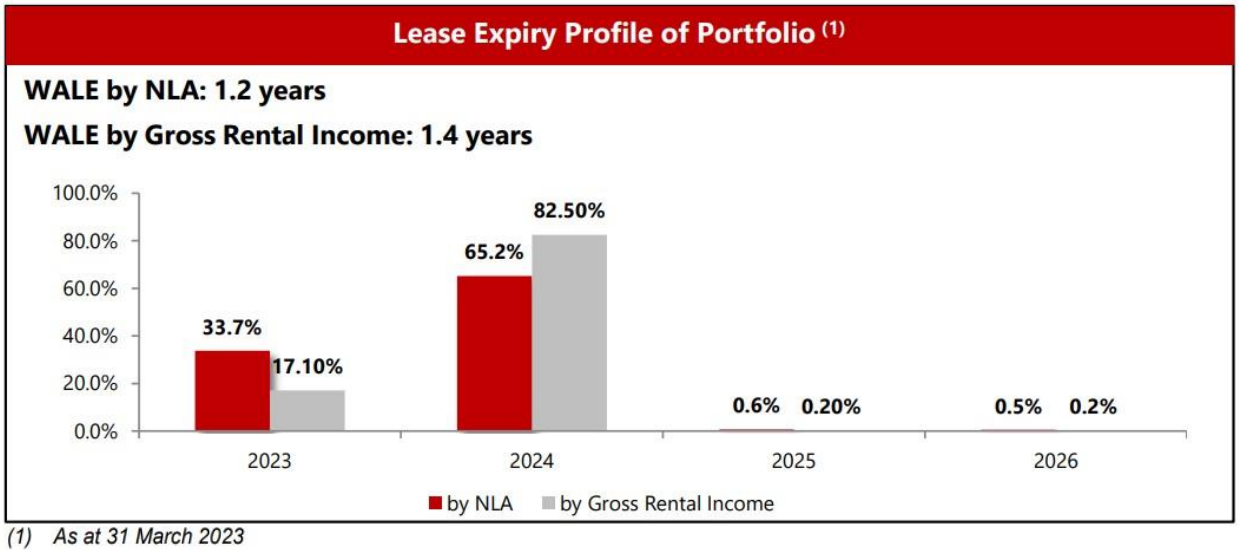
(i) **Could the manager provide additional insights into the factors contributing to the substantial decline in the occupancy rate of Wuhan Meiluote? What specific challenges are being encountered on the ground in Wuhan that have impacted the asset's performance?**

(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?**

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

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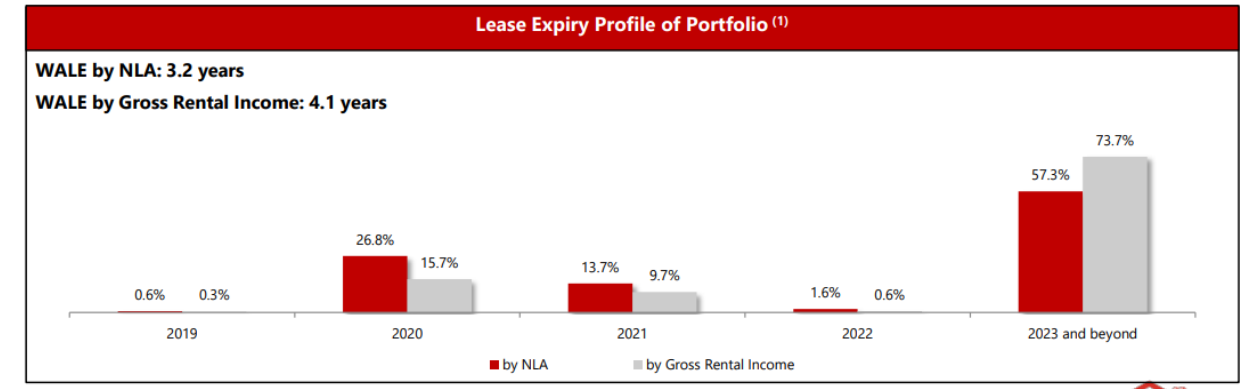
Overall, at the portfolio level, as at 31 December 2022, the weighted average lease expiry (WALE) was 1.4 years and 1.6 years by committed net lettable area (NLA) and gross rental income (GRI) respectively. As at 31 March 2023, WALE has further declined to 1.2 years and 1.4 years respectively.



(1) As at 31 March 2023

(Source: First quarter (*Q1FY2023*) results announcement)

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)

It appears that the manager has not signed relatively long leases and has not implemented staggered lease expirations over the past three years. Taking these actions could potentially improve the resilience of the REIT.

(iii) **Has the board conducted a comprehensive review of the underlying factors that have contributed to the short WALE of the REIT?**

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(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?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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