



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

## ANNOUNCEMENT

### THE PROPOSED ACQUISITIONS AND MASTER LEASE AGREEMENTS OF FUZHOU E-COMMERCE

#### 1. Introduction

EC World Asset Management Pte. Ltd., in its capacity as manager of EC World Real Estate Investment Trust (“**EC World REIT**” and as manager of EC World REIT, the “**Manager**”), is pleased to announce that DBS Trustee Limited, as trustee of EC World REIT (the “**Trustee**”), had on 10 May 2019 entered into a conditional share purchase agreement (the “**BVI Share Purchase Agreement**”) in connection with the acquisition of (the “**BVI Acquisition**”) the entire issued share capital of Flutric Investments Limited (the “**BVI Holdco**”) from Strength Outline Holdings Limited (the “**BVI Vendor**”), a company incorporated in the British Virgin Islands. The BVI Holdco directly owns the entire issued share capital in Realtime Assets Global Pte. Ltd., a company incorporated in Singapore (the “**Singapore Holdco**”). The Singapore Holdco in turn owns 34.02% equity interests in Zhejiang Fuzhou E-commerce Co., Ltd. (浙江富洲电子商务有限公司), a company incorporated in the PRC with its registered office at No. 9 Mingxing Road, Dongzhou Sub-District, Fuyang District, Hangzhou, PRC (the “**PRC Holdco**”).

The Trustee, through its indirect wholly-owned subsidiary, Wuhan Fute Logistics Co., Ltd. (“**Wuhan Fute**”), had on 10 May 2019 entered into another conditional share purchase agreement (the “**PRC Share Purchase Agreement**” and together with the BVI Share Purchase Agreement, the “**Share Purchase Agreements**”) in connection with the acquisition of the 65.98% equity interest (the “**PRC Acquisition**” and together with the BVI Acquisition, the “**Acquisitions**”) in the PRC Holdco from Hangzhou Unilogix Holdings Group Co., Ltd (杭州网营物联控股集团有限公司) (the “**PRC Vendor**” or “**Hangzhou Unilogix**”).

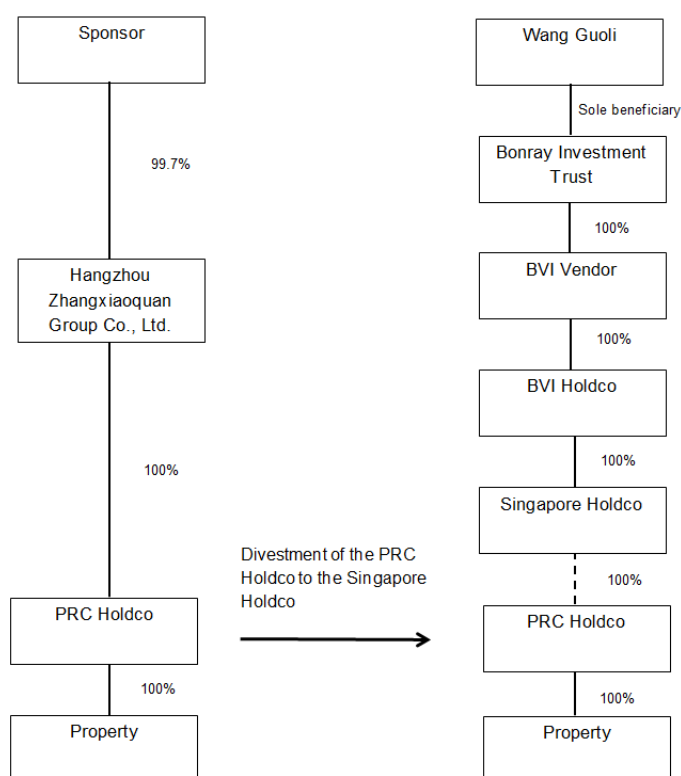
The PRC Holdco is the sole legal and beneficial land user of (i) the plot of land located at No. 9 Mingxing Road, Dongzhou Sub-District, Fuyang District, Hangzhou, PRC (the “**Land**”); and the sole legal and beneficial owner of (ii) Fuzhou E-Commerce which comprises a three-storey warehouse component known as “Block 3” (the “**Warehouse**”) and two fourteen-storey buildings, used primarily for office space with auxiliary use for dormitory purposes, known as “Block 4 and 5” (the

“Office and Support Buildings” and together with the Warehouse, the “Fuzhou E-Commerce”) located on the Land (the Warehouse, the Office and Support Buildings, together with the Land, the “Property”). The Office and Support Buildings are currently undergoing conversion works to convert a portion of office space into dormitories and such conversion works is expected to be completed prior to completion of the Acquisitions.

## 2. Structure of the Acquisitions

### Stage 1 Restructuring

The PRC Holdco was initially held by Hangzhou Zhangxiaoquan Group Co., Ltd., an entity which the Sponsor has a 99.7% interest in. As part of a restructuring exercise (the “Stage 1 Restructuring”), Hangzhou Zhangxiaoquan Group Co., Ltd. had on 12 December 2017 divested its 100% equity interests in the PRC Holdco to Singapore Holdco which is an indirect wholly-owned subsidiary of Bonray Investment Trust, a private trust whose sole beneficiary is Wang Guoli. Wang Guoli is the spouse of Zhang Guobiao who is a controlling unitholder of EC World REIT through his 80.0% equity interest in the Sponsor. The following diagram summarises the Stage 1 Restructuring:



### Financing Arrangements

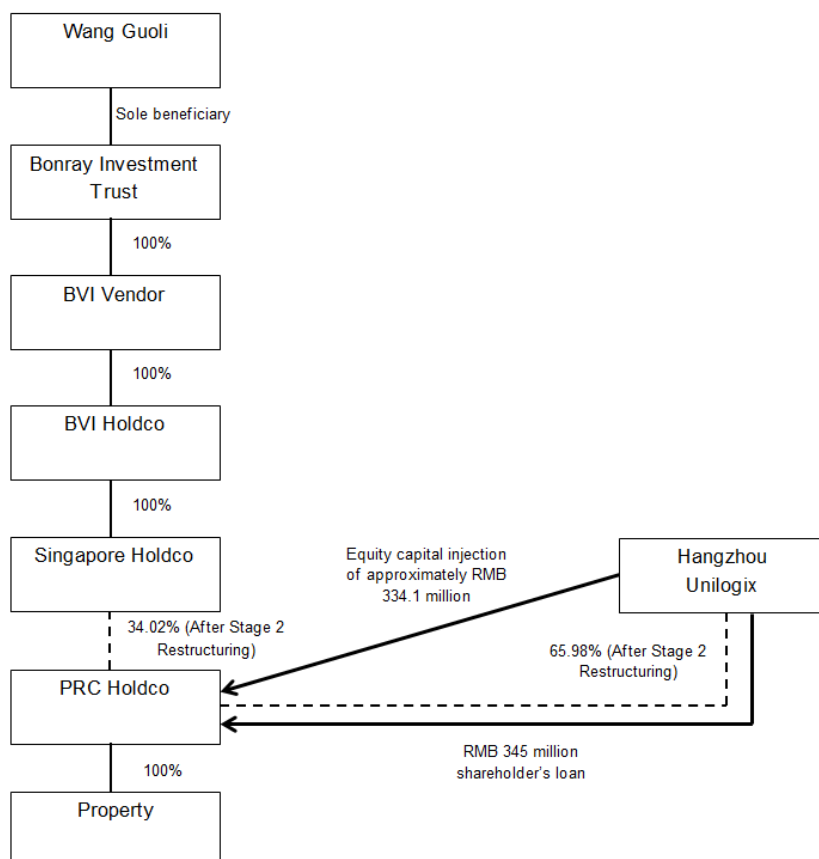
After Stage 1 Restructuring, the PRC Holdco entered into a loan agreement with ICBC International Finance Limited, Hong Kong (“ICBC HK”) on 9 March 2018 in relation to a term loan of up to USD 51.0 million (the “PRC Holdco ICBC Loan”). Separately, the BVI Vendor also entered into a loan agreement with ICBC HK on 21

March 2018 in relation to a term loan facility of up to USD 35.0 million (the “**BVI Vendor ICBC Loan**” and together with the Holdco ICBC Loan, the “**ICBC Loans**”).

### Stage 2 Restructuring

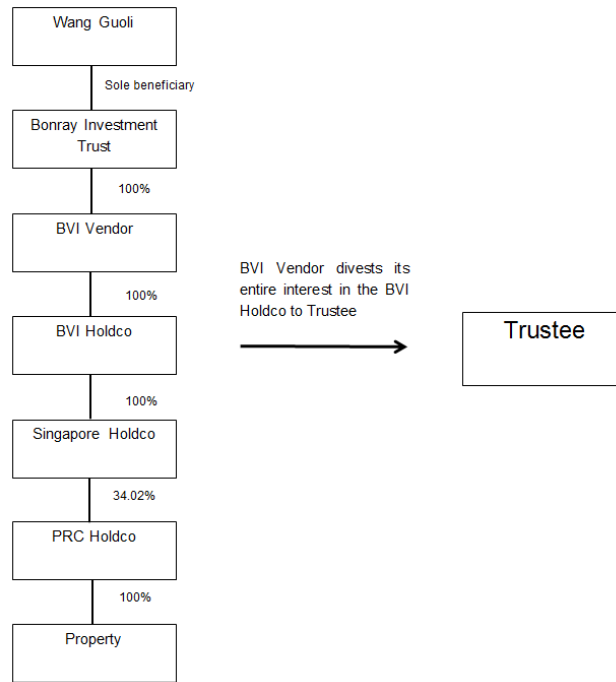
Due to refinancing considerations and deal restructuring purposes, the BVI Vendor decided to refinance the ICBC Loans through a shareholder loan and an equity capital injection (the “**Stage 2 Restructuring**”) to be provided by Hangzhou Unilogix. The Sponsor holds a 40.59% interest in Hangzhou Unilogix and is in charge of its day-to-day operations.

As part of the Stage 2 Restructuring, Hangzhou Unilogix performed an equity capital injection of approximately RMB 334.1 million into the PRC Holdco and in exchange, received a 65.98% equity interest in the PRC Holdco. Hangzhou Unilogix also provided a shareholder’s loan of RMB 345.0 million to the PRC Holdco (the “**PRC Shareholder’s Loan**”). The PRC Holdco then used the proceeds received from the equity capital injection and the PRC Shareholder’s Loan to discharge the ICBC Loans. The following diagram summarises the Stage 2 Restructuring:



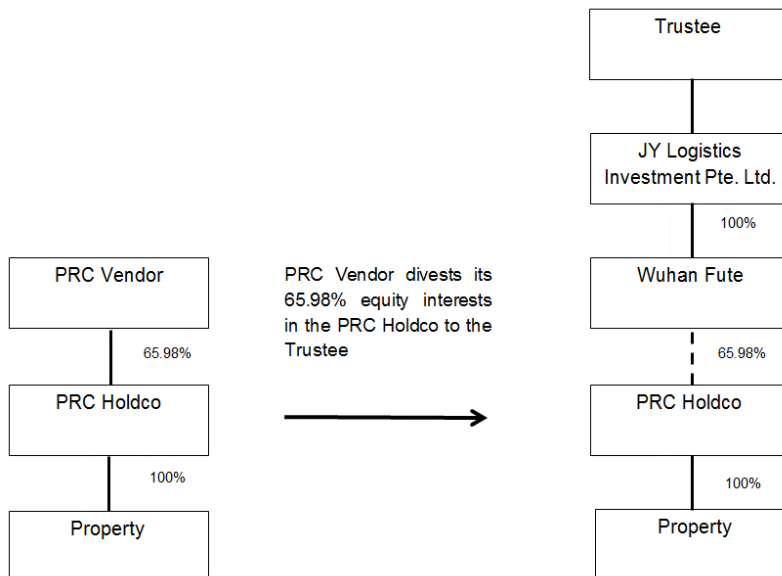
### BVI Acquisition

In furtherance of the BVI Acquisition, the Trustee entered into the BVI Share Purchase Agreement, pursuant to which the Trustee will acquire from the BVI Vendor the entire issued share capital of the BVI Holdco. The following diagram summarises the BVI Acquisition:



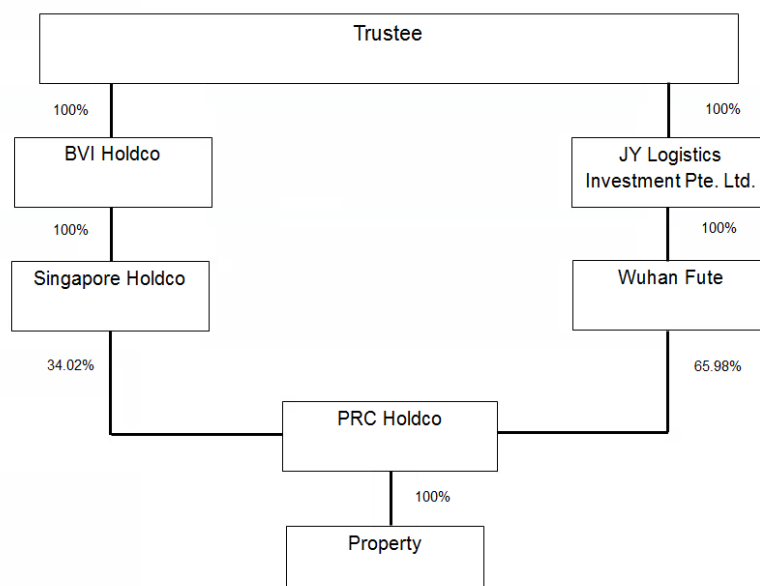
PRC Acquisition

Wuhan Fute entered into the PRC Share Purchase Agreement, pursuant to which Wuhan Fute will acquire from the PRC Vendor the 65.98% equity interest in the PRC Holdco. The following diagram summarises the PRC Acquisition:



### Holding Structure post-Acquisitions

Upon completion of the Acquisitions, EC World REIT (through the Trustee) shall wholly-own the PRC Holdco. The following diagram shows the holding structure after completion of the Acquisitions:



## 3. Details of the Proposed Acquisitions

### 3.1 Purchase Consideration

Colliers International Real Estate Valuation Co., Ltd. (“**Colliers**”) and Knight Frank Petty Limited (“**Knight Frank**” and together with Colliers, the “**Independent Valuers**”) were appointed by the Trustee and the Manager respectively, to value the Property (the “**Property Valuations**”).

The agreed purchase price for the Property which was negotiated on a willing-buyer and willing-seller basis taking into account the independent valuations conducted by the Independent Valuers, is approximately RMB 1,112.5 million (S\$223.6 million<sup>1</sup>) (the “**Property Purchase Price**”). The following table sets out the appraised values of the Property (with and without the Master Leases (as defined herein)) based on the Property Valuations, the respective dates of such appraisal and the Property Purchase Price:

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1 Based on an illustrative renminbi exchange rate of S\$1.00 to RMB 4.9751 as at 8 May 2019.

Name of Property	Appraised Value (with Master Leases)				Appraised Value (without Master Leases)				Property Purchase Price (RMB million)	Property Purchase Price (\$ million) (1)
	By Colliers as at 31 December 2018		By Knight Frank as at 31 December 2018		By Colliers as at 31 December 2018		By Knight Frank as at 31 December 2018			
	(\$ million) (1)	(RMB million)	(\$ million) (1)	(RMB million)	(\$ million) (1)	(RMB million)	(\$ million) (1)	(RMB million)		
Fuzhou E-Commerce	230.5	1,147.0	253.1	1,259.0	226.7	1,128.0	250.4	1,246.0	1,112.5	223.6

Note:

(1) Based on an illustrative renminbi exchange rate of S\$1.00 to RMB 4.9751 as at 8 May 2019.

The Property Purchase Price is below the two independent valuations (both with and without the Master Leases) obtained in relation to the Property. The Property Purchase Price represents a discount of 7.5% to RMB1,203 million, which is the average of the Property Valuations (with Master Leases). The Property Purchase Price represents a discount of 6.3% to RMB1,187 million, which is the average of the Property Valuations (without Master Leases).

The purchase consideration of the BVI Acquisition (the “**BVI Purchase Consideration**”) is RMB769.5 million less the estimated borrowings of the BVI Holdco of approximately RMB563.3 million (the “**Estimated BVI Borrowings**”), subject to further adjustments based on the actual amount of net liabilities (excluding the value of the Property) of the BVI Holdco at completion of the BVI Acquisition. The BVI Purchase Consideration is RMB206.2 million (S\$41.5 million<sup>2</sup>).

The purchase consideration of the PRC Acquisition (the “**PRC Purchase Consideration**”) is RMB343.0 million (S\$68.9 million<sup>2</sup>).

The Total Purchase Consideration for the Acquisitions which consists of the BVI Purchase Consideration and the PRC Purchase Consideration is RMB549.2 million (S\$110.4 million<sup>2</sup>). The Total Purchase Consideration is essentially the Property Purchase Price less the Estimated BVI Borrowings.

### 3.2 Estimated Total Acquisitions Cost

The total cost to EC World REIT of the Acquisitions is estimated to be approximately RMB1,159.5 million (S\$233.1 million<sup>2</sup>), comprising:

- (i) the Property Purchase Price of RMB1,112.5 million (S\$223.6 million<sup>2</sup>);
- (ii) the acquisitions fee of approximately RMB8.3 million (S\$1.7 million<sup>2</sup>) (the “**Acquisitions Fee**”) payable to the Manager pursuant to the Trust Deed which is payable in the form of Units; and

2 Based on an illustrative renminbi exchange rate of S\$1.00 to RMB4.9751 as at 8 May 2019.

- (iii) the professional and other fees and expenses (including upfront finance costs) of approximately RMB38.6 million (S\$7.8 million<sup>2</sup>) to be incurred by EC World REIT in connection with the Acquisition, (collectively, the “**Total Acquisitions Cost**”).

### **3.3 Method of Financing**

The Manager intends to finance the Total Acquisitions Cost (excluding the Acquisitions Fee payable in Units) via a combination of secured debt financing facilities from banks and/or cash.

### **3.4 Certain Principal Terms of the Share Purchase Agreements**

#### BVI Share Purchase Agreement

In connection with the BVI Acquisition, the Trustee entered into the BVI Share Purchase Agreement for the conditional sale and purchase of the entire issued share capital of the BVI Holdco. The BVI Holdco directly owns the entire issued share capital in the Singapore Holdco and the Singapore Holdco in turn owns 34.02% equity interests in the PRC Holdco.

The principal terms of the BVI Share Purchase Agreement include, among others, the following:

- (i) the completion of the proposed BVI Acquisition is subject to the satisfaction of the conditions precedent set out in the BVI Share Purchase Agreement, which includes the Manager obtaining the approval of the Unitholders for the proposed Acquisitions, and for the Manager to procure financing for the proposed Acquisitions on terms reasonably satisfactory to the Manager; and
- (ii) certain representations and warranties made by the BVI Vendor, as well as certain indemnities provided by the BVI Vendor.

#### PRC Share Purchase Agreement

In connection with the proposed PRC Acquisition, Wuhan Fute, an indirectly wholly-owned subsidiary of the Trustee, entered into the PRC Share Purchase Agreement with the PRC Vendor, pursuant to which Wuhan Fute will acquire from the PRC Vendor the 65.98% equity interest in the PRC Holdco.

The principal terms of the PRC Share Purchase Agreement include, among others, the following:

- (i) the completion of the proposed PRC Acquisition is subject to the satisfaction of the conditions precedent set out in the PRC Share Purchase Agreement, which includes the Manager obtaining the approval of the Unitholders for the proposed Acquisitions, and for the Manager to procure financing for the proposed Acquisitions on terms reasonably satisfactory to the Manager; and
- (ii) certain representations and warranties made by the PRC Vendor, as well as certain indemnities provided by the PRC Vendor.

Please refer to the circular to be issued to Unitholders (the “**Circular**”) in due course

for further details of the Share Purchase Agreements.

### 3.5 Indemnity

The Trustee has also on 10 May 2019 entered into a deed of indemnity (the “**BVI Deed of Indemnity**”) with the Sponsor, pursuant to which the Sponsor will, subject to certain conditions, indemnify the Trustee against liabilities or damages suffered by the Trustee arising from the BVI Acquisition.

Wuhan Fute has also on 10 May 2019 entered into a deed of indemnity (the “**PRC Deed of Indemnity**”) with the Sponsor, pursuant to which the Sponsor will, subject to certain conditions, indemnify Wuhan Fute against liabilities or damages suffered by it arising from the PRC Acquisition.

### 3.6 Master Lease Agreements

On 10 May 2019, the PRC Holdco (as lessor) entered into a conditional master lease agreement with Fuyang Yuntong E-Commerce Co., Ltd. (“**Fuyang Yuntong**”) (as lessee) for the lease of the Warehouse (the “**Warehouse Master Lease Agreement**”) and also entered into a conditional master lease agreement with Zhejiang Yuntong E-Commerce Co., Ltd. (“**Zhejiang Yuntong**”) (as lessee) for the lease of the Office and Support Buildings (the “**Office and Support Buildings Master Lease Agreement**”) and together with the Warehouse Master Lease Agreement, the “**Master Lease Agreements**”). The Master Lease Agreements are conditional upon the completion of the proposed Acquisitions.

The leases pursuant to the Master Lease Agreements (the “**Master Leases**”) are granted for an initial term of five years each (the “**Initial Term**”), commencing from the date of completion of the Acquisitions. The Master Leases provide for an option to renew, exercisable by the Master Lessees for a further term of five years (the “**Option Term**”), but subject to the PRC Holdco’s acceptance at its sole and absolute discretion. The rent for the Option Term shall be negotiated and agreed between the PRC Holdco and the Master Lessees but it is agreed that the rent payable for the first 12 months of the Option Term shall not be lower than the rent payable for the last 12 months of the Initial Term.

The table below sets out the rental income payable under the Master Leases during the term of the Master Leases (the “**Master Leases Rental Income**”):

Year	Master Leases Rental Income Breakdown (RMB million)		Total Master Leases Rental Income (RMB million)
	Warehouse	Office and Support Buildings	
1	69.0	17.0	86.0
2	70.6	17.3	87.9
3	72.2	17.7	89.9
4	73.8	18.1	91.9



Year	Master Leases Rental Income Breakdown (RMB million)		Total Master Leases Rental Income (RMB million)
	Warehouse	Office and Support Buildings	
5	75.5	18.5	94.0

The rental rates were arrived at on an arm's-length basis and are supported by market rent rates and the opinions by the Independent Valuers and are thus not prejudicial to EC World REIT and the minority Unitholders.

Please refer to the Circular to be issued in due course for further details on the terms of the Master Lease Agreements.

#### Assessment of the Master Leases

The Manager understands from the PRC Holdco that based on the underlying leases, the annual underlying rental income of the Property is approximately RMB41.1 million in respect of the Warehouse and RMB14.6 million in respect of the Office and Support Buildings. The total annual underlying rental income of the Property would amount to RMB55.7 million which represents approximately 64.8% of the rental income payable for Year 1 of the Master Leases.

The following table sets out details of each of the Master Leases and the underlying performance of the respective areas under each of the Master Leases based on the underlying leases:

Master Lease Agreements	Area (sq m)	Annual Rental Income (RMB million)		Occupancy Rate	
		Master Lease <sup>(1)</sup>	Underlying Lease <sup>(2)</sup>	Master Lease	Underlying Lease
Warehouse	171,795	69.0	41.1	100%	100%
Office and Support Buildings	42,489	17.0	14.6	100%	100%
<b>Total</b>	<b>214,284</b>	<b>86.0</b>	<b>55.7</b>	<b>100%</b>	<b>100%</b>

**Note:**

- (1) Figures used in the table above for the annual rental income under the Master Leases are based on the rental income payable for Year 1 of the Master Leases.
- (2) The underlying lease figure for the Warehouse does not include the service fee collected by the existing master lessee of the Warehouse.

The Master Lessees of the Property, being Fuyang Yuntong and Zhejiang Yuntong, are in the e-commerce industry. Certain e-commerce businesses outsource aspects of its business such as storage, distribution and fulfilment services to operators so as to reap economies of scale. Operators are usually companies who specialise in supply chain management functions such as warehousing and fulfillment. Fuyang Yuntong is an operator and it assists e-commerce businesses to store, label and pack

goods. By doing so, Fuyang Yuntan derives revenue from rent (based on shelf space and time occupied in the warehouse) and service fee (based on the number of parcels handled), which makes up a substantial portion of its revenue. The Manager understands from the BVI Vendor that from the time of inception, the Master Lessees remain profitable<sup>3</sup> even after accounting for the rental amount payable under the Master Lease Agreements.

The underlying rental income for the Property is currently lower than the Master Leases Rental Income as the Property is relatively new to the Hangzhou industrial property market, having started operations in July 2017. As such, underlying lease rental rates of the Property have not reached current market levels yet. Furthermore, the Manager understands from the BVI Vendor that in order to attract initial anchor tenants for the Property, the BVI Vendor has agreed to certain preferential rental rates with the current underlying tenants. This is also due to the nature of an e-commerce warehouse where the operator derives a substantial portion of income from service fee in addition to rental. The Manager is confident that the Property will be able to achieve higher underlying rental income over the next five years due to the following factors:

- (i) the Property is situated in Hangzhou, an important manufacturing base and logistic hub for coastal PRC as well as the “capital of Chinese e-commerce”. Hangzhou achieved a gross domestic product of RMB 1.35 trillion in 2018, representing an 6.7% year-on-year increase, outstripping the national average of 6.6%<sup>4</sup>;
- (ii) the Property is also strategically located on western side of Mingxing Road, Fuyang District, Hangzhou which is in close proximity to the Changshen Highway and Hangzhou city centre and enjoys convenient water transportation provided by Fuchun River; and
- (iii) the e-commerce sector in Hangzhou continues to expand at rapid pace, increasing by 17.5% in 2018<sup>1</sup> and online retail sales in China grew 23.9% in 2018.

Therefore, the Manager has put in place the Master Leases to allow Unitholders to benefit from additional rental income stability and downside protection during the initial ramping up period as the Property continues to mature. The Manager will take note of the performance of the Property and ensure that, barring unforeseen circumstances, the underlying performance will be sustainable after the expiry of the Master Lease Agreements.

Over a period of five years from the completion of the Acquisitions and the commencement of the Master Leases, the Manager expects the underlying rental rates to appreciate to levels consistent with market rates. The Manager’s view is supported by the opinions of the Independent Valuers, that in relation to the Master

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<sup>3</sup> Exact figures relating to Fuyang Yuntan’s service income cannot be disclosed due to confidentiality obligations.

<sup>4</sup> Source: Hangzhou Economic Situation, Hangzhou Bureau of Statistics, 4 March 2019 and National Bureau of Statistics of China, 22 January 2019

Lease Agreements, the underlying rental rates of the Property will gradually increase in line with market rent growth despite current underlying rental rates being lower than market rental rates due to contractual preferential rates. Upon the expiry of the Master Lease Agreements, the underlying rental income of the Property will be in line with the market rental rates at the point in time.

The Independent Valuers' projection for the total underlying revenue from the Master Leases is as follows:

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	88.6
5	94.0	97.0	94.7
6	-	101.3	97.5

As indicated above, the Independent Valuers are also of the opinion that upon the expiry of the Master Lease Agreements, the rental income under the Master Lease Agreements is sustainable by the underlying rental income of the Property.

The Manager believes that given the positive factors in relation to the Property as stated above and the Independent Valuers' view that the rental income from the Master Lease Agreements is sustainable by the underlying rental income from the Property upon the expiry of the initial lease terms, the rental rates under the Master Lease Agreements are attainable after the Master Lease Agreements have expired.

### 3.7 Corporate Guarantees

In relation to the Master Lease Agreements, the PRC Holdco has on 10 May 2019 entered into the following corporate guarantees (the "**Corporate Guarantees**") with the Sponsor:

- (i) a corporate guarantee between the PRC Holdco (as the guarantee) and the Sponsor (as the guarantor), pursuant to which the Sponsor guarantees that Fuyang Yuntong shall observe and perform the obligations, covenants, terms and conditions of the Warehouse Master Lease Agreement for the entire term (including any term granted pursuant to any option to renew) of the Warehouse Master Lease Agreement (the "**Warehouse Corporate Guarantee**"); and
- (ii) a corporate guarantee between the PRC Holdco (as the guarantee) and the Sponsor (as the guarantor), pursuant to which the Sponsor guarantees that Zhejiang Yuntong shall observe and perform the obligations, covenants, terms and conditions of the Office and Support Buildings Master Lease

Agreement for the entire term (including any term granted pursuant to any option to renew) of the Office and Support Buildings Master Lease Agreement (the “**Office and Support Buildings Corporate Guarantee**”).

### **3.8 Individual Property Management Agreement**

In connection with the Acquisitions, the Trustee, the Manager, Yuntong Property Management Co., Ltd. (the “**Property Manager**”) and the PRC Holdco will enter into an individual property management agreement (the “**Individual Property Management Agreement**”) pursuant to which the Property Manager is appointed to operate, maintain, manage and market the Property. The Property Manager will be subject to the overall management and supervision of the Manager. The entry into the Individual Property Management Agreement is pursuant to the terms of the Master Property Management Agreement dated 30 June 2016 (the “Master Property Management Agreement”) entered into by the Trustee, the Manager and the Property Manager. The Property Manager is a wholly-owned subsidiary of the Sponsor.

### **3.9 Rationale for the Acquisitions and Master Leases**

The Manager believes that the Acquisitions and the Master Leases will bring, among others, the key benefits to Unitholders as set out below:

(i) **Attractive investment in Hangzhou and PRC e-commerce sector**

The Property is located in Hangzhou, the capital city of Zhejiang province in China. It has a population of 9.8 million and a gross domestic product of over RMB1.35 trillion in 2018<sup>5</sup>. As one of the core cities in the Yangtze River Delta Economic Zone, Hangzhou is well-positioned as an economic, cultural, science and education center as well as a transportation hub. Hangzhou is also one of the most vibrant e-commerce centres in China and home to Alibaba Group’s global headquarters and is also dubbed the “e-commerce capital” of China. The e-commerce sector in Hangzhou has been expanding very rapidly, registering a growth of 17.5%<sup>5</sup> in 2018.

(ii) **Rare opportunity to acquire a sizable, specialised and integrated e-commerce logistics asset**

Given the rapid growth in China’s e-commerce industry, warehousing and fulfilment facilities are in increasingly high demand and the proposed Acquisitions represent a rare and attractive opportunity to acquire a specialised logistics asset catering to storage and fulfilment of e-commerce goods flow.

The Property is adjacent to one of EC World REIT’s existing assets, Fu Heng Warehouse, which is also focused on e-commerce related fulfilment activities. The Property and Fu Heng Warehouse together will create a combined 308,571 sq m logistics hub, well supported by industry participants such as online market places, brand manufacturers, last mile delivery companies as

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5 Hangzhou Economic Situation, Hangzhou Bureau of Statistics, 4 March 2019

well as office space and other auxiliary facilities. Furthermore, the Property is strategically located on the western side of Mingxing Road, Fuyang District, Hangzhou which is in close proximity to the Changshen Highway and Hangzhou city centre and enjoys convenient water transportation provided by the Fuchun River.

(iii) **Strategic collaboration with Cainiao Network and Alibaba’s Ling Shou Tong (“LST”)**

The Warehouse of the Property is operated by Ruyicang, a wholly-owned subsidiary of the Sponsor and a leading e-commerce logistics, fulfillment service provider in the PRC. Ruyicang is one of the key partners to Cainiao Network (Alibaba’s logistics platform) and a core service provider to Alibaba’s LST.

LST is a new online to offline retail concept and strategy by Alibaba which seeks to connect convenience and neighborhood stores to Alibaba and Cainiao’s extensive network of supply chain, logistics and data analytics and to improve, streamline and automate operations of these shops. Cainiao’s target is to connect over one million retail stores within three years<sup>6</sup>.

Ruyicang currently processes approximately 8,000 to 10,000 parcels for LST in the Warehouse on a daily basis. Due to its outstanding performance, Ruyicang’s Hangzhou LST business has won the “Double Eleven Best Partner Award” (双十一最佳合作伙伴奖) for the quality, accuracy and reliability of its fulfilment and warehousing services.

(iv) **Differentiated asset portfolio offering with enlarged asset portfolio size and enhanced focus on specialised and e-commerce logistics sector**

The Acquisitions fit the Manager’s principal investment strategy for EC World REIT to invest in quality income-producing real estate used primarily for e-commerce, supply-chain management and logistics purposes, which will provide overall yield accretion and value creation opportunities so as to deliver stable distributions, sustainable and growing returns to the Unitholders.

The Acquisitions will significantly increase EC World REIT’s asset portfolio size by 17.9% and 28.7% by valuation and GFA respectively. Upon completion of the Acquisitions, the enlarged portfolio of EC World REIT will have a valuation of RMB7,932 million. The Acquisitions will also increase the proportion of e-commerce and specialised assets to over 74.4% of the entire portfolio by NLA, further demonstrating EC World REIT’s differentiated proposition. The proportion of e-commerce logistics assets will increase from 30.4% to 41.0% by valuation and from 35.3% to 49.7% by NLA.

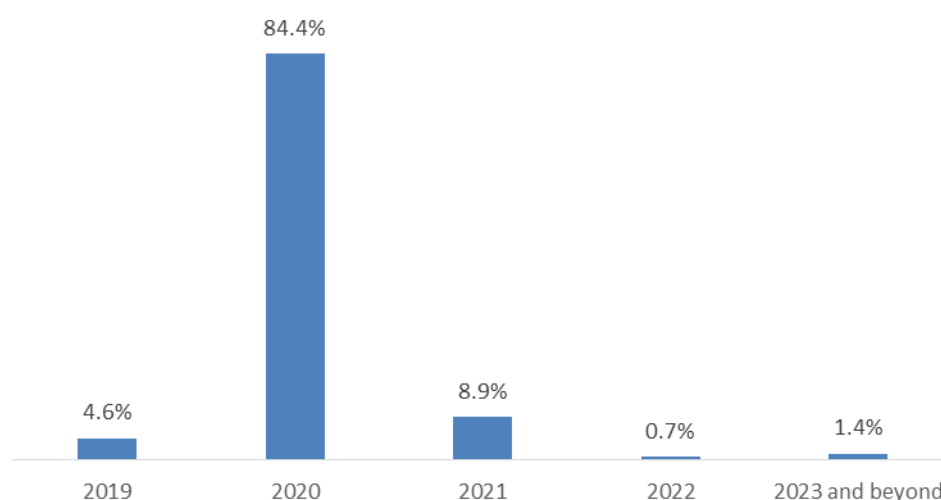
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<sup>6</sup> Source: [http://www.sohu.com/a/168878877\\_239279](http://www.sohu.com/a/168878877_239279)

(v) **Improves and lengthens portfolio weighted average lease expiry (“WALE”) profile providing greater income visibility**

The Master Leases have an initial term of five years, commencing from the date of completion of the Acquisitions and are subject to an option to renew for a further term of five years. This will increase the WALE of EC World REIT’s portfolio from 1.8 years to 2.3 years<sup>7</sup> (by gross rental income as at 31 March 2019) prior to the Option Period. Furthermore, the Master Leases will materially reduce the expiry concentration risk for EC World REIT since leases which will expire in 2023 and beyond (by gross rental income as at 31 March 2019) will increase from 1.4% to 16.6%<sup>8</sup> post- Acquisitions.

The graph below illustrates EC World REIT’s lease expiry profile (by gross rental income as at 31 March 2019):

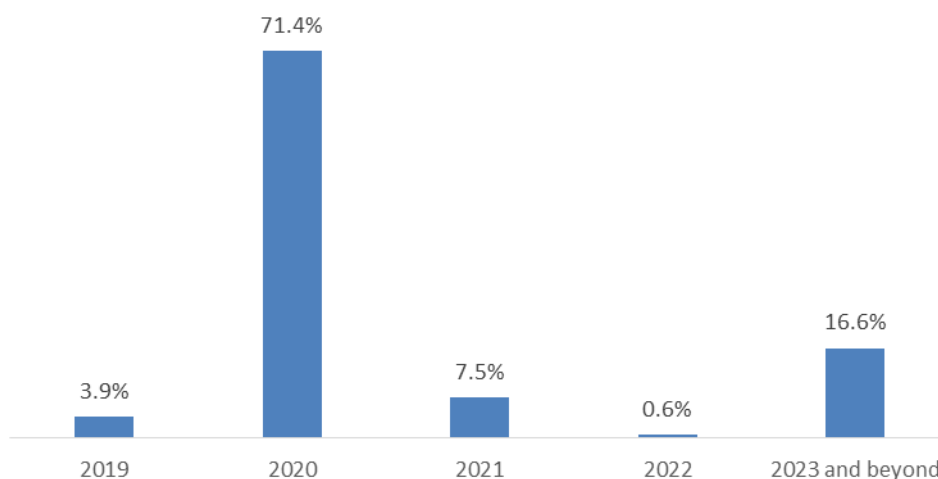


The graph below illustrates EC World REIT’s lease expiry profile (by gross rental income as at 31 March 2019) post-Acquisitions:

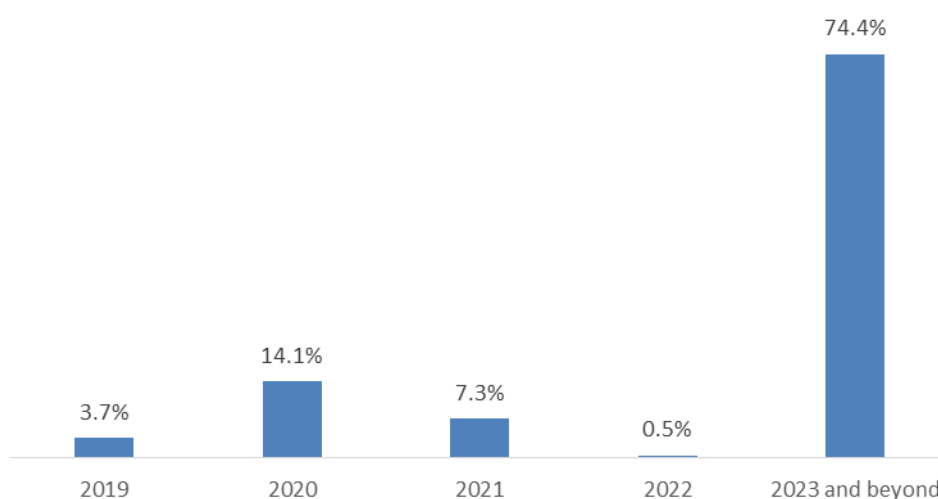
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7 Taking into account the new master lease agreements for Stage 1 Properties of Bei Gang Logistics, Chongxian Port Investment and Fu Heng Warehouse which have been approved by Unitholders at the Extraordinary General Meeting held on 22 April 2019 (the “**New Approved Master Lease Agreements**”), the Master Leases will increase the WALE of EC World REIT’s portfolio from 4.7 years to 4.8 years (by gross rental income as at 31 March 2019) prior to the Option Period.

8 Taking into account the New Approved Master Lease Agreements, the Master Leases will increase the leases which will expire in 2023 and beyond (by gross rental income as at 31 March 2019) from 69.9% to 74.4%.



The graph below illustrates EC World REIT's lease expiry profile (by gross rental income as at 31 March 2019), post-Acquisitions and taking into account the New Approved Master Lease Agreements:



(vi) **The Acquisitions are expected to be yield accretive based on historical pro form financial effects from FY2018**

Based on the audited consolidated financial statements of EC World REIT and its subsidiaries for the 12-month period ending 31 December 2018 (“FY2018”, and the FY2018 audited consolidated financial statements, the “FY2018 Audited Consolidated Financial Statements”) and assuming the Acquisitions are completed on 1 January 2018, the Acquisitions are expected to increase distribution per Unit (“DPU”) by 1.6% on a historical pro forma basis. The net property income (“NPI”) of EC World REIT is expected to reach S\$101.7 million, which represents a 16.4% increase vis-à-vis FY2018 NPI of EC World REIT, on a historical pro forma basis. In addition, the NPI yield of the Property in RMB terms is approximately 6.4%, which is in line with EC

World REIT's existing portfolio NPI yield of 6.4% as at 31 December 2018.

The Master Leases also have a built fixed annual escalation of 2.25% for the first five years which will provide guaranteed organic growth for Unitholders' distributions.

### 3.10 Pro Forma Financial Information

#### (I) Pro Forma Financial Effects of the Acquisitions

##### FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the proposed Acquisitions presented below are **strictly for illustrative purposes only** and were prepared based on the FY2018 Audited Consolidated Financial Statements, assuming the Property Purchase Price of RMB1,112.5 million (S\$223.6 million<sup>9</sup>) and professional and other fees and expenses (including upfront finance costs) of approximately S\$7.8 million will be paid in cash and taking into account the revenue that EC World REIT would receive from the Master Leases.

#### (ii) Financial Year ended 31 December 2018

##### Pro Forma DPU and Distribution Yield

The pro forma financial effects of the Acquisitions on the DPU and distribution yield for FY2018, as if EC World REIT had purchased the Property on 1 January 2018, and held and operated the Property through to 31 December 2018, are as follows:

	FY2018	
	Before the Acquisition <sup>(1)</sup>	After the Acquisition
Distributable Income (S\$'000)	48,779	49,859
Units in issue and to be issued	792,014,317	794,154,832 <sup>(2)</sup>
DPU (cents)	6.179	6.278
Annualised Distribution yield	7.9% <sup>(3)</sup>	8.0% <sup>(3)</sup>

##### Notes:

- (1) Based on the FY2018 Audited Consolidated Financial Statements.
- (2) The number of Units is arrived at after taking into account the issuance of (i) the Acquisitions Fee Units and (ii) new Units in payment of the management fee as a result of the additional Distributable Income after the Acquisition.
- (3) Based on the DPU divided by the closing price on 8 May 2019 of S\$0.78 per Unit.

##### Pro Forma NAV per Unit

The pro forma financial effects of the Acquisitions on the NAV per Unit as at 31 December 2018, as if EC World REIT had purchased the Property on 31 December

9 Based on an illustrative renminbi exchange rate of S\$1.00 to RMB 4.9751 as at 8 May 2019.



2018 are as follows:

	<b>As at 31 December 2018</b>	
	<b>Before the Acquisition<sup>(1)</sup></b>	<b>After the Acquisition</b>
NAV (S\$'000)	688,552	700,380
Units in issue and to be issued	792,014,317	794,154,832 <sup>(2)</sup>
NAV per Unit (cents)	86.94	88.19

**Notes:**

- (1) Based on the FY2018 Audited Consolidated Financial Statements.
- (2) The number of Units is arrived at after taking into account the issuance of new Units in payment of the Acquisitions Fee.

**Pro Forma Capitalisation**

The following table sets forth the pro forma capitalisation of EC World REIT as at 31 December 2018, as if EC World REIT had completed the Acquisitions on 31 December 2018.

	<b>As at 31 December 2018</b>	
	<b>Actual<sup>(1)</sup></b>	<b>As adjusted for the Acquisition</b>
	(S\$'000)	(S\$'000)
<b>Short-term debt:</b>		
Unsecured	-	-
Secured	476,917	476,917
Total short-term debt	476,917	476,917
<b>Long-term debt:</b>		
Unsecured	-	-
Secured	-	177,105
Total long-term debt	-	177,105
Total Debt	476,917	654,022
Unitholders funds	688,552	700,380
<b>Total Capitalisation</b>	1,165,469	1,354,401

**Note:**

- (1) Based on the FY2018 Audited Consolidated Financial Statements.

### 3.11 Major Transactions – Chapter 10 of the Listing Manual

3.11.1 Chapter 10 of the Listing Manual governs the acquisition or disposal of assets, including options to acquire or dispose of assets, by EC World REIT. Such transactions are classified into the following categories:

- (i) non-discloseable transactions;
- (ii) discloseable transactions;
- (iii) major transactions; and
- (iv) very substantial acquisitions or reverse takeovers.

3.11.2 A proposed acquisition by EC World REIT may fall into any of the categories set out in Paragraph 3.10.1 above depending on the size of the relative figures computed on the following bases of comparison:

- (i) the net profits attributable to the assets acquired, compared with EC World REIT's net profits;
- (ii) the aggregate value of the consideration given, compared with EC World REIT's market capitalisation; and
- (iii) the number of Units issued by EC World REIT as consideration for the acquisition, compared with the number of Units previously in issue (not applicable).

Where any of the relative figures computed on the bases set out above is 20.0% or more, the transaction is classified as a "major transaction" under Rule 1014 of the Listing Manual which would be subject to the approval of Unitholders, unless (i) such transaction is in the ordinary course of EC World REIT's business or (ii) in the case of an acquisition of profitable assets, the only limit breached is the profit test set out in sub-paragraph 3.11.2(i) above.

The relative figures in relation to the proposed Acquisitions using the applicable bases of comparison described in sub-paragraphs 3.11.2(i) and 3.11.2 (ii) above are set out in the table below.

Comparison of:	Acquisition	EC World REIT	Relative Figure
Net Property Income <sup>(1)</sup>	S\$14.4 million <sup>(2)</sup>	S\$87.3 million <sup>(3)</sup>	16.4%
Property Purchase Price against EC World REIT's market capitalisation	S\$223.6 million <sup>(4)</sup>	EC World REIT's market capitalisation: S\$619.5 million <sup>(5),(6)</sup>	36.1%

**Notes:**

- (1) In the case of a REIT, the Net Property Income is a close proxy to the net profits before tax attributable to its assets. Net Property Income refers to property revenue less property operating expenses.
- (2) Relates to the Property's pro forma Net Property Income contribution from 1 January 2018 (date of commencement of operations) to 31 December 2018.
- (3) Based on the FY2018 Audited Consolidated Financial Statements.
- (4) Does not include transaction costs.
- (5) Based on the closing price of S\$0.78 per Unit on the SGX-ST on 8 May 2019.
- (6) Based on Units in issue as at the Latest Practicable Date.

### **3.12 Advice of the Independent Financial Adviser**

The Manager has appointed Ernst & Young Corporate Finance Pte. Ltd. as the independent financial adviser (the “**IFA**”) to advise the independent directors of the Manager (the “**Independent Directors**”), the audit and risk committee of the Manager (the “**Audit and Risk Committee**”) and the Trustee whether the Proposed Acquisitions and the Master Lease Agreements are on normal commercial terms and whether they will be prejudicial to the interests of EC World REIT and its minority Unitholders.

The view of the IFA, the Independent Directors and the Audit and Risk Committee will be contained in the Circular to be issued to Unitholders in due course.

### **3.13 Interested Person Transaction and Interested Party Transaction**

As at the date of this announcement, the Manager has a direct interest in 16,086,419 Units (comprising approximately 2.0% of the total number of issued Units).

The Manager is wholly-owned by Forchn International Pte. Ltd. (“**FIPL**”), which is in turn a wholly-owned subsidiary of Forchn Holdings Group Co., Ltd., the sponsor of EC World REIT (the “**Sponsor**”). FIPL is the sole shareholder of Forchn Global Pte. Ltd. (“**FGPL**”) which has a direct interest in 322,957,200 Units (comprising approximately 40.7% of the total number of issued Units). Accordingly, the Sponsor is deemed to be interested in the Units held by FGPL and the Manager. The Sponsor is therefore regarded as a “controlling unitholder” of EC World REIT and a “controlling shareholder” of the Manager, respectively, under the listing manual of the SGX-ST (the “**Listing Manual**”) and Appendix 6 of the Code on Collective Investment Schemes issued by the MAS (the “**Property Funds Appendix**”). Zhang Guobiao is a controlling unitholder of EC World REIT and a controlling shareholder of the Manager through his 80.0% equity interest in the Sponsor.

The BVI Vendor is an indirect wholly-owned subsidiary of Bonray Investment Trust, a private trust whose sole beneficiary is Wang Guoli, the spouse of Zhang Guobiao. Accordingly, for the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, the BVI Vendor is an interested person and interested party of EC World REIT.

The Sponsor holds a 40.59% interest in the PRC Vendor and accordingly, for the purpose of Chapter 9 of the Listing Manual and the Property Funds Appendix, the

PRC Vendor is an interested person and interested party of EC World REIT.

The Master Lessees are indirect wholly-owned subsidiaries of the Sponsor. Accordingly, for the purpose of Chapter 9 of the Listing Manual and the Property Funds Appendix, each of the Master Lessees is an interested person and interested party of EC World REIT.

As such, the Acquisitions and the Master Lease Agreements will constitute an interested person transaction under Chapter 9 of the Listing Manual and also an interested party transaction under Paragraph 5 of the Property Funds Appendix,

A Circular will be issued to Unitholders in due course, together with a notice of an extraordinary general meeting of Unitholders, for the purpose of seeking Unitholders' approval for the proposed Acquisitions (including the Master Lease Agreements).

### 3.14 Interests of Directors and Substantial Unitholders

As at the date of this announcement, the details of the unitholdings of the Directors are as follows:

Name of Directors	Direct Interest		Deemed Interest		Total no. of Units held	% <sup>(1)</sup>
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>		
Mr Zhang Guobiao	-	-	339,043,619 <sup>(2)</sup>	42.69	339,043,619	42.69
Mr Goh Toh Sim	821,575	0.10	-	-	821,575	0.10
Mr Chan Heng Wing	300,000	0.04	-	-	300,000	0.04
Mr David Wong See Hong	-	-	-	-	-	-
Mr Chia Yew Boon	200,000	0.03	-	-	200,000	0.03
Mr Li Guosheng	-	-	-	-	-	-

**Notes:**

- (1) Percentage interest is based on 794,228,726 Units in issue as at the date of this announcement.
- (2) Zhang Guobiao owns 80% of the equity interest of Forchn Holdings Group Co., Ltd.. Forchn Holdings Group Co., Ltd. is in turn the sole shareholder of Forchn International Pte. Ltd.. Further, Forchn International Pte. Ltd. is the sole shareholder of Forchn Global Pte. Ltd. and EC World Asset Management Pte. Ltd.. Accordingly, Zhang Guobiao is deemed to be interested in the Units held by Forchn Global Pte. Ltd. and Units held by EC World Asset Management Pte. Ltd..

As at the date of this announcement, Mr Zhang Guobiao is a non-executive director of the Manager as well as the Chairman of the Sponsor. Save as disclosed above and based on information available to the Manager as at the date of this announcement, none of the Directors has an interest, direct or indirect, in the Acquisitions.

#### (i) Interests of the Substantial Unitholders

Based on the Register of Substantial Unitholders as at the date of this announcement, the details of the unitholdings of the Substantial Unitholders are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total no. of Units held	%(1)
	No. of Units	%(1)	No. of Units	%(1)		
Forchn Global Pte. Ltd.	322,957,200	40.66	-	-	322,957,200	40.66
Forchn International Pte. Ltd. (2)	-	-	339,043,619	42.69	339,043,619	42.69
Forchn Holdings Group Co., Ltd. (3)	-	-	339,043,619	42.69	339,043,619	42.69
Zhang Guobiao (4)	-	-	339,043,619	42.69	339,043,619	42.69
Zhang Zhangsheng (5)	-	-	339,043,619	42.69	339,043,619	42.69
BOCOM International Global Investment Limited	61,728,300	7.77	-	-	61,728,300	7.77
BOCOM International Holdings Company Limited (6)	-	-	61,728,300	7.77	61,728,300	7.77
Bank of Communications Co., Ltd. (7)	-	-	61,728,300	7.77	61,728,300	7.77
Fosun International Holdings Ltd.	7,229,694	0.91	66,736,306	8.40	73,966,000	9.31
Guo Guangchang (8)	-	-	73,966,000	9.31	73,966,000	9.31
Liang Xinjun (9)	-	-	73,966,000	9.31	73,966,000	9.31
Sunkits Resources Limited	95,061,700	11.97	-	-	95,061,700	11.97
China Cinda (HK) Asset Management Co., Limited (10)	-	-	95,061,700	11.97	95,061,700	11.97
China Cinda (HK) Holdings Company Limited (11)	-	-	95,061,700	11.97	95,061,700	11.97
China Cinda Asset Management Co., Ltd. (12)	-	-	95,061,700	11.97	95,061,700	11.97
Ministry of Finance of The People's Republic of China (13)	-	-	95,061,700	11.97	95,061,700	11.97
Hu Yuqing	45,183,400	5.69	-	-	45,183,400	5.69
Providence World I Pte Ltd	66,736,306	8.40	-	-	66,736,306	8.40
The Bank of New York Mellon (15)	66,736,306	8.40	-	-	66,736,306	8.40
The Bank of New York Mellon Corporation (15)	-	-	66,736,306	8.40	66,736,306	8.40

**Notes:**

- (1) Percentage interest is based on 794,228,726 Units in issue as at the date of this announcement.
- (2) Forchn International Pte. Ltd. is deemed to be interested in the Units held by its wholly-owned subsidiaries, Forchn Global Pte. Ltd. and EC World Asset Management Pte. Ltd..
- (3) Forchn Holdings Group Co., Ltd. is the sole shareholder of Forchn International Pte. Ltd., which is in turn the sole shareholder of Forchn Global Pte. Ltd. and EC World Asset Management Pte. Ltd. Accordingly, Forchn

Holdings Group Co., Ltd. is deemed to be interested in the Units held by Forchn Global Pte. Ltd. and Units held by EC World Asset Management Pte. Ltd..

- (4) Zhang Guobiao owns 80% of the equity interest of Forchn Holdings Group Co., Ltd.. Forchn Holdings Group Co., Ltd. is in turn the sole shareholder of Forchn International Pte. Ltd.. Further, Forchn International Pte. Ltd. is the sole shareholder of Forchn Global Pte. Ltd. and EC World Asset Management Pte. Ltd.. Accordingly, Zhang Guobiao is deemed to be interested in the Units held by Forchn Global Pte. Ltd. and Units held by EC World Asset Management Pte. Ltd..
- (5) Zhang Zhangsheng owns 20% of the equity interest of Forchn Holdings Group Co., Ltd.. Forchn Holdings Group Co., Ltd. is in turn the sole shareholder of Forchn International Pte. Ltd.. Further, Forchn International Pte. Ltd. is the sole shareholder of Forchn Global Pte. Ltd. and EC World Asset Management Pte. Ltd.. Accordingly, Zhang Zhangsheng is deemed to be interested in the Units held by Forchn Global Pte. Ltd. and Units held by EC World Asset Management Pte. Ltd..
- (6) BOCOM International Holdings Company Limited is deemed to be interested in the Units held by its wholly-owned subsidiary, BOCOM International Global Investment Limited.
- (7) Bank of Communications Co., Ltd. is deemed to be interested in the Units held by BOCOM International Global Investment Limited. BOCOM International Global Investment Limited is a wholly-owned subsidiary of BOCOM International Holdings Company Limited. BOCOM International Holdings Company Limited is a wholly-owned subsidiary of Bank of Communications Co., Ltd..
- (8) Fosun International Holdings Ltd. is deemed to be interested in the Units held by Providence World I Pte Ltd, pursuant to a unit transfer agreement executed with Providence World I Pte. Ltd..
- (9) Guo Guangchang owns 64.45% of Fosun International Holdings Ltd. Accordingly, he is deemed to be interested in the Units held by Fosun International Holdings Ltd..
- (10) Liang Xinjun owns 24.44% of Fosun International Holdings Ltd. Accordingly, he is deemed to be interested in the Units held by Fosun International Holdings Ltd..
- (11) China Cinda (HK) Asset Management Co., Limited is deemed to be interested in the Units held by its wholly-owned subsidiary, Sunkits Resources Limited.
- (12) China Cinda (HK) Holdings Company Limited is deemed to be interested in the Units held by Sunkits Resources Limited. Sunkits Resources Limited is a wholly-owned subsidiary of China Cinda (HK) Asset Management Co., Limited, which is a wholly-owned subsidiary of China Cinda (HK) Holdings Company Limited.
- (13) China Cinda Asset Management Co., Ltd. is deemed to be interested in the Units held by Sunkits Resources Limited. Sunkits Resources Limited is a wholly-owned subsidiary of China Cinda (HK) Asset Management Co., Limited, which is a wholly-owned subsidiary of China Cinda (HK) Holdings Company Limited. China Cinda (HK) Holdings Company Limited is 100% owned by China Cinda Asset Management Co., Ltd..
- (14) The Ministry of Finance of the People's Republic of China is deemed to be interested in the Units held by Sunkits Resources Limited. Sunkits Resources Limited is a wholly-owned subsidiary of China Cinda (HK) Asset Management Co., Limited. China Cinda (HK) Asset Management Co., Limited is a wholly-owned subsidiary of China Cinda (HK) Holdings Company Limited, which is in turn 100% owned by China Cinda Asset Management Co., Ltd..The Ministry of Finance of the People's Republic of China owns 67.84% of China Cinda Asset Management Co., Ltd..
- (15) The Bank of New York Mellon provides custodial services as a bare trustee under a Custody Agreement and has a security interest over the Units as a trustee under a trust deed. The Bank of New York Mellon Corporation is treated as having an interest in the Units by virtue of it being 100% shareholder of The Bank of New York Mellon.

As at the date of this announcement, the Sponsor, through its indirect wholly-owned subsidiaries and through its 100.0% interest in the Manager, holds an aggregate indirect interest of approximately 42.7% in EC World REIT and is deemed to be a Controlling Unitholder of EC World REIT.

Save as disclosed above and based on information available to the Manager as at the date of this announcement, none of the Substantial Unitholders has an interest, direct or indirect, in the Acquisitions.

### **3.15 Directors' Service Contracts**

No person is proposed to be appointed as a director of the Manager in relation to the proposed Acquisitions or any other transactions contemplated in relation to the proposed Acquisitions.

### **3.16 Documents on Display**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 9 Raffles Place #45-02, Republic Plaza Singapore 048619 from the date of this Circular up to and including the date falling three months after the date of this Circular:

- (i) the Share Purchase Agreements;
- (ii) the BVI Deed of Indemnity;
- (iii) the PRC Deed of Indemnity
- (iv) the Master Lease Agreements;
- (v) the Corporate Guarantees;
- (vi) the valuation summary report on the Property issued by Colliers;
- (vii) the valuation summary report on the Property issued by Knight Frank; and
- (viii) the FY2018 Audited Consolidated Financial Statements.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as EC World REIT continues to be in existence.

By Order of the Board

EC WORLD ASSET MANAGEMENT PTE. LTD.  
(as manager of EC World Real Estate Investment Trust)  
(Company registration number: 201523015N)

Goh Toh Sim  
Executive Director and Chief Executive Officer

10 May 2019

**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 or any of its affiliates. An investment in 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.

This document 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 document 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 (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.