



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

ANNOUNCEMENT

RESPONSE TO QUERIES BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

EC World Asset Management Pte Ltd, as manager of EC World REIT (“**ECW**”, and the manager of ECW, the “**Manager**”), refers to ECW’s Annual Report for the financial year ended 31 December 2017. The Manager would like to respond to the following queries raised by Securities Investors Association (Singapore) (“**SIAS**”) on 18 April 2018 (each, a “**SIAS Question**”) as follows:

SIAS Question 1

On 23 March 2018, the REIT announced the appointment of Mr. Goh Toh Sim as Chief Executive Officer (“**CEO**”) of EC World Asset Management Pte. Ltd., the manager of the REIT. Mr. Goh was appointed the Acting CEO on 14 February 2018 following the resignation of Mr. Alvin Cheng Yu-Dong.

The former CEOs of the REIT managers did not stay on the job for long. Mr. Alvin Cheng Yu-Dong was appointed on 4 May 2017 and resigned on 9 Feb 2018 "to pursue other professional interests." Mr. Lai Hock Meng held the position from 1 Oct 2015 to 22 April 2017 and left to "pursue personal and other business interests".

- (i) Can the board help shareholders understand if there were extenuating circumstances that led to the frequent changes of the CEO of the manager?
- (ii) What is the search process for senior management, especially the CEO?
- (iii) How does the manager ensure that it can attract a CEO who is highly capable, has experience of the markets/sectors and has his interests aligned so as to create long term value for the REIT and its unitholders?

DBS Bank Ltd. was the sole financial adviser, global coordinator and issue manager for the initial public offering of EC World REIT. DBS Bank Ltd., Bank of China Limited, Singapore Branch, China International Capital Corporation (Singapore) Pte. Limited and Maybank Kim Eng Securities Pte. Ltd. were the joint bookrunners and underwriters for the initial public offering of EC World REIT.
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Manager's response to Question 1

- (i) The Board would like to emphasise that ensuring quality as well as continuity of the management team is one of the Board's top priorities.

Our first CEO, Mr. Peter Lai, has done a good job in ensuring the successful listing of EC World REIT but unfortunately, he needed to step down as he was under medication. He has since fully recovered and continues to advise the sponsor of EC World REIT, Forchn Holdings Group Co., Ltd. (the "**Sponsor**"), on portfolio strategy.

Our second CEO, Mr. Alvin Cheng Yu-Dong, is a veteran in the Singapore real estate investment trust industry. During his tenure as CEO, Mr. Cheng and has streamlined and optimized our operations and management structure in line with market best practices. Mr. Cheng resigned to pursue his other interests instead of focusing on day to day management of a REIT.

Our current CEO, Mr. Goh Toh Sim, has been with the Sponsor and the REIT since its listing and is part of the pioneer management team for the REIT. Mr. Goh comes with over three decades worth of experience, having held senior management positions in blue chip firms such as Ascendas Group, Keppel Corporation and China-Singapore Suzhou Industrial Park Development Group. He is supported by a highly experienced management team which include our CFO, Mr Johnnie Tng who has extensive experience in managing REITs having served as CFO for Ascendas India Trust and Keppel REIT, and our Head of Investment, Asset Management and Investor Relations, Mr. Li Jinbo, who worked as an investment banker with international banks prior to joining EC World REIT. Other members mainly come from established REITs and reputable accounting firms.

We expect the management team to be stable for the foreseeable future.

- (ii) The Board and the Nomination and Remuneration Committee ("**NRC**") of the Manager take a serious view on the quality of senior management including the CFO and Head of Investment and Asset Management. The search usually starts with engaging a professional search and recruitment agency to source for suitable candidates in the market. Depending on the position to be filled, the qualification, competency, experience in the finance and real estate industry, integrity of potential candidates are then assessed by the NRC who will make recommendation to the Board. For the role of CEO, in addition to technical and management competency, relevant experience and skillset, the NRC believes that a successful candidate must also possess sufficient integrity and leadership quality. In addition, the sense of responsibility and commitment to fulfil the Manager's duty of looking after the interest of our unitholders are also assessed rigorously.

The NRC and the Board would also make an effort to identify any suitable potential candidates from their network.

Thorough due diligence inquiries and investigation procedures would be performed for potential candidates. Procedures may include the following:

- Education history verification
- Obtain reference for employment history and character from referees
- Obtain credit reports from credit bureau and/or credit rating agency
- Obtain courts and/or police records
- Obtain personal financial records

- (iii) It is undeniable that it is challenging to attract a CEO having such aforementioned quality given the limited talent pool for top REIT management in the Singapore market. First of all, NRC would recommend a suitably attractive remuneration for the CEO. The remuneration will include a fixed monthly salary and performance bonus.

The NRC believes that monetary reward should not be the sole motivating factor. The NRC strives to create an attractive working environment and to build up a strong team and esprit de corps.

Above all, the CEO must drive, believe in and ultimately execute the growth story and strategy and is able to work with the Board to realise the growth and expectation.

At a later date, it is the Board's intention to allocate certain percentage of the shareholding in the Manager to the employees and a significant part of which will include that for the CEO so that his/her interests and the growth of the REIT and the unitholders are aligned.

SIAS Question 2

On 28 February 2018, the REIT has announced the proposed acquisition of the 100% equity interest of Wuqiao Zhonggong Merlot (Hubei) Logistics Co., Ltd. which is the sole legal and beneficial owner of an industrial property in Wuhan, Hubei Province.

The comparison of the asset to be acquired and the REIT's current portfolio is as follows:

Comparison of:	The Wuhan Property	EC World REIT
Net Property Income ⁽¹⁾	The Wuhan Property: S\$1.4 million	S\$82.7 million ⁽²⁾
Purchase Consideration against EC World REIT's market capitalisation	The Wuhan Property: S\$30.3 ⁽³⁾ million	EC World REIT's market capitalisation: S\$588.5 million ^{(4),(5)}

The proposed asset to be acquired has a net property income yield of 4.6% based on the figures shown above. With the existing portfolio having a valuation of \$1.34 billion, the net property income yield of the 6 IPO properties is 6.2%.

- (i) Can the manager help unitholders better understand the investment merits of the proposed acquisition?
- (ii) Is this acquisition yield accretive to unitholders if it is not financed purely via debt?

In addition, it was disclosed that the construction of the Right of First Refusal (ROFR) properties, namely Stage 2 of Bei Gang Logistics (block 9 to 17) and the Fuzhou E-commerce Properties, have been completed. Does the REIT manager have visibility on the level of operationalisation of the ROFR assets?

Manager's response to Question 2

- (i) As disclosed in the acquisition announcement dated 28 February 2018 (the "Announcement"), the acquired property (the "Property") is an e-commerce logistics warehousing facility in Wuhan. The key investment merits for the acquisition include:
 - it offers EC World REIT a good opportunity to acquire a high specifications asset anchored by top tier e-commerce tenants, namely JD.Com and Dang Dang which are two of the leading e-commerce firms in China
 - the acquisition also enhances EC World REIT's unique proposition as a specialised logistics REIT with significant exposure to the rapidly expanding e-commerce sector. The proportion of EC World REIT's e-commerce assets (by net lettable area) will increase from 30.7% to 35.2% post acquisition

- the Property is strategically located near major expressways in Wuhan, a key transportation hub in central China with strong economic fundamentals – Wuhan’s GDP expanded by 8% in 2017, outstripping national average of 6.9%¹
 - given all of the assets in EC World REIT’s initial portfolio are in Hangzhou, the acquisition of Wuhan Meiluote provides geographical diversification to EC World REIT’s enlarged portfolio.
 - the acquisition is expected to be DPU accretive on a historical pro-forma basis calculated based on the unaudited consolidated financial statements of EC World REIT and its subsidiaries for the 12-month period ending 31 December 2017.
- (ii) As disclosed in the Announcement as well as the completion of acquisition announcement dated 16 April 2018, the acquisition was financed via internal cash – specifically the security deposits EC World REIT collected at IPO listing pursuant to the master leases. The pro forma financials disclosed in the Announcement is based on the aforementioned financing structure.

The Manager has previously disclosed that we will look to deploy the security deposit efficiently for acquisition of suitable assets.

- (iii) The Manager has been in constant communications with the Sponsor on the status of ROFR assets and its readiness to be considered for acquisition by EC World REIT. At this moment, Fuzhou E-Commerce Properties have been completed and is fully functional while Stage 2 of Bei Gang Logistics has only been partially completed and operational.

The Manager will assess the readiness of the ROFR assets for injection as well as negotiate commercial terms with the Sponsor judiciously and with the best interest of unitholders in mind. The Manager will make relevant disclosures promptly on potential acquisition of the ROFR properties as and when required and as appropriate.

SIAS Question 3

The group recognised an impairment of \$1.1 million in other receivables in Fu Zhuo Industrial Co., Ltd.

- (i) Can the manager explain what these “Other receivables” were for and what is the profile of the debtor?
- (ii) What are the manager’s efforts to collect this long outstanding debt?

Manager’s response to Question 3

- (i) The S\$1.1m provision in “Other receivables” arose from debts owed by a previous tenant at Fuzhuo Industrial. Given that the said tenant is no longer with us and for the sake of prudence, the Manager has decided to institute a provision for FY2017.
- (ii) The Manager is actively working with the Property Manager to recover this amount from the abovementioned tenant and we expect to be able to recover the debt by 2Q 2018.

¹ National Bureau Statistics of China: http://www.stats.gov.cn/tjsj/zxfb/201801/t20180119_1575351.html

By Order of the Board

Goh Toh Sim

Executive Director and Chief Executive Officer

EC WORLD ASSET MANAGEMENT PTE. LTD.

(as manager of EC World Real Estate Investment Trust)

(Company registration number: 201523015N)

20 April 2018

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.