



EC WORLD REAL ESTATE INVESTMENT TRUST

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

RESPONSE TO SGX-ST's QUERY ON EARLIER ANNOUNCEMENT REGARDING UPDATE ON EFFECTIVE USE OF SECURITY DEPOSITS

Capitalised terms used herein, unless otherwise defined, have the meanings as defined in prospectus of EC World Real Estate Investment Trust ("EC World REIT") dated 20 July 2016 and registered by the Monetary Authority of Singapore on 20 July 2016 (the "Prospectus") and the announcement dated 30 September 2016.

Further to its announcement dated 30 September 2016 on the update on the effective use of the security deposits which EC World REIT had received under the Master Leases in the form of cash, EC World Asset Management Pte. Ltd., as manager of EC World REIT (the "**Manager**") wishes to respond to a query from Singapore Exchange Securities Trading Limited (the "SGX-ST") as follows.

Query:

Please release a clarification announcement on the Manager's response to the SGX-ST's query, being the implications and risks arising from the change in use of the security deposits received under the Master Leases; from the investment in PRC corporate bonds to being used to part-finance the Acquisition. Please also include mitigating factors to address the risks (if any).

Manager's Response:

The Manager has considered various options for the efficient utilisation of the security deposits. It is of the view that in the circumstances that have arisen post-IPO (such as the volatility in the PRC bond market and the opportunity represented by the proposed Acquisition), it would be in the interest of Unitholders (including the Sponsor which is also a substantial Unitholder) to allocate part of the cash to invest in a property which has been identified and which the Manager is currently evaluating. This is consistent with the Manager's key strategies which are as follows:

- Asset focus – focusing on real estate assets which support the e-commerce business;
- Investment strategy – investing in value-adding investments, comprising development and acquisition of income-producing properties with strong underlying real estate fundamentals;
- Acquisition growth strategy – pursuing opportunities for future income and capital growth through leveraging on the network and experience of the Sponsor and the support provided by the right of first refusal granted by each of the Sponsor and Mr Zhang Guobiao;
- Organic growth strategy – optimising organic growth through proactive portfolio and asset management; and
- Capital and risk management strategy – adopting prudent capital and risk management through diligent and proactive management of operational, financial, investment and regulatory risks associated with the real estate investment business.

DBS Bank Ltd. is 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. are the joint bookrunners and underwriters for the initial public offering of EC World REIT.
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The primary implication arising from part of the security deposits being used to part-finance the proposed Acquisition is that EC World REIT's actual distribution yield for the financial period ending 31 December 2016 would be lower than forecasted in the Prospectus, as the security deposits are currently kept as bank deposits instead of being invested in bonds. The consequent implication is that any potential acquisition will have to be yield accretive.

The Manager had disclosed on page 70 in the "Risk Factors" section of the Prospectus that *"In the event that EC World REIT's bond investments (which were made using the security deposits of approximately RMB300.0 million from the Master Leases) are unable to achieve their expected return, EC World REIT may not be able to refund the security deposit amounts to the master lessees upon the termination of the Master Leases."*

If part of the security deposits is used to part-finance the proposed Acquisition instead of being invested in bonds, then EC World REIT may face a greater risk of not being able to refund the security deposit amounts to the Master Lessees if the Master Leases were terminated, as an investment in a real estate asset would not be as liquid as an investment in the PRC corporate bonds. Notwithstanding the greater risk, the Manager is of the view that such risk can be managed by maintaining an appropriate aggregate leverage level which provides sufficient headroom for future debt financing if EC World REIT needs to borrow to repay the security deposits.

There are also the risks inherent with any new acquisition by EC World REIT, such the newly-acquired asset not yielding the expected returns or requiring significant periodic capital expenditure beyond the Manager's estimate at the time of acquisition. Such risks have been disclosed in the "Risk Factors" section of the Prospectus.

By Order of the Board

Lai Hock Meng

Chief Executive Officer and Executive Director

EC World Asset Management Pte. Ltd.

(Company Registration No. 201523015N)

As manager of EC World Real Estate Investment Trust

14 October 2016

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 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.