



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

ANNOUNCEMENT

THE PROPOSED ENTRY INTO THE NEW MASTER LEASE AGREEMENTS

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**”), wishes to announce that it will be seeking approval from the unitholders of EC World REIT (“**Unitholders**”) for the proposed entry into the new master lease agreements in relation to Stage 1 Properties of Bei Gang Logistics, Chongxian Port Investment and Fu Heng Warehouse (the “**New Master Lease Agreements**”).

2. Relationship with the Master Lessees

As at the date of this announcement, the Manager has a direct interest in 13,872,010 units in EC World REIT (“**Units**”) (comprising 1.75% 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 40.78% 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 shareholder” of the Manager and a “controlling unitholder” of EC World REIT respectively under the listing manual of the SGX-ST (the “**Listing Manual**”).

The master lessees under the New Master Lease Agreements are the Sponsor and its wholly-owned subsidiaries (the “**Master Lessees**”). Accordingly, for the purpose of Chapter 9 of the Listing Manual, each of the Master Lessees is an “interested person” of EC World REIT.

As such, the entry into the New Master Lease Agreements will constitute “interested person transactions” under Chapter 9 of the Listing Manual, for which Unitholders’ approval is required. A circular is expected to be issued to the Unitholders (the “**Circular**”) in due course, together with a notice of extraordinary general meeting, for the purpose of seeking Unitholders’ approval for the proposed entry into the New Master Lease Agreements.

3. **The Existing Master Lease Agreements**

Stage 1 Properties of Bei Gang Logistics, Chongxian Port Investment and Fu Heng Warehouse (collectively, the “**Properties**”) are held by Hangzhou Bei Gang Logistics Co., Ltd., Hangzhou Chongxian Port Investment Co., Ltd. and Hangzhou Fu Heng Warehouse Co., Ltd. respectively (collectively, the “**Master Lessors**” and each a “**Master Lessor**”). The Master Lessors are wholly-owned subsidiaries of DBS Trustee Limited, in its capacity as the trustee of EC World REIT. In connection with the initial public offering of EC World REIT and the listing of its units on the Main Board of the SGX-ST, the Master Lessors entered into the following master lease agreements in relation to the Properties (collectively, the “**Existing Master Lease Agreements**”):

- (a) Hangzhou Bei Gang Logistics Co., Ltd. entered into a master lease agreement dated 30 June 2016 with the Sponsor in relation to Stage 1 Properties of Bei Gang Logistics (the “**Existing Bei Gang Master Lease Agreement**”);
- (b) Hangzhou Chongxian Port Investment Co., Ltd. entered into a master lease agreement dated 30 June 2016 with Hangzhou Fu Gang Supply Chain Co., Ltd., a wholly-owned subsidiary of the Sponsor in relation to Chongxian Port Investment (the “**Existing Chongxian Master Lease Agreement**”); and
- (c) Hangzhou Fu Heng Warehouse Co., Ltd. entered into a master lease agreement dated 30 June 2016 with Hangzhou Fuyang Yuntan E-Commerce Co., Ltd., a wholly-owned subsidiary of the Sponsor in relation to Fu Heng Warehouse (the “**Existing Fu Heng Master Lease Agreement**”).

The Existing Master Lease Agreements were for an initial term of 60 months. The Existing Bei Gang Master Lease Agreement commenced on 1 November 2015 and will expire on 31 October 2020. The Existing Chongxian Master Lease Agreement and the Existing Fu Heng Master Lease Agreement which commenced on 1 January 2016, will expire on 31 December 2020.

In view of the foregoing, the Manager intends to seek Unitholders’ approval for the entry into the New Master Lease Agreements as follows:

- (a) a new master lease agreement between Hangzhou Bei Gang Logistics Co.,

Ltd. and the Sponsor in relation to Stage 1 Properties of Bei Gang Logistics (the “**New Bei Gang Master Lease Agreement**”);

- (b) a new master lease agreement between Hangzhou Chongxian Port Investment Co., Ltd. and Hangzhou Fu Gang Supply Chain Co., Ltd. in relation to Chongxian Port Investment (the “**New Chongxian Master Lease Agreement**”); and
- (c) a new master lease agreement between Hangzhou Fu Heng Warehouse Co., Ltd. and Hangzhou Fuyang Yuntun E-Commerce Co., Ltd. in relation to Fu Heng Warehouse (the “**New Fu Heng Master Lease Agreement**”).

Similar to the current arrangement under the Existing Chongxian Master Lease Agreement and the Existing Fu Heng Master Lease Agreement, Hangzhou Chongxian Port Investment Co., Ltd. and Hangzhou Fu Heng Warehouse Co., Ltd. will each enter into a corporate guarantee with the Sponsor, pursuant to which the Sponsor will guarantee the payment obligations of Hangzhou Fu Gang Supply Chain Co., Ltd. and Hangzhou Fuyang Yuntun E-Commerce Co., Ltd., both being wholly-owned subsidiaries of the Sponsor, under the New Chongxian Master Lease Agreement and New Fu Heng Master Lease Agreement respectively.

4. **Principal Terms of the New Master Lease Agreements**

The New Master Lease Agreements will commence upon the expiration of the Existing Master Lease Agreements.

The Existing Bei Gang Master Lease Agreement expires on 31 October 2020 and accordingly, the New Bei Gang Master Lease Agreement shall commence on 1 November 2020. The Existing Chongxian Master Lease Agreement and the Existing Fu Heng Master Lease Agreement will expire on 31 December 2020 and accordingly, the New Chongxian Master Lease Agreement and the New Fu Heng Master Lease Agreement shall commence on 1 January 2021. The New Master Lease Agreements are for a term of 48 months.

The proposed key terms of the New Master Lease Agreements are as follows:

(i) **Rent**

The rent payable under the New Bei Gang Master Lease Agreement shall be as follows:

- (a) For the months of November and December of 2020: RMB 10,825,403 per month;
- (b) For the months of January to December of 2021: RMB 10,825,403 per month;
- (c) For the months of January to December of 2022: RMB 10,933,657 per

month;

- (d) For the months of January to December of 2023: RMB 11,042,994 per month; and
- (e) For the months of January to October of 2024: RMB 11,153,424 per month.

As indicated above, after 2021, there is a rent step-up of 1.0% at the then prevailing rent at every 12-month period until the termination of the New Bei Gang Master Lease Agreement.

The rent payable under the New Chongxian Master Lease Agreement shall be as follows:

- (a) For the months of January to December of 2021: RMB 13,875,212 per month;
- (b) For the months of January to December of 2022: RMB 14,152,716 per month;
- (c) For the months of January to December of 2023: RMB 14,435,771 per month;
- (d) For the months of January to December of 2024: RMB 14,724,486 per month.

As indicated above, following the first 12-month period, there is a rent step-up of 2.0% at the then prevailing rent at every 12-month period until the termination of the New Chongxian Master Lease Agreement.

The rent payable under the New Fu Heng Master Lease Agreement shall be as follows:

- (a) For the months of January to December of 2021: RMB 4,170,117 per month;
- (b) For the months of January to December of 2022: RMB 4,253,519 per month;
- (c) For the months of January to December of 2023: RMB 4,338,590 per month;
- (d) For the months of January to December of 2024: RMB 4,425,362 per month.

As indicated above, following the first 12-month period, there is a rent step-up of 2.0% at the then prevailing rent at every 12-month period until the termination of the New Fu Heng Master Lease Agreement.

Rent shall be payable on a monthly basis.

(ii) **Security Deposit**

For the New Bei Gang Master Lease Agreement, the Master Lessee shall pay a security deposit equivalent to the sum of 11.4 month's rental fee. For the New Chongxian Master Lease Agreement, the Master Lessee shall pay a security deposit equivalent to the sum of 9.9 month's rental fee. For the New Fu Heng Master Lease Agreement, the Master Lessee shall pay a security deposit equivalent to the sum of 9.9 month's rental fee¹.

The Master Lessor may deduct part or all of the security deposit to indemnify the losses of the Master Lessor which are caused by the Master Lessee's breach of the New Master Lease Agreement, non-performance or incomplete performance of the New Master Lease Agreement. When the security deposit is less than the amount of security deposit payable as stipulated in the New Master Lease Agreement, the Master Lessee shall deposit monies equivalent to the amount deducted earlier, within 10 business days from the date of its receipt of the written notice from the Master Lessor, so as to maintain the amount of security deposit at the amount stipulated under the New Master Lease Agreement.

(iii) **Maintenance and Repair Fee**

Subject to the Master Lessor's consent, the Master Lessee may enter into a sublease agreement to sublease any part of the leased property to other tenant(s) (the "**End-tenant(s)**"). The Master Lessor and the Master Lessee agreed that the End-tenant shall pay specific services fee (if any) and applicable renovation security deposits for the services including security, clean-keeping, general maintenance of public space, etc. (the "**Specific Services**"), which shall be calculated based on the floorage of the property stipulated in such sublease agreement (or the New Master Lease Agreement in the case where the Master Lessee is the End-tenant). The Specific Services shall be for services required by the Master Lessee from the Property Management Agency (as defined herein) directly that are not covered by the property management services carried out by the Property Management Agency on behalf of the Master Lessor. The Specific Services Fee shall be paid by and shall remain the responsibility of the Master Lessee and/or the End-tenants(s) at all times.

(iv) **Rights and Obligations of the Master Lessors and the Master Lessees**

The Master Lessor will designate a property management agency that will implement the management function and fulfill management obligation on behalf of the Master Lessor. The property management agency shall be the property manager of the leased property, Yuntong Property Management Co.,

¹ Due to the higher amount of rent payable under the New Master Lease Agreements, please note that the amount of security deposit being collected under the respective New Master Lease Agreements shall be the same as the amount of security deposit being collected under the respective Existing Master Lease Agreements notwithstanding that the terms of security deposit under the New Master Lease Agreements are no longer on a 12-month basis.

Ltd. (the “**Property Management Agency**”).

The Master Lessor’s rights and obligations include the following:

- to pay the land use fee relevant to the leased property and the building property tax;
- to maintain and procure the maintenance of the roof and major structural parts of the leased property in good condition;
- to provide 24-hour security service in the common areas of the leased property, and to be responsible for the repairing structural defects, installing facilities and maintaining common area/public territory of the leased property;
- to maintain all elevators, escalators, fire and security service equipment, air conditioning and other equipment in proper working order;
- to provide directory boards which correspond to the Master Lessee’s floors and units with End-tenant’s titles in standard font and character;
- to provide air-conditioning service;
- the right to benefit from the facade and roof of the leased property, and to erect, arrange, repair, dismantle and replace all signboards, notice-boards, billboard and advertisement device located in any parts of the leased property exclusively;
- the right to use the trade name, logo and/or trademark of the master lessee in advertisement or other promotional materials;
- the right to redesign and construct the common areas/public territory of the building of the leased property; and
- to terminate its services should the Master Lessee fail to pay the rental fee for more than seven days, and to terminate the Master Lease Agreement if the charges are outstanding for more than seven days.

The Master Lessee’s rights and obligations include the following:

- to sublease any part of the leased property to end-tenants subject to the Master Lessor’s written consent;
- to pay the rental fee in accordance with the time, amount and payment mode stipulated;
- to comply with the tenant’s handbook and the fitting-out handbook as formulated and amended at any time by the Master Lessor for the leased property;
- to keep all the interior non-structural parts of the leased property in good, clean and leasable condition and the property properly maintained at the Master Lessee’s own cost;
- to be solely liable for indemnifying the Master Lessor in full against (i) any losses or damages caused in the leased property, and (ii) any

losses, damages, injuries or deaths caused to any person or property caused by fire, bombing, flooding or/and smoke etc., or caused through the acts, or negligence of the master lessee or its affiliated person. The Master Lessee shall bear any liabilities suffered by the Master Lessor and indemnify the Master Lessor in full for all such liabilities, losses or damages incurred or suffered by the Master Lessor;

- to hold accountable for all the expenses incurred and indemnify any economic losses suffered by the Master Lessor as a result of the Master Lessee's inaction or delay in fixing the problem;
- to be responsible for the task of securing the leased property, and shall bear all the expenses incurred in that respect; and
- to follow the procedures of returning the leased property to the Master Lessor on the expiration date or the date of early termination of the Master Lease Agreement.

(v) **Termination of the New Master Lease Agreements**

The New Master Lease Agreement can be unilaterally terminated in the following circumstances:

- the Master Lessee is entitled to terminate the New Master Lease Agreement unilaterally upon a written notice to the Master Lessor if the Master Lessor sells the leased property to a third party; and
- the Master Lessor is entitled to terminate the New Master Lease Agreement unilaterally if the Master Lessee fails to make payment of the rental fee for 30 days or more after payment is due.

The New Master Lease Agreement can be terminated by mutual consent under one of the following circumstances, and both parties will not be held responsible towards each other:

- the land-use right of the land occupied by the leased property is withdrawn in accordance with the law ahead of time;
- condemnation, levying, or removal of land due to public interests or urban construction in accordance with the law; and
- damage or loss of the leased property not attributable to the fault of either party or being identified as dangerous building.

The Master Lessor has the right to terminate the New Master Lease Agreements unilaterally, to confiscate the security deposit and to require compensation from the Master Lessee according to the terms of the New Master Lease Agreement under one of the following circumstances:

- the main body structure of the leased property damaged due to the reason attributed to the Master Lessee;
- the Master Lessee violates the provisions of the New Master Lease Agreement and fails to correct within the specified period after being notified by writing from the Master Lessor;
- the Master Lessee uses the leased property for illegal activities and

receives punishment from relevant governmental departments or judiciary;

- 'if the Master Lessee initiates bankruptcy proceedings, dissolves or goes into liquidation, or if the Master Lessee becomes insolvent, makes arrangements with the obligee or suffers any legal execution to be imposed on the leased property; and
- if the Master Lessee breaches the law or the agreement under other circumstances and the Master Lessor has the right to terminate the Master Lease Agreement based on relevant provisions of laws.

The Master Lessor shall return the security deposit to the Master Lessee when the New Master Lease Agreement is terminated due to expiration or mutual agreement between the parties.

On the date of early termination of the New Master Lease Agreement, the Master Lessee shall follow procedures of returning the leased property to the Master Lessor and reinstate the leased property. Should the Master Lessee fail to return the leased property upon the termination date (or early termination date), the Master Lessee shall be required to pay double the amount of the regular rent (based on the level of the rent at such date) and be responsible for such other charges until the Master Lessee returns the leased property in accordance with the New Master Lease Agreement.

5. Rationale for entry into the New Master Lease Agreements

The Manager believes that the entry into the New Master Lease Agreements will bring the following benefits to Unitholders:

- 5.1.1 the New Master Lease Agreements will provide predictable cash flow and income viability to EC World REIT, ensuring stable and sustainable returns to Unitholders;
- 5.1.2 the annual fixed rent in the New Master Lease Agreements will limit downside risks arising from any downturn in business climate and provide predictability in returns while built-in rent escalation will provide organic growth;
- 5.1.3 significantly extend weighted average lease to expiry from 1.9 years as at 31 December 2018 to 3.6 years (by net lettable area) and from 2.0 years as at 31 December 2018 to 4.8 years (by gross revenue) post-entry into New Master Lease Agreements;
- 5.1.4 demonstrates strong support from the Sponsor and alignment of interest between the Sponsor and Unitholders; and
- 5.1.5 the rents payable under the New Master Lease Agreements were negotiated on an arm's length basis and on normal commercial terms with reference to a

rent valuation report conducted by an independent valuer, a copy of which will be disclosed in the Circular.

6. Audit and Risk Committee Statement

The audit and risk committee of the Manager will obtain an opinion from an independent financial adviser on the proposed entry into the New Master Lease Agreements before forming its view, which will be disclosed in the Circular, as to whether the proposed entry into the New Master Lease Agreements is on normal commercial terms and is not prejudicial to the interests of EC World REIT and its minority Unitholders.

7. Other Interested Person Transactions

As at the date of this announcement, EC World REIT has not entered into any interested person transactions during the course of the financial year.

8. OTHER INFORMATION

8.1 Interests of Directors and Substantial Unitholders²

As at the date of this announcement and based on information available to the Manager 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 42.5% in EC World REIT.

Mr Zhang Guobiao is a non-executive director of the Manager as well as the Chairman of the Sponsor. As he owns a 80.0% equity interest in the Sponsor, he is deemed to be interested in the Units directly or indirectly held by the Sponsor.

As at the date of this announcement and based on information available to the Manager as at the date of this announcement, certain directors of the Manager (excluding Mr Zhang Guobiao) collectively hold an aggregate direct and indirect interest in 1,321,575 Units.

Save as disclosed above and based on information available to the Manager as at the date of this announcement, none of the directors of the Manager or the substantial Unitholders has an interest, direct or indirect, in the proposed entry into the New Master Lease Agreements.

² "Substantial Unitholders" refers to Unitholders with an interest in more than 5.0% of all Units in issue.

8.2 Directors' Service Contracts

No person is proposed to be appointed as a director in relation to proposed entry into the New Master Lease Agreements or any other transactions contemplated in relation to the proposed entry into the New Master Lease Agreements.

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

22 February 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.