Singapore Visit Note

24 October 2018

Property | REITS

Not Rated

EC World REIT

Visit Note: Master Lease Assets Ramping Up

Target Price:	N/A
Price:	SGD0.69
Market Cap:	USD399m
Bloomberg Ticker:	ECWREIT SP

We do not have a rating on EC World. We recently visited its assets in Hangzhou and noted the REIT's strategic market positioning and the favourable logistics sector outlook. Key takeaway: master lease assets (70% of 2Q18 NPI) are ramping up steadily, with the sponsor likely to extend master leases – this could help sustain dividend yields. The assets also cater mainly to local demand and, contrary to market expectations, may potentially benefit from current trade tensions. This is due to the Chinese Government's push to boost its domestic consumption.

Master leases with rent escalation provide organic growth. EC World REIT owns seven assets in China (Hangzhou: six, Wuhan: one) that mainly cater to the e-commerce, logistics and supply-chain segments. They are valued at SGD1.4bn. Three assets are on master leases, and almost all leases have rent escalations ranging between 1% and 12% (Figure 3).

Assets cater to China's booming e-commerce and logistics sectors. 80% of tenants operate in the delivery, logistics & distribution, and e-commerce service spaces, which have been growing at a fast pace. According to the China Electronic Commerce Centre, Hangzhou's online retail sales hit CNY430.2bn in 2017 with a CAGR of 29.6% over 2013-2017. According to Colliers International, logistics facility rental rates in Hangzhou grew 3.4% pa between 2007 and 2016, and should grow at 4-5% over the next two years.

Strong sponsor support with alignment to unitholders' interests. Forchn is the REIT's sponsor and has over 20 years of experience in port operations, e-commerce logistics, real estate, and financial services. The sponsor holds a majority 44% stake in EC World, and its know-how and expertise in operating assets provides a symbiotic relationship to the REIT.

The low 29.5% gearing presents a debt headroom of ~SGD300m (CNY1.5bn) for acquisitions. Forchn manages four private funds with targeted assets under management of c.USD1.2bn, with blue chip partners that include China Cinda Asset Management and YCH that can be injected into the REIT. We believe potential acquisition targets are YCH's 13 logistics assets and e-commerce properties in Fuzhou.

Reputable board and management add credibility. Forchn non-executive chairman and founder Zhang Guobiao is also the executive vice chairman of the Zhejiang Chamber of Commerce. Independent director (ID) Chan Heng Wing (lead ID) is an ID with Fraser & Neave and Banyan Tree. ID Chia Yew Boon previously worked at GIC and Boustead while ID David Wong See Hong was a former Bank of China deputy CEO. The experienced board lends confidence in terms of corporate governance matters.

K**ey risks.** Non-renewal of sponsor master leases, FX fluctuations (6-month rolling hedges), and any adverse regulatory/policy changes.

High-yield gap presents room for yield compression. EC World, currently the second-highest yielding S-REIT, is trading at an FY17 yield of 8.8%, a 210bps and 240bps spread above the industrial REIT and sector average. We believe the high yield is mainly on investor concerns over master lease expiries and trade war impact. There is scope for yield compression, as investors gain more clarity on the master leases and resilience of its assets.

Forecasts and Valuations	Dec-16	Dec-17	1H18
Total turnover (SGDm)	95.5	91.4	48.9
Net property income (SGDm)	83.9	82.7	44.3
Reported net profit (SGDm)	55.8	47.6	23.5
Total distributable income (SGDm)	55.8	47.1	23.9
DPS (SGD)	0.06	0.06	0.03
DPS growth (%)	-	5.4	(1.4)
Recurring P/E (x)	7.9	11.4	11.6
P/B (x)	0.74	0.76	0.76
Dividend Yield (%)	8.2	8.7	4.4
Return on average equity (%)	7.1	6.0	5.9
Return on average assets (%)	3.8	3.2	3.1
Interest cover (x)	3.8	2.8	2.7
Our vs consensus EPS (adjusted) (%)			

Source: Company data

Share Data

Avg Daily Turnover (SGD/USD)	0.1m/0.1m
52-wk Price low/high (SGD)	0.79 – 0.68
Free Float (%)	41.6
Shares outstanding (m)	790
Estimated Return	N/A

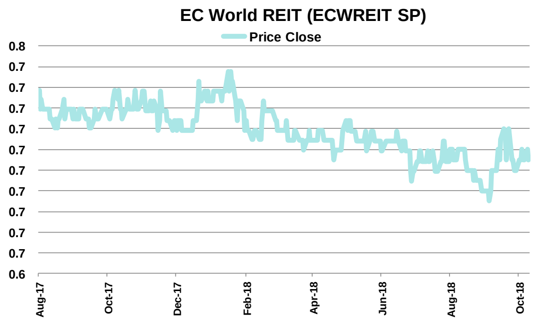
Shareholders (%)

Forchn Holdings Group	43.9
China Cinda Asset Management	12.0
Providence World	8.5

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(8.6)	0.7	(2.1)	(6.1)	(11.5)
Relative	2.4	6.5	5.9	9.2	(2.0)

Source: Bloomberg



Source: Bloomberg

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Figure 1: REITs comparison table*

	Mkt cap (USDm)	3M-ADVT (USD '000)	Last price (LCY)	1D (%)	5D (%)	1M (%)	3M (%)	6M (%)	12M (%)	YTD (%)	vs 52W-low (%)	vs 52W-high (%)	P/B (x)	Div yield (FY-1)	Div yield (FY-2)	Yield Spread (%)	Gearing/ simple ave	WALE (years)	% FY-1	% FY-2
REITs (41)	**62,607**	**107,033**		**0.0**	**0.9**	**(1.6)**	**(3.8)**	**(5.0)**	**(4.1)**	**(8.0)**	**4.9**	**(12.4)**	**1.0**	**6.2**	**6.4**	**3.7**	**35.2%**			
Office (5)	**12,444**	**26,646**		**0.5**	**1.2**	**(2.7)**	**(3.3)**	**(6.6)**	**(2.0)**	**(12.2)**	**7.5**	**(16.7)**	**0.87**	**5.6**	**5.6**	**3.0**	**38.0%**			
CapitaLand Commercial Trust	4,675	12,091	1.72	0.6	1.8	(1.7)	(1.7)	(5.5)	3.6	(10.9)	6.8	(16.1)	0.94	5.2	5.2	2.7	37.8%	6.6	13%	17%
Suntec REIT	3,544	8,601	1.83	1.1	2.8	(0.5)	(2.7)	(5.2)	(4.2)	(14.9)	12.3	(18.7)	0.87	5.5	5.5	2.9	37.7%	4.1	9%	21%
Keppel REIT	2,771	4,264	1.12	0.0	(1.8)	(5.9)	(4.3)	(8.2)	(5.1)	(11.1)	3.7	(15.8)	0.80	5.4	5.4	2.8	38.5%	6.1	4%	7%
OUE Commercial Trust	537	396	0.48	1.1	1.1	(11.5)	(20.6)	(24.5)	(25.0)	(25.0)	3.3	(29.0)	0.59	8.0	7.8	5.4	39.8%	2.5	11%	15%
Frasers Commercial Trust	916	1,293	1.42	(0.7)	1.4	(0.7)	(1.4)	(2.7)	0.7	(4.7)	6.0	(8.4)	0.89	7.0	7.0	4.5	36.0%	3.8	15%	29%
Retail (5)	**13,281**	**25,341**		**(0.2)**	**1.2**	**(0.4)**	**(0.6)**	**0.1**	**1.5**	**(2.0)**	**6.7**	**(6.6)**	**1.04**	**5.6**	**5.9**	**3.0**	**32.5%**			
CapitaLand Mall Trust	5,566	15,866	2.16	(0.9)	3.3	1.9	0.0	2.9	5.9	1.4	10.8	(4.0)	1.07	5.1	5.6	2.5	34.8%	2	26%	29%
Mapletree Commercial Trust	3,312	6,490	1.58	0.6	0.0	(2.5)	(1.9)	(1.9)	1.9	(2.5)	3.9	(7.1)	1.06	5.7	5.8	3.1	37.0%	2.8	16%	26%
SPH REIT	1,849	485	0.99	0.0	(1.0)	(0.5)	(0.5)	(0.5)	(3.4)	(5.7)	1.0	(9.2)	1.05	5.8	5.9	3.2	25.7%	2.4	10%	30%
Frasers Centrepoint Trust	1,493	1,522	2.22	0.9	(0.4)	(0.9)	(0.4)	(0.9)	1.4	(0.9)	5.2	(5.9)	1.10	5.9	5.9	3.3	29.7%	1.5	27%	32%
Starhill Global REIT	1,061	978	0.67	(0.7)	0.0	(5.0)	(0.7)	(6.3)	(13.5)	(13.5)	5.5	(14.6)	0.73	7.2	7.5	4.6	35.2%	4.8	9%	18%
Industrial (11)	**18,163**	**38,954**		**(0.2)**	**1.0**	**(1.3)**	**(4.6)**	**(5.0)**	**(4.7)**	**(6.8)**	**4.1**	**(11.5)**	**1.15**	**6.7**	**6.8**	**4.1**	**35.4%**			
Ascendas REIT	5,755	20,129	2.55	(0.4)	2.0	(0.4)	(6.6)	(5.9)	(6.3)	(6.3)	4.1	(10.8)	1.23	6.7	6.7	4.1	31.8%	3.7	6%	19%
Mapletree Industrial Trust	2,644	4,143	1.93	(0.5)	0.0	(1.5)	(3.0)	(4.0)	1.6	(4.9)	4.3	(9.4)	1.31	6.4	6.7	3.8	29.4%	3.2	3%	31%
Mapletree Logistics Trust	3,157	6,491	1.22	0.0	0.0	(2.4)	(4.7)	(3.2)	(1.6)	(7.6)	3.4	(11.6)	1.09	6.5	6.6	3.9	38.7%	4.1	5%	18%
Frasers Logistics Trust	1,515	N.M	1.04	1.0	1.0	(1.9)	(1.0)	(3.0)	(6.0)	(9.6)	2.8	(11.9)	1.16	7.1	6.7	4.5	29.7%	6.9	0%	1%
Keppel DC REIT	1,315	3,863	1.34	(0.7)	0.8	(2.2)	(2.9)	(6.3)	0.0	(6.3)	4.7	(9.5)	1.33	5.7	5.9	3.1	28.3%	9.6	15%	1%
Aims AMP Capital Industrial REIT	672	1,059	1.35	0.0	0.0	(4.9)	(3.6)	(3.6)	(7.8)	(0.7)	2.3	(8.5)	0.98	7.6	8.1	5.0	34.6%	2.5	7%	30%
Cache Logistic Trust	557	1,305	0.72	0.0	0.7	(2.7)	(7.1)	(12.8)	(14.4)	(16.4)	2.9	(19.2)	1.02	8.1	8.5	5.5	43.1%	3.9	5%	22%
ESR REIT	1,127	611	0.49	(1.0)	1.0	(1.0)	(6.7)	(9.3)	(13.2)	(12.4)	4.3	(16.8)	0.72	8.0	8.4	5.4	37.5%	3.7	22%	24%
Soilbuild Business Space REIT	456	502	0.60	0.0	3.5	0.0	(7.8)	(9.8)	(11.9)	(11.2)	4.4	(17.4)	0.94	8.6	8.6	6.0	37.6%	3.4	14%	15%
Sabana Industrial REIT	325	217	0.43	1.2	2.4	6.2	(3.4)	(1.2)	(9.6)	7.6	11.8	(10.5)	0.79	N.M	N.M	N.M	43.2%	2.7	37%	19%
Viva Industrial Trust	639	635	0.91	N.M	N.M	1.1	0.6	1.7	(4.7)	(3.2)	8.4	(11.3)	1.19	7.7	7.7	5.2	39.4%	3.1	15%	18%
Hospitality (6)	**6,284**	**5,757**		**(0.3)**	**(0.8)**	**(2.9)**	**(6.7)**	**(9.4)**	**(11.3)**	**(13.3)**	**2.4**	**(18.7)**	**0.87**	**6.8**	**7.0**	**4.2**	**34.1%**			
Ascott Residence Trust	1,664	1,377	1.06	(0.9)	(0.9)	(2.8)	(6.2)	(6.2)	(12.8)	(13.1)	1.0	(16.5)	0.86	6.6	6.9	4.0	39.8%	N.A	N.A	N.A
CDL Hospitality Trusts	1,321	2,132	1.51	0.7	(1.3)	(2.6)	(7.4)	(11.7)	(7.4)	(10.7)	2.7	(18.4)	1.00	6.1	6.6	3.5	36.8%	N.A	N.A	N.A
Far East Hospitality Trust	821	766	0.61	(0.8)	0.0	(4.0)	(6.2)	(9.7)	(13.6)	(16.0)	0.8	(22.4)	0.70	6.8	7.1	4.2	32.1%	N.A	N.A	N.A
OUE Hospitality Trust	886	747	0.67	0.0	(2.9)	(6.9)	(15.7)	(18.3)	(16.8)	(21.2)	0.8	(27.6)	0.88	7.5	7.5	4.9	38.1%	N.A	N.A	N.A
Frasers Hospitality Trust	943	407	0.70	0.0	0.7	0.7	(2.1)	(7.3)	(9.2)	(11.5)	4.5	(15.8)	0.90	6.9	7.1	4.3	33.7%	N.A	N.A	N.A
Ascendas Hospitality Trust	650	327	0.79	(0.6)	0.6	(1.9)	(1.3)	(3.7)	(8.1)	(8.1)	6.8	(12.7)	0.78	7.3	7.6	4.6	33.3%	N.A	N.A	N.A
Healthcare (2)	**1,829**	**1,869**		**0.6**	**1.2**	**(2.5)**	**(7.2)**	**(9.2)**	**(8.9)**	**(13.3)**	**2.6**	**(15.2)**	**1.37**	**5.8**	**6.0**	**3.2**	**36.3%**			
Parkway Life REIT	1,142	1,085	2.60	0.4	0.4	(3.0)	(6.1)	(6.5)	(6.8)	(13.0)	1.6	(15.0)	1.48	4.9	5.0	2.3	36.3%	8.44	N.A	N.A
First REIT	687	784	1.20	0.8	2.6	(1.6)	(9.1)	(13.7)	(12.4)	(13.7)	4.3	(15.5)	1.19	7.3	7.6	-1.3	31.1%	N.A	N.A	N.A
Overseas - commercial (12)	**10,607**	**8,465**		**0.1**	**0.9**	**(1.8)**	**(4.5)**	**(6.2)**	**(7.6)**	**(8.7)**	**2.6**	**(12.1)**	**0.61**	**6.9**	**7.0**	**4.27**	**34.3%**			
Dasin Retail Trust	349	511	0.87	0.0	1.2	0.6	(0.6)	(1.1)	6.8	(1.7)	8.1	(5.5)	0.56	8.7	8.9	5.1	27.3%	7.4	10%	12%
EC World REIT	399	252	0.70	0.0	0.0	0.7	(2.1)	(6.1)	(12.0)	(8.6)	3.0	(12.0)	0.72	8.8	9.4	5.2	29.5%	4	0%	3%
Fortune REIT	2,162	70	8.84	(0.1)	1.0	(6.0)	(6.0)	(5.6)	(4.4)	(8.0)	1.6	(10.7)	0.55	5.9	6.0	3.4	29.5%	N.A	44%	30%
Mapletree Greater China Commerial Trust	2,592	5,368	1.13	0.9	1.8	1.8	(0.9)	(3.4)	(5.0)	(8.1)	3.7	(11.7)	0.86	6.8	6.8	4.3	40.5%	2.5	6%	37%
CapitaLand Retail China Trust	990	1,223	1.39	0.0	1.5	(1.4)	(7.9)	(10.3)	(17.0)	(14.2)	3.7	(18.2)	0.81	7.9	7.9	4.3	35.3%	5	19%	25%
Lippo Malls Indonesia Retail Trust	508	864	0.25	(2.0)	0.0	(9.3)	(22.2)	(24.6)	(43.7)	(38.8)	2.1	(44.9)	0.82	10.6	10.6	2.0	35.1%	4.51	23%	12%
Manulife US REIT	999	858	0.79	0.0	0.6	(3.1)	(9.2)	(14.8)	(12.9)	(12.4)	4.0	(19.5)	0.95	7.5	7.9	4.3	33.8%	5.8	5%	2%
BHG Retail REIT	248	14	0.68	0.0	(1.4)	(4.2)	(6.2)	(12.3)	(8.1)	(8.1)	6.3	(18.1)	0.82	N.M	N.M	N.M	31.0%	5.2	28%	25%
Keppel-KBS US REIT	461	249	0.73	0.0	(0.7)	(7.6)	(17.0)	(17.5)	N.M	(19.3)	0.7	(20.7)	0.87	16.4	8.5	13.2	36.0%	3.7	17%	17%
Sasseur REIT	553	212	0.65	(4.4)	(5.8)	(11.0)	(9.2)	(19.4)	N.M	N.M	0.8	(20.4)	0.77	N.M	7.6	N.M	30.3%	1.2	52%	16%
Cromwell European REIT	1,008	172	0.56	0.0	0.0	(1.8)	(7.5)	(9.0)	N.M	0.0	4.7	(12.6)	1.05	7.7	7.9	7.3	36.8%	4.9	12%	11%
IREIT Global	339	70	0.74	(0.7)	0.0	(2.0)	(5.7)	(4.5)	(3.9)	(4.5)	0.7	(10.3)	1.09	N.M	N.M	N.M	41.6%	5.9	1%	4%

*Note: *Data as at 22 Oct 2018*

Source: RHB, Bloomberg

Overview

Logistics and e-commerce REIT, with a geographical focus in the People's Republic of China (PRC). EC World has seven properties under its portfolio: six are in Hangzhou, while another – acquired on 16 Apr 2018 – is located in Wuhan. The assets have a total NLA of 0.75m sqm, with the remaining land-lease tenures ranging between 35 and 47 years. Three of the seven (accounting for 61% of total value) are under master leases that expire in 4Q20.

Overall, the assets can be categorised under three main segments:

i. Port logistics;

ii. E-commerce logistics;

iii. Specialised logistics.

The port logistics segment is the biggest contributor to gross rental income, accounting for 47% of the total as at 1H18, as well as 33% of its portfolio's NLA. The e-commerce logistics segment is the second-biggest contributor, making up 38% of the portfolio's gross rental income with a 32% NLA. The specialised logistics segment – which makes up the most NLA (35%) in its portfolio – accounted for only 16% of gross rental income.

EC World's properties have a diversified tenant base, with delivery, logistics & distribution, and e-commerce services accounting for the bulk (80%) of them (Figure 7). As at 1H18, the properties have a committed occupancy rate of 99.2%, with the underlying end-tenant occupancy of 96.7%. The REIT's portfolio weighted average lease expiry by NLA and gross rental income stands at 2.4 and 2.5 years.

Figure 2: EC World's portfolio – asset locations & details

	Property	Type	NLA (sq m)	Type of Lease	Remaining Land Lease Tenure (years)(1)	Independent Valuation (RMB m)(2)
1	Chongxian Port Investment	Port Logistics	112,726	Master leased(3)	38	2,218.0
2	Chongxian Port Logistics	Port Logistics	125,856	Multi-tenanted	Complex 1 & 2: 38 & 42	854.0
3	Fu Zhuo Industrial	Port Logistics	7,128	Multi-tenanted	38	114.0
4	Stage 1 Properties of Bei Gang Logistics	E-commerce Logistics	120,449	Master leased(4)	34	1,296.0
5	Fu Heng	E-commerce Logistics	94,287	Master leased(3)	41	577.0
6	Wuhan Mei Luo Te (5)	E-commerce Logistics	48,695	Multi-tenanted	47	171(6)
7	Hengde Logistics	Specialised Logistics	238,032	Multi-tenanted	Complex 1 & 2: 35 & 41	1,463.0
	Total / Average		747,173		39	6,693.0
	Total (SGD m)					1,380.1 (7)

E-Commerce Logistics   Specialised Logistics   Port Logistics

(1) Based on land leases as at 30 Jun 2018
(2) As at 31 Dec 2017 appraised by Savills
(3) Master leases with Sponsor commenced on 1 Jan 2016
(4) Master lease with Sponsor commenced on 1 Nov 2015
(5) Acquired on 16 April 2018
(6) Valuation is as at 31 Dec 2017, appraised by Colliers
(7) Based on exchange rate of S$1.00 : RMB4.8497 as at 30 Jun 2018

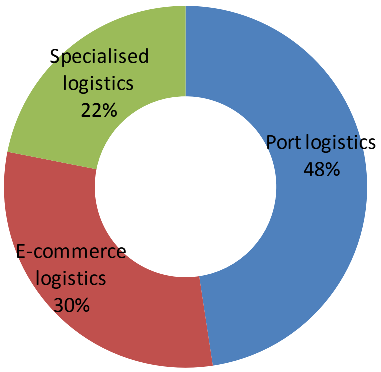
Source: Company data

Figure 3: Property types and lease profiles

Property	Type	NLA (sq m)	Lease term	Rental Escalation
Stage 1 Properties of Bei Gang Logistics	E-commerce Logistics	120,449	Master lease: From 1 Nov 2015 to 31 Oct 2020	1% on 1st Jan 2019 and 2020
Fu Heng		94,287	Master lease: 1 Jan 2016 to 31 Dec 2020	4.0% and 3.0% on 1st Jan 2019 and 2020 respectively
Wuhan Mei Luo Te (5)		48,695	Multi-tenanted	Between 4.5% to 5% per annum
Hengde Logistics	Specialised Logistics	238,032	1) 15 Oct 2015 to 14 Oct 2020 2) 9 May 2016 to 8 May 2021	2 main leases. Up to 10% upon renewal
Chongxian Port Investment	Port Logistics	112,726	Master lease: 1 Jan 2016 to 31 Dec 2020	4.0% and 3.0% on 1st Jan 2019 and 2020 respectively
Chongxian Port Logistics		125,856	Multi-tenanted	For 72% of leases: increase of 10% in first 3 years, 12% from Year 4
Fu Zhuo Industrial		7,128	1) 25 Ap 2015 to 24 Apr 2020 2) 8 Oct 2014 to 7 Oct 2029	1) 10% in first 3 years, 15% from Year 4 2) 7.5% every 3 years
Total		**747,173**		

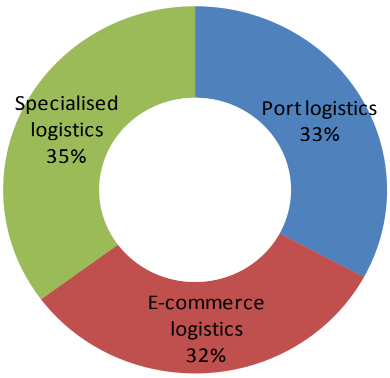
Source: Company data

Figure 4: EC World's assets by valuation (as at 30 Jun 2018)



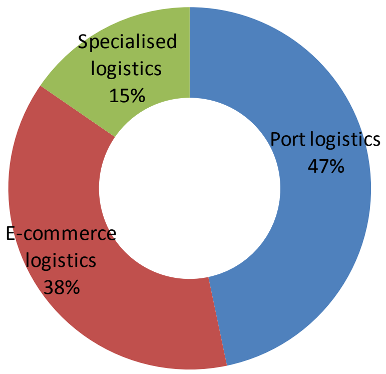
Source: Company data

Figure 5: EC World's assets by NLA (as at 30 Jun 2018)



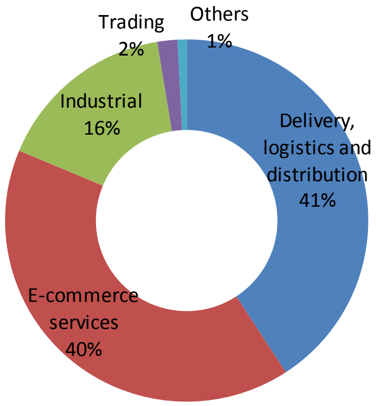
Source: Company data

Figure 6: EC World's assets by rental contributions (1H18)



Source: Company data

Figure 7: Diversification by trade sector (1H18)



Source: Company data

Asset Details And Visit Notes

Fu Heng Warehouse (FH)

FH is located at the Dongzhou Industrial Park in Hangzhou. FH is a purpose-built e-commerce distribution centre comprising warehousing, logistics, parcel packaging, and sorting facilities that support business-to-business (B2B), business-to-consumer (B2C), and business-to-business-to-consumer (B2B2C) operations. FH houses e-commerce merchant offices, retail outlets, and warehouse spaces. It serves as a full capability e-commerce centre, given its integrated and highly-developed system of storage and warehousing, inventory control, pick-and-pack services, and express delivery capabilities.

Key notes. FH accounted for 10% of net property income (NPI) for 2Q18 and represents 9% in terms of total portfolio value. The asset – which is master leased to EC World's sponsor – is mainly used for storing, packaging and distributing e-commerce goods. It is being sub-leased to key e-commerce players including Alibaba, as well as retail players.

A key point to note is that underlying rental for the asset is charged on the basis of shelf space occupied, number of days, and number of packages handled. Consequently, the booming e-commerce growth in China and Hangzhou has had a direct benefit on the rental growth of this asset. Management noted that FH has a good ceiling height and implemented a lot of the latest technologies – including robots to assist in packaging and sorting – that have greatly increased efficiency and turnaround times. We note that the properties' master lease rental rates translate into CNY1.20-1.30psm, or 10-20% higher than nearby logistics properties. However, demand for FH has been strong, due to its better quality and built-in efficiencies.

Figure 8: External view of FH

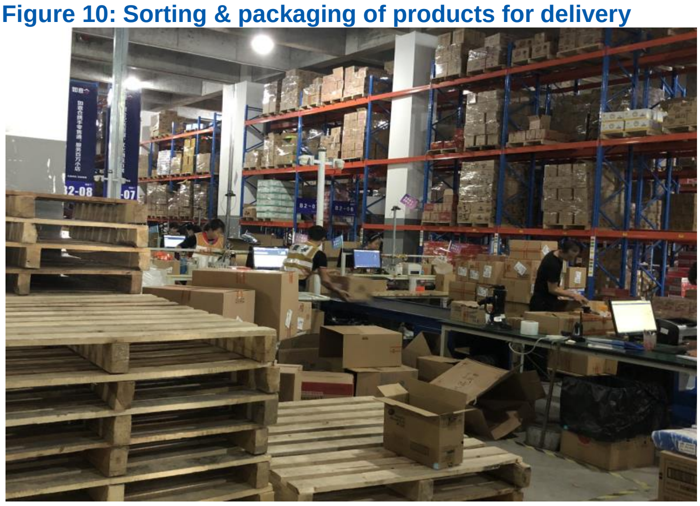
Source: RHB

Figure 9: Key property details of FH

Property Data	
Specifications	2 four-storey buildings
Land Use Expiry	May 2059
Commencement of Operations	February 2015
Purchase Consideration	RMB444.2 million
Net Lettable Area	94,287 sqm
Key Tenant	Master Leased to Hangzhou Fuyang Yunton E-Commerce Co., Ltd.
Occupancy	100%
Market Valuation (as at 31 December 2017)	RMB577 million
WALE (by NLA)	3.0

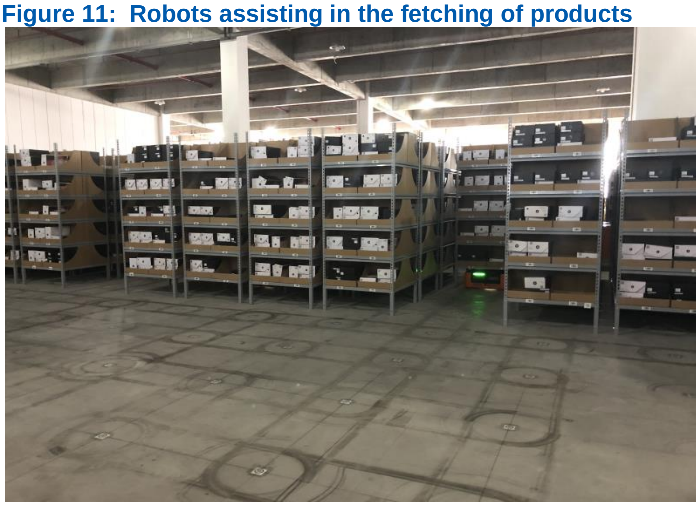
Source: Company data

Figure 10: Sorting & packaging of products for delivery



Source: RHB

Figure 11: Robots assisting in the fetching of products



Source: RHB

Hengde Logistics (Hengde)

Hengde is located at the Dongzhou Industrial Park in Hangzhou City. It has high-specification warehouses that offer features such as temperature and humidity controls. Hengde has the capability to store temperature- and humidity-sensitive goods and products, eg tobacco, wine, cosmetics and perishables.

This asset comprises two clusters of warehouses with their own power generators onsite, as well as an isolated power grid to reduce any risk of electrical blackouts that can affect these buildings. The two complexes are equipped with spacious cargo lifts that are capable of accommodating forklifts. In addition, there are containment areas and docking bays that facilitate the efficient and effective loading/unloading of goods for transportation.

Key notes. Hengde was built to meet specific requirements of high-value consumer goods, eg tobacco, wine and cosmetics. The asset is majority-leased by China Tobacco Zhejiang Industrial for the storage of tobacco – it accounts for a significant portion of total tobacco leaves stored in Zhejiang Province. We understand the value of goods stored at the property is very high – c.SGD2bn – and the tobacco leaves can sometimes be stored for long periods (a few years) before reaching the market.

Due to the limited competition – few in the market can offer a similar kind of specialised assets – EC World's clients are usually sticky in nature. Consequently, although the property yields are the lowest (4.6% NPI yield as at 1H18 vs the portfolio's 6.4%), Hengde is also the most stable asset in terms of tenant base, in our view.

Figure 12: Hengde's entrance

Source: RHB

Figure 13: Key property details of Hengde

Property Data

Specifications	The first complex comprises 6 five-storey blocks and 1 six storey block. The second complex comprises 2 five-storey blocks and 1 three-storey block.
Land Use Expiry	First complex until July 2053. Second complex until July 2059
Commencement of Operations	First complex: November 2010 Second complex: April 2013
Purchase Consideration	RMB1,173.9 million
Net Lettable Area	238,032 sqm
Key Tenant	China Tobacco Zhejiang Industrial Co., Ltd
Occupancy	100%
Market Valuation (as at 31 December 2017)	RMB1,463 million
WALE (by NLA)	3.0

Source: Company data

Figure 14: Aerial view of Hengde

Source: Company

Figure 15: Tobacco stored in a controlled environment

Source: RHB

Chongxian Port Investment (CPI)

CPI is located in the northern portion of Hangzhou on the east bank of the Beijing-Hangzhou Grand Canal. It is one of China's key inland ports. CPI is a river port asset, with growing annual throughput that provides income stability to EC World's portfolio. It is leased to the port operator Hangzhou Fu Gang Supply Chain, a subsidiary of sponsor Forchn.

Key notes. This is the largest asset in terms of portfolio value (33% of the total) and accounted for 35% of 2Q18 NPI. CPI is the largest inland port in Hangzhou in terms of the total number of berths and scale of annual throughput. It has also been ranked as one of the top inland ports in Hangzhou for the transportation of steel products, based on a Colliers International report.

We understand the steel mainly comes from Anhui Province in the north. The port also has a large and comprehensive logistics complex that integrates, *inter alia,* port operations, storage processing, and logistics distribution of steel products. We understand from management that CPI had a 50% market share of steel transported at the time of the IPO listing (Jul 2016) – this has since increased to 60%.

Figure 16: Busy operations at CPI

Source: Company

Figure 17: CPI's key property details

Property Data

Specifications	• Port with 23 Berths; • 88,617.4 sqm of storage yard; • 24,108.6 sqm of warehouse;
Land Use Expiry	Until December 2055
Commencement of Operations	August 2008
Purchase Consideration	RMB1,682.1 million
Net Lettable Area	112,726 sqm
Occupancy	100%
Key Tenant	Hangzhou Fu Gang Supply Chain Co., Ltd.
Market Valuation (as at 31 December 2017)	RMB2,218 million
WALE (by NLA)	3.0

Source: Company data

Figure 18: Port operations' gantries

Source: Company

Figure 19: Aerial view of CPI

Source: RHB

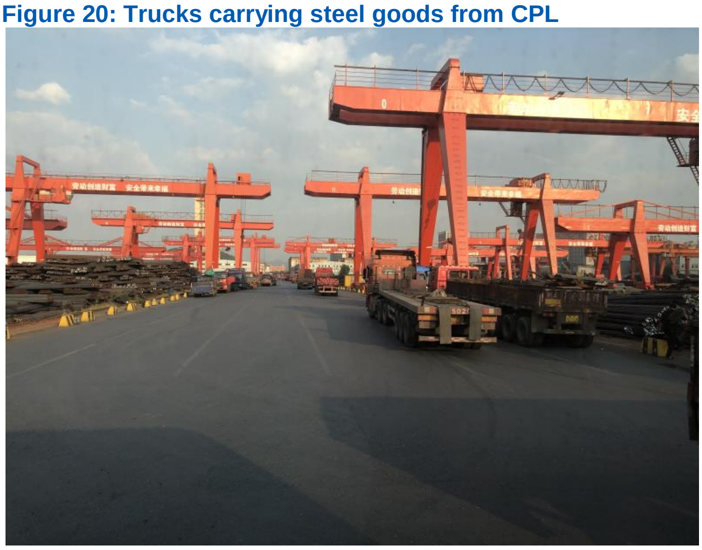
Chongxian Port Logistics (CPL)

CPL is located in the northern portion of Hangzhou, adjacent to CPI. It is one of the largest metal products warehouse and logistics developments in the Yangtze River Delta. The asset also underwent an asset enhancement exercise last year, with the addition of a new block.

Key notes. CPL accounted for 11% of 2Q18 NPI and 13% of total portfolio value. This port logistics facility is mainly used to store and transport shipments – mostly steel from the port. The steel stored at this facility is mainly used in infrastructure, construction, and real estate works.

Given increasing construction activities – both in the real estate and public infrastructure sectors – demand at CPL is expected to remain healthy.

Figure 20: Trucks carrying steel goods from CPL



Source: RHB

Figure 21: CPL's key property details

Property Data

Specifications	Storage yard, warehouse and office
Land Use Expiry	First complex – December 2055; Second complex – September 2060
Commencement of Operations	January 2010
Purchase Consideration	RMB685.5 million
Net Lettable Area	125,856 sqm
Tenancy	22 unique tenants
Occupancy	100%
Car Park Lots	238
Market Valuation (as at 31 December 2017)	RMB854 million
WALE (by NLA)	2.8

Source: Company data

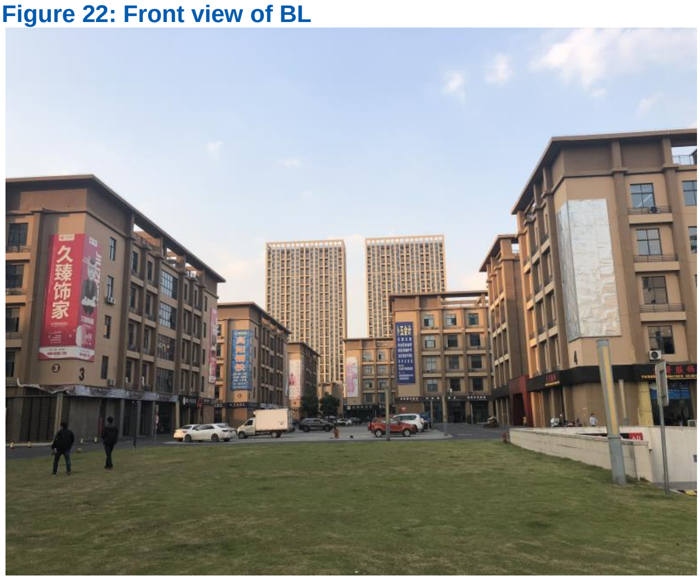
Bei Gang Logistics' (BL) Stage 1

BL's Stage 1 is located in North Hangzhou and is one of the largest e-commerce developments within the Yangtze River Delta area. BL offers an e-commerce ecosystem to its tenants, who enjoy access to related services, logistics, trade & exhibitions, online-to-online offices, talent training, and financial services onsite.

Demand for facilities that offer e-commerce ecosystems are expected to grow, in line with the expected expansion of B2B and B2C e-commerce businesses in China, especially in Zhejiang Province. Advanced logistics management systems and equipment installed in the facilities – coupled with synergies derived from the e-commerce service providers' eco-system – adds value to BL's tenants.

Key notes. BL consists of eight buildings, with the first floor of each mainly being used for B2B purposes or as wholesalers' showrooms. We understand that textile players are one of the key tenants of these buildings. The committed occupancy rate of the asset has ramped up to 84.2% as at end-June, from 55.3% at IPO listing. However, we note that the BL property looked relatively under-occupied, and did not seem as vibrant as EC World's other assets. We understand that the underlying rental paid by tenants for these assets are also lower than the rent supported by the master lease agreements. BL accounted for 25% of NPI contributions in 2Q18 and represents 19% in terms of total asset value.

Figure 22: Front view of BL



Source: RHB

Figure 23: Key property details

Property Data	
Specifications	The Stage 1 Properties, held within the REIT, comprise 8 buildings (Buildings No. 1 to No. 8). Building No. 1 is a 15-storey building, Building No. 2 is a four-storey building, and Buildings No. 3 to No. 8 are five-storey buildings.
Land Use Expiry	March 2052
Commencement of Operations	June 2015
Purchase Consideration	RMB1,039.7 million
Net Lettable Area	120,449 sqm
Key Tenant	Master Leased to Forchn Holdings Group Co., Ltd
Occupancy	100% (underlying occupancy of 85.6%)
Market Valuation (as at 31 December 2017)	RMB1,296 million
WALE (by NLA)	2.8

Source: Company data

Fu Zhou Industrial

Fu Zhou Industrial is strategically located in the northern portion of Hangzhou, next to the Chongxian port – making it well-positioned to benefit from increases in the port's throughput. The property has two tenants that are operating in the same trade sector: delivery, and logistics & distribution.

This is one of the smaller assets in EC World's portfolio, with asset values accounting for only 2% of the total value.

Figure 24: External view of Fuzhou Industrial

Source: Company

Figure 25: Key property details

Property Data	
Specifications	2 berths, a sand and stone warehouse, 1 repair workshop, 1 storage yard and 1 two-storey office building
Land Use Expiry	Until December 2055
Commencement of Operations	October 2014
Purchase Consideration	RMB85.6 million
Net Lettable Area	7,128 sqm
Tenancy	2 tenants
Occupancy	100%
Car Park Lots	45
Market Valuation (as at 31 December 2017)	RMB114 million
WALE (by NLA)	5.4

Source: Company data

Wuhan Mei Luo Te (Wuhan Property)

Wuhan Property commenced operations in May 2017 and has a total NLA of 48,695 sqm. As at 31 Dec 2017, the weighted average lease expiry of this asset is 2.4 and 2.3 years, based on NLA and gross rental. It is currently used for warehousing purposes, with an ancillary purpose as a dormitory. The Wuhan Property is leased to reputable logistics and e-commerce tenants in the PRC, including Dangdang Information Technology and Jingdong Jinde. The asset's latest valuation of CNY171m accounts for 3% of the total portfolio value.

Key notes. According to management, the key reason for the purchase of this asset: one of the two major e-commerce tenants that are now occupying nearly 40% of the Wuhan Property is paying rent that is nearly 25% below the market rate. As a result, EC World expects healthy positive rent reversion for this asset upon lease expiry. The occupancy of the Wuhan Property has also ramped up steadily to 88.2% from 82% in Apr 2018, and management expects to ramp-up occupancy above 90% by end-2018.

Figure 26: Aerial view of the Wuhan Property

Source: Company

Figure 27: Property details

Address	Hubei Province, Wuhan City, Cai Dian District, Yinyan Village, Nanwan Village, Daji Street, PR China
Completion year	May 2017
Remaining land tenure	c. 48 years (2065)
Purchase Consideration	RMB 145 million / S$30.3 million (1), (15.2% discount to valuation)
Independent Valuation	RMB 171 million (2)
Acquisition expenses	• REIT Manager Acquisition Fee: S$0.3m • Estimated professional and other transaction fees: S$0.4m
Proposed funding structure	Wholly funded by internal cash
Land area	68,219 sq m
GFA / NLA	49,861 sq m / 48, 695 sq m
Description	• Three warehouse buildings • One 5-storey auxiliary building • One 6-storey dormitory
WALE by Gross Rental / NLA	2.3 years / 2.4 years
Occupancy	82.2%
NPI Yield (3)	4.9%

(1) Based on S$1.00 to RMB 4.79 as at 27 February 2018
(2) As at 31 December 2017 by Colliers International
(3) Based on pro forma NPI assuming acquisition is done on 1 January 2017 and purchase consideration of RMB145m

Source: Company data

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