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Portfolio of Specialised Assets



**EC World**  
运通网城 REIT

**Proposed Acquisition of Fuzhou E-Commerce**

**10 May 2019**



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**Section A: Transaction Overview**





# Overview of Fuzhou E-Commerce

## A Rare Sizable Integrated E-Commerce Logistics Asset

### Asset Overview

<b>Location</b>	No. 9, Mingxing Road, Dongzhou Sub-District, Fuyang District, Hangzhou, PRC
<b>Year of completion</b>	June 2017
<b>The Property</b>	<ul style="list-style-type: none"> <li>One 3-storey warehouse building with a single storey basement for warehouse use</li> <li>Two 14-storey office buildings with a single storey basement for car park use</li> </ul>
<b>GFA</b>	<ul style="list-style-type: none"> <li>Warehouse: 171,795 sq m</li> <li>Office and Support Buildings: 42,489 sq m</li> <li>Total: 214,284 sq m</li> </ul>
<b>Land area</b>	88,000 sq m
<b>Land tenure</b>	Expiry on 3 May 2059
<b>Master Leases</b>	<ul style="list-style-type: none"> <li>Two master leases for warehouse and office components</li> <li>Tenure: 5 + 5 years</li> <li>Escalation: 2.25% per annum</li> </ul>
<b>Committed Occupancy</b>	100%
<b>End-tenant Occupancy</b>	100%

### Warehouse Block



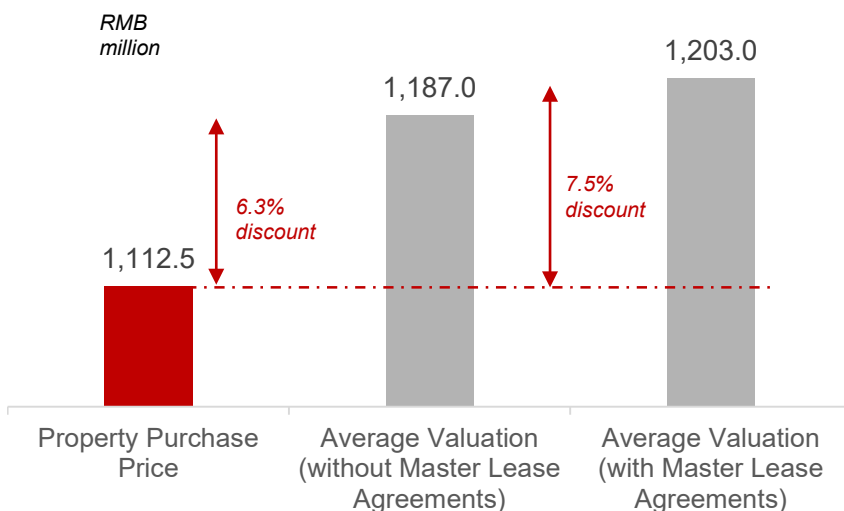
### Office and Support Buildings



# Details of the Proposed Acquisition

## Pricing Considerations

Property Purchase Price		RMB million	S\$ million <sup>1</sup>
			1,112.5
Valuation with Master Lease Agreements	Colliers	1,147.0	230.5
	Knight Frank	1,259.0	253.1
Valuation without Master Lease Agreements	Colliers	1,128.0	226.7
	Knight Frank	1,246.0	250.4



## Summary

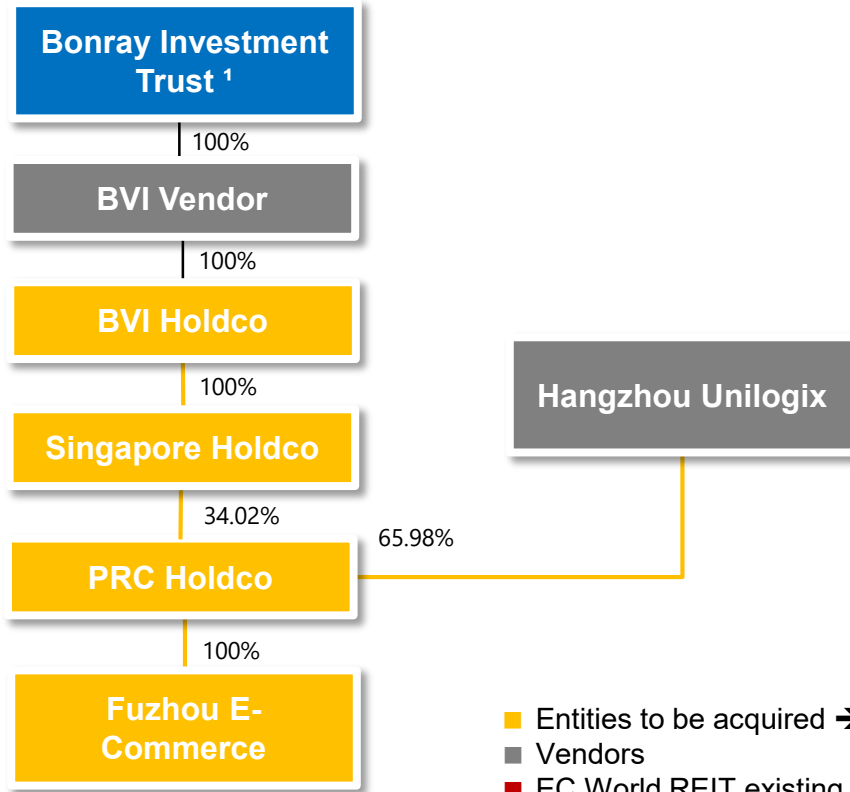
<b>Vendors</b>	<ul style="list-style-type: none"> <li>Fultric Investments Limited - 34.02%</li> <li>Hangzhou Unilogix - 65.98%</li> </ul>
<b>Purchase consideration</b>	<ul style="list-style-type: none"> <li>Property Purchase Price: RMB1,112.5 million (S\$223.6 million<sup>1</sup>) comprising               <ul style="list-style-type: none"> <li>BVI Purchase Consideration: RMB 769.5 million</li> <li>Estimated BVI Borrowings<sup>2</sup>: RMB 563.3 million</li> <li>PRC Purchase Consideration: RMB 343.0 million</li> </ul> </li> <li>Total Purchase Consideration: RMB549.2 million (S\$110.4 million)</li> </ul>
<b>Acquisition expenses</b>	<ul style="list-style-type: none"> <li>Acquisition fee of RMB8.3 million (S\$1.7 million) payable to the REIT Manager in units</li> <li>Estimated professional and other expenses (including upfront finance costs): RMB38.6 million (S\$7.8 million)</li> </ul>
<b>Proposed funding structure</b>	<ul style="list-style-type: none"> <li>Combination of secured debt financing facilities from banks and/or cash</li> </ul>
<b>Approvals required</b>	<ul style="list-style-type: none"> <li>Unitholders' approval at an Extraordinary General Meeting (Timing to be advised at a later date)</li> <li>Relevant regulatory approvals</li> </ul>

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

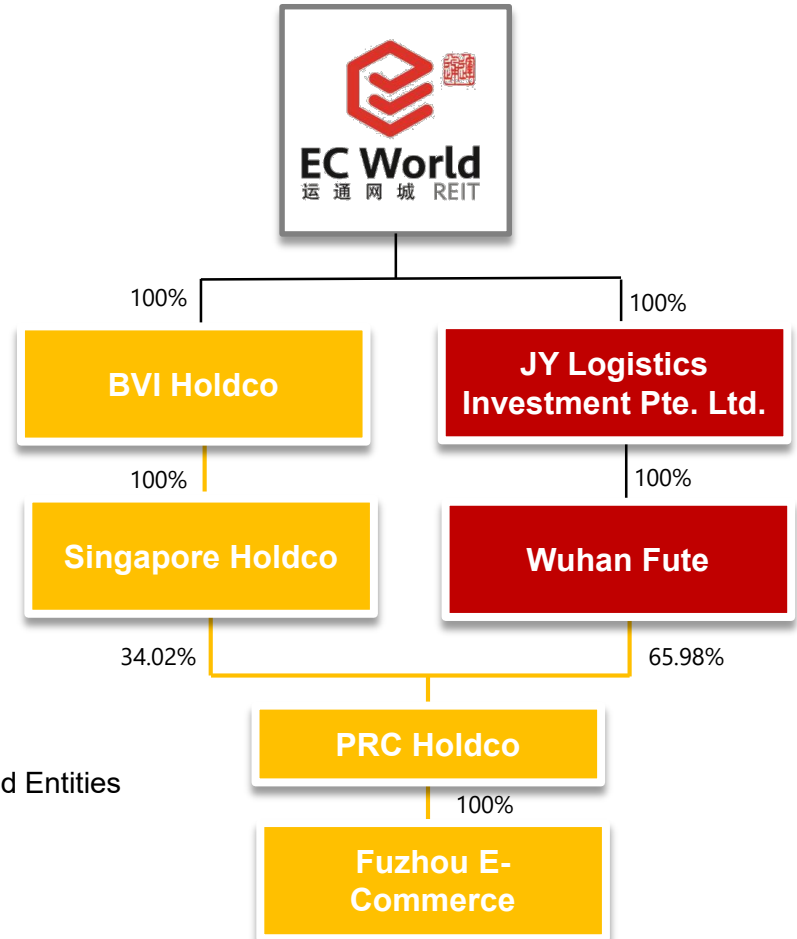
<sup>2</sup> The estimated borrowings of the BVI Holdco of approximately RMB563.3 million is subject to further adjustments based on the actual amount of net liabilities (excluding the value of the Property) of the BVI Holdco at completion of the BVI Acquisition

# Proposed Transaction Structure

## Existing Holding Structure (Vendors)



## Post Acquisition Holding Structure



(1) 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



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## Section B: Transaction Rationale and Highlights





# Transaction Rationale and Highlights

- 1 Attractive investment in Hangzhou and PRC e-commerce sector
- 2 Ownership of a specialized and integrated e-logistics asset
- 3 Strategic Collaboration with Cainiao Network and Alibaba's Ling Shou Tong ("LST")
- 4 Enlarged portfolio with enhanced focus on the specialised e-commerce logistics sector
- 5 Improves portfolio WALE profile providing greater income visibility
- 6 Yield-Accretive Transaction

# 1 Attractive Investment in Hangzhou, PRC...

## Rising Consumption | Continued Economic Growth



**Population (1)**  
9.5 million

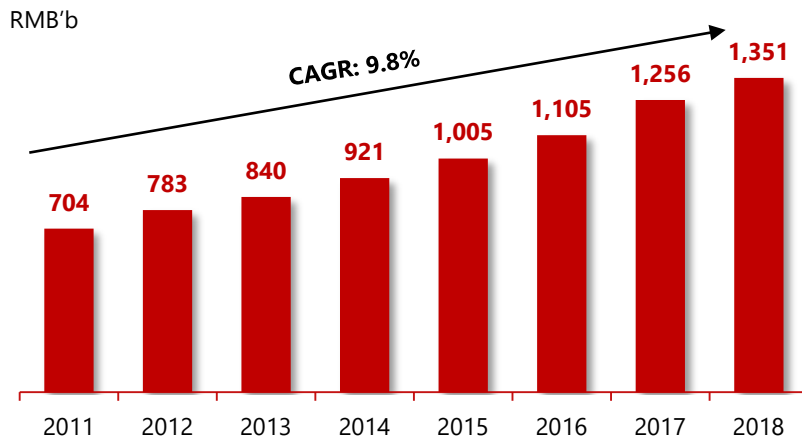
**GDP (1)**  
RMB 1.4 trillion

**Capital of**  
Zhejiang  
Province

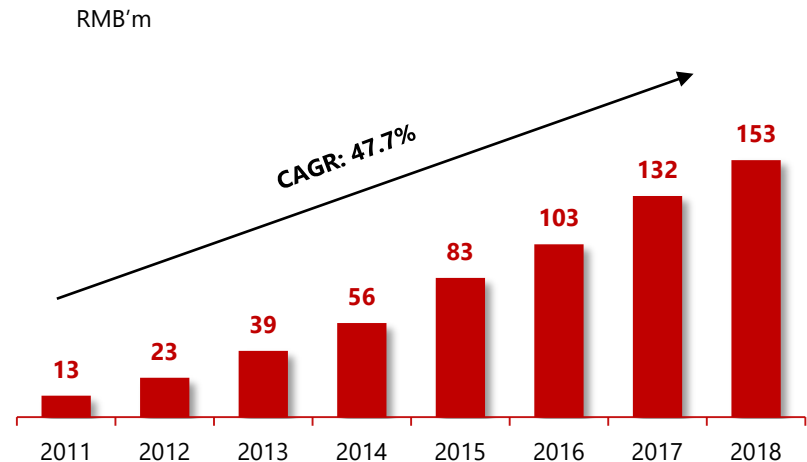
**Chinese Capital**  
of E-Commerce

- ✓ One of the **core cities** in the Yangtze River Delta Economic Zone, Hangzhou is positioned as an economic, cultural, science and education centre and a transport hub
- ✓ **Strong economic growth** with GDP growth rates outstripping national average
- ✓ Total **retail sales of consumer goods** in 1Q19 **increased 9.0% to RMB138.2 billion** while **online retail sales increased 48.4% in 1Q19**, a 16.1% year-on-year increase

### Strong Economic Growth – GDP (1)



### Hangzhou E-Commerce Sector Growth (1)

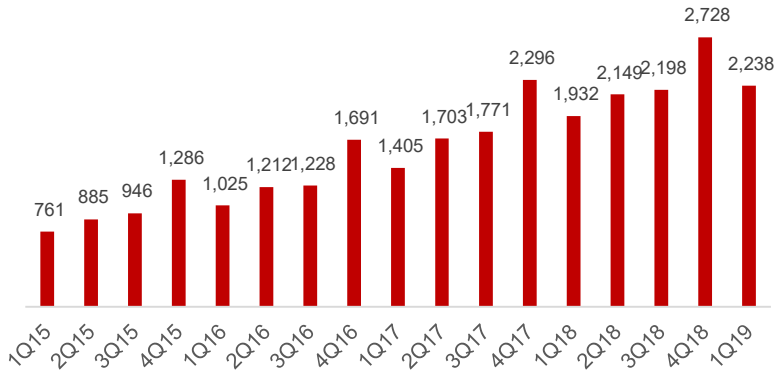


(1) Hangzhou Bureau of Statistics: <http://tjj.hangzhou.gov.cn>

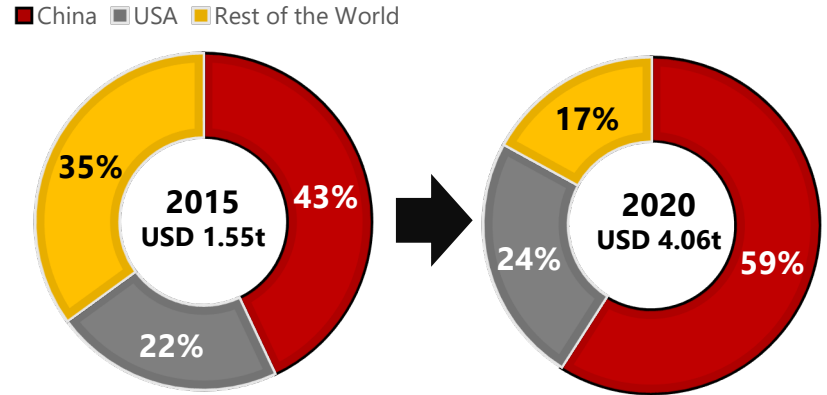
# 1 ... With Exposure to the Fast Growing PRC E-Commerce Logistics Sector

Continued growth in E-Commerce Sector Driving Demand for Logistics Asset

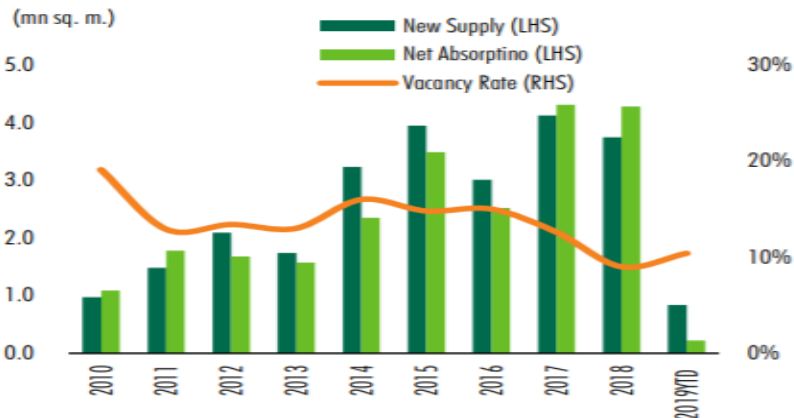
**Growing China E-Commerce Sales (RMB Billions)<sup>1</sup>**



**Global E-commerce Landscape<sup>3</sup>**

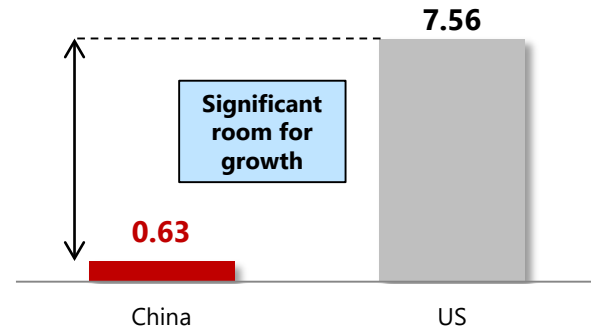


**Logistics Supply and Demand in China<sup>2</sup>**



**Favorable Supply-demand Dynamics<sup>3</sup>**

Per-Capita Warehouse Area (Sq.m)



(1) China National Bureau of Statistics  
 (2) CBRE China Marketview Q12019  
 (3) Euromonitor

## 2

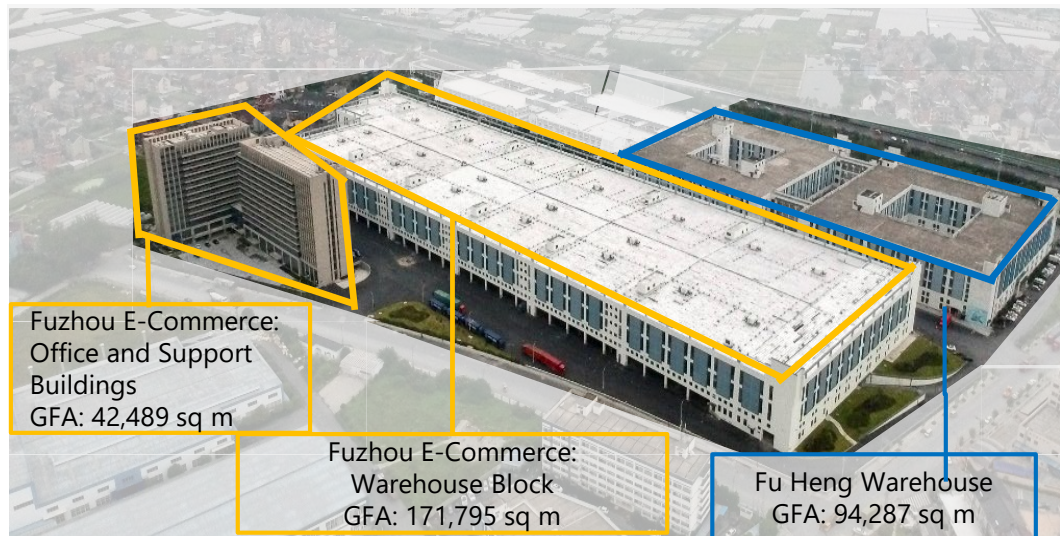
## Ownership of a Rare Sizable Integrated E-Commerce Logistics Asset

### Strategically Located E-Commerce Logistics and Fulfillment Centre

- ✓ **Adjacent to** one of EC World REIT's existing assets, **Fu Heng Warehouse**, which is also focused on e-commerce related fulfilment activities → enhancing **operational efficiency**
- ✓ Creation of a **combined 308,571 sq m logistics hub** catering to the fulfilment of the rapidly expanding e-commerce demand in Hangzhou and China
- ✓ **Convenient access and transportation:** located within Dongzhou Industrial Zone which is **connected to downtown Hangzhou via Highway G25** and enjoys **convenient water transportation** provided by Fuchun rivers



- ✓ **Well supported** by industry participants such as online market places, brand manufacturers, last mile delivery companies as well as office space and other auxiliary facilities



**Total GFA: 308,571 sq m**



3

## Strategic Collaboration with Cainiao Network and Alibaba's Ling Shou Tong ("LST")

### Warehouse Operated by Leading Omni-Channel Logistic Service Provider

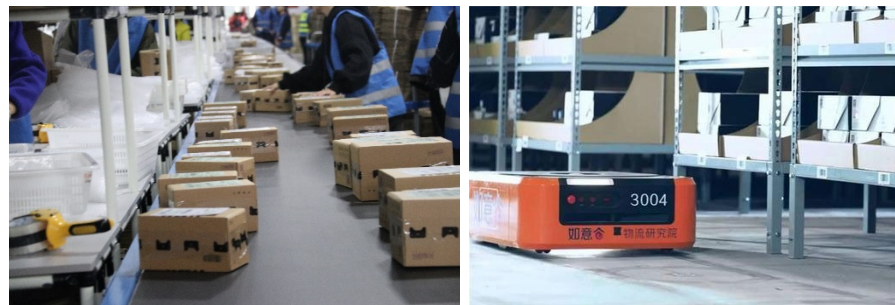
- ✓ The Warehouse is operated by Ruyicang (wholly owned subsidiary of the sponsor), a leading E-Commerce logistic services provider in China
- ✓ One of the earliest key partners and service providers of Cainiao network (Alibaba's logistic arm), Ruyicang has warehouse network and sophisticated operational expertise which enables itself to provide topnotch logistics service for not only E-Commerce platforms like Alibaba, JD and VIP.com, but also brands like Coca-Cola, MARS and Unilever.
- ✓ Ruyicang operates more than 30 warehouses in 25 cities<sup>1</sup>. It currently manages more than 1 million sqm warehouses and processes more than 1.5 million orders every day

#### Partnership



#### Capabilities

Ruyicang LST business operates **132,000 sqm** warehouses, annually processes **7.83 million orders**, **30 million parcels** and **370 million pcs.**

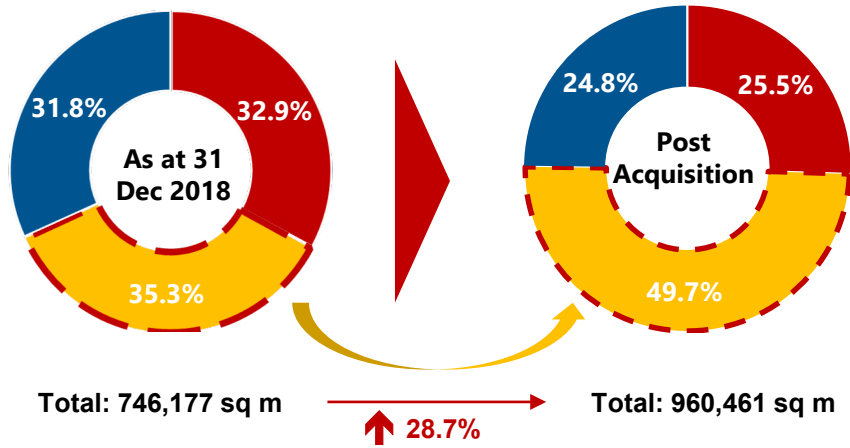


Ruyicang is **1 of 12** designated **logistics service providers** of the Cainiao Network and one of the **top Cainiao Partners**

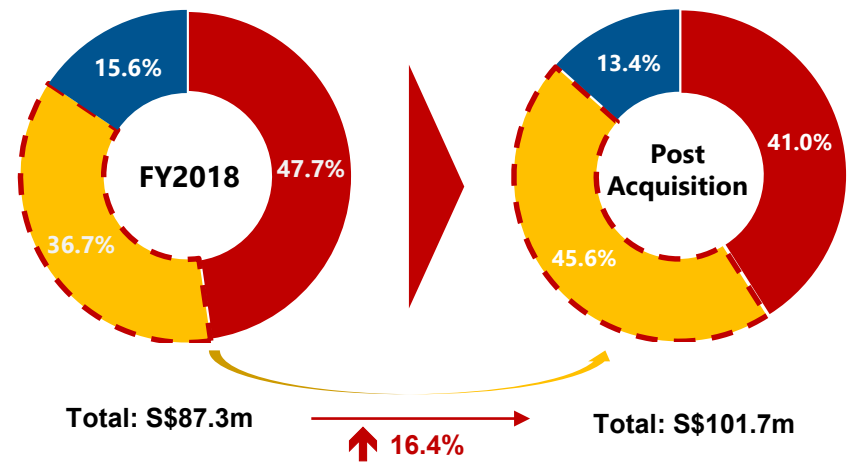
# 4 Enlarged Portfolio with Enhanced Focus on the E-Commerce Logistics Sector

**Larger Portfolio with Increased Exposure to E-Commerce Logistics**

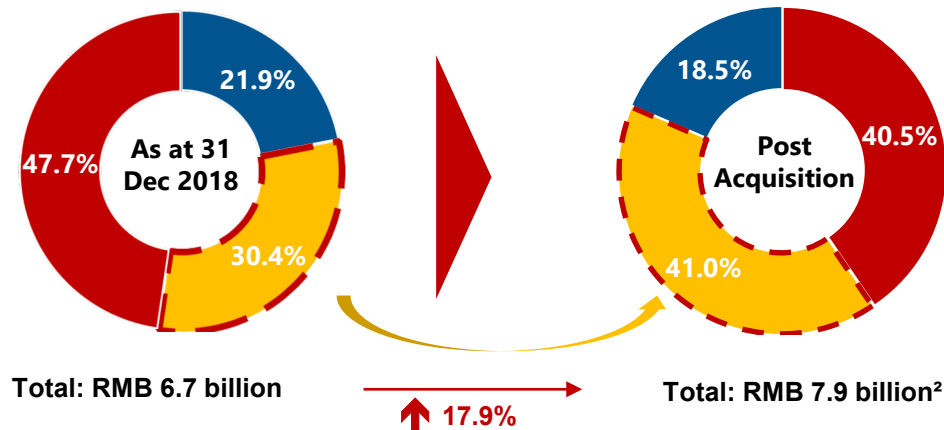
## Breakdown by NLA



## Breakdown by Net Property Income<sup>1</sup>



## Valuation (in RMB)



- E-commerce Logistics
- Specialised Logistics
- Port Logistics

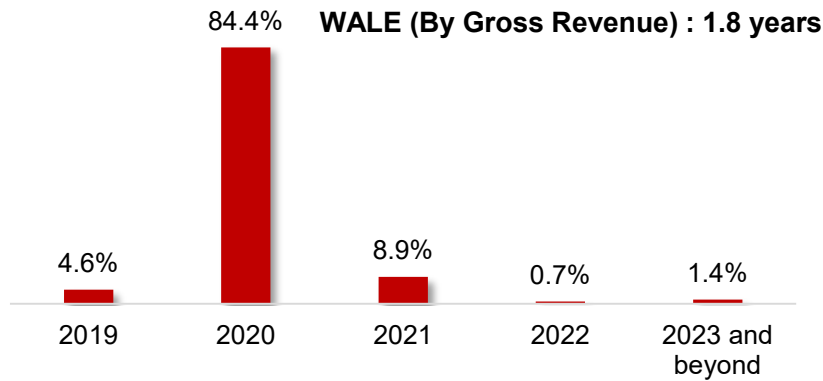
(1) The pro forma financial effects for FY2018 assuming EC World REIT had purchased the Fuzhou E-Commerce on 1 January 2018, and held and operated the Fuzhou E-Commerce through to 31 December 2018

(2) Based on Property Purchase Price of RMB1,112.5 million

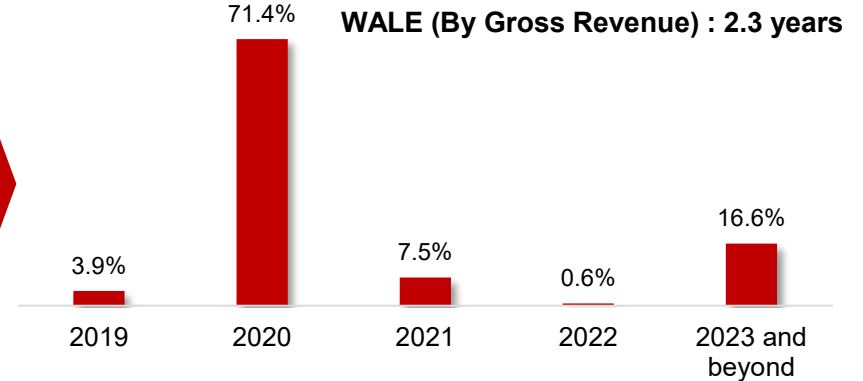
# 5 Improves portfolio WALE profile providing greater income visibility

## Increase WALE with Embedded Organic Growth

As at 31 March 2019



As at 31 March 2019 (Post-Transaction)

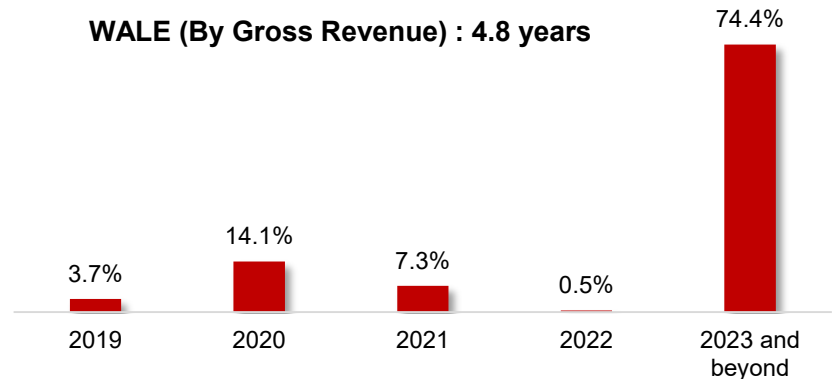


✓ **Improve WALE** (by Gross Revenue) **from 1.8 years** as at 31 March 2019 **to 4.8 years** (post transaction and taking into account the New Approved Master Lease Agreements)

✓ Embedded organic growth with **annual rental escalation of 2.25%**

✓ Provides **income viability** and **stability with predictable cash flow**

As at 31 March 2019 (Post-Transaction and taking into account the New Approved Master Lease Agreements)





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## Section C: Financial Effects of the Proposed Acquisition



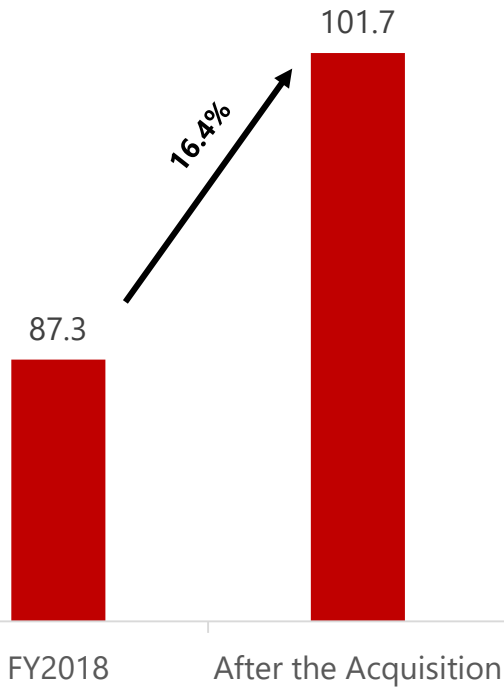


# 6 Yield Accretive Transaction

## Financial Accretive Transaction on a Historical Proforma Basis

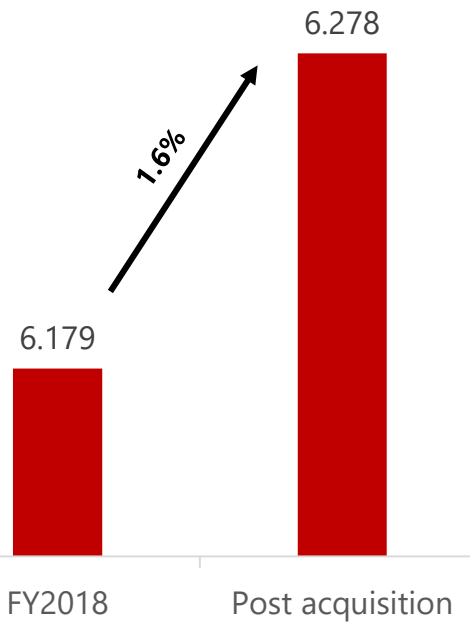
### Net Property Income <sup>(1)</sup>

SGD million



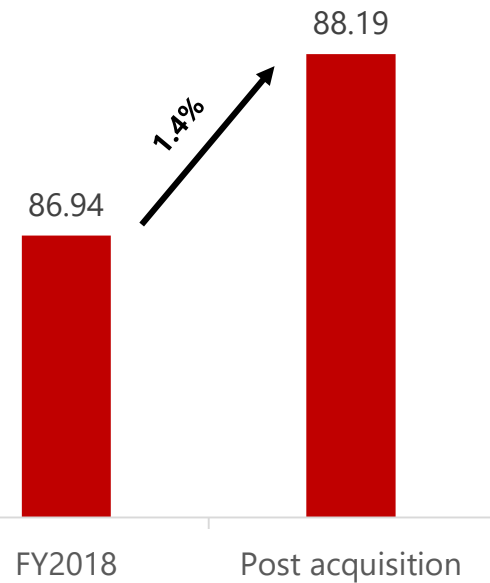
### DPU <sup>(1)</sup>

Singapore cents



### NAV per unit <sup>(1)</sup>

Singapore cents



(1) The historical pro forma financial effects for FY2018 assuming EC World REIT had purchased the Fuzhou E-Commerce on 1 January 2018, and held and operated the Fuzhou E-Commerce through to 31 December 2018



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**Thank You**

