



**BUILDING ON  
PLATFORMS FOR  
E-COMMERCE**

A n n u a l R e p o r t 2 0 1 6

# CORPORATE PROFILE

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Listed on 28 July 2016 ("Listing Date"), EC World REIT ("ECW") is the first specialised and e-commerce logistics REIT to be listed on Singapore Exchange Securities Trading Limited. With its initial portfolio of six quality properties located in the People's Republic of China ("PRC") within one of the largest e-commerce clusters in the Yangtze River Delta, ECW offers investors unique exposure to the specialised logistics and e-commerce sector in the PRC. As at 31 December 2016, ECW's portfolio covers an aggregate net lettable area of 698,478 square metres and has a valuation of approximately S\$1.3 billion.

ECW's investment strategy is to invest principally, directly or indirectly, in a diversified portfolio of income-producing real estate which is used primarily for e-commerce, supply-chain management and third party logistics purposes, as well as real estate-related assets, with an initial geographical focus on the PRC.

ECW is managed by EC World Asset Management Pte. Ltd., which is an indirect wholly-owned subsidiary of the Sponsor – Forchn Holdings Group Co., Ltd. The Sponsor was established in 1992 and it is headquartered in Shanghai. It is a diversified enterprise focusing on the logistics, industrial, hospitality, commercial real estate and finance sectors.

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.

## VISION

ECW aims to be the premier e-commerce and specialised logistics REIT in Asia and strives to create long term value for all of our stakeholders by capturing opportunities driven by the fast growing e-commerce and specialised logistics sectors.

## MISSION



Deliver stable, sustainable and growing distributions to our unitholders



Offer a differentiated and high quality asset portfolio



Grow and diversify our portfolio through yield accretive acquisitions



Adopt active asset management strategies to enhance performance and value of our properties

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# PLATFORM FOR INNOVATION

Venturing beyond traditional warehousing, ECW's portfolio is focused on the rapidly evolving and growing e-commerce sector.

E-COMMERCE INDUSTRY IN  
HANGZHOU GREW BY

44.4%\*

IN 2016

2

E-COMMERCE PROPERTIES  
STRATEGICALLY LOCATED IN  
HANGZHOU





# FINANCIAL HIGHLIGHTS

## Statement of Total Return<sup>1</sup> (For the Financial Year ended 31 December 2016)

	S\$ Million
Gross revenue	95.5
Net property income	83.9
Amount available for distribution	19.1

## Statement of Financial Position (As at 31 December 2016)

	S\$ Million
Total assets	1,482.3
Investment properties	1,333.3
Total liabilities	756.2
Net assets	726.1

## Key Financial Ratios (As at 31 December 2016)

Gross borrowings/Total assets	27.6%
Interest cover ratio <sup>2</sup>	5.9 times
Weighted average debt maturity	2.6 years
Annualised all-in interest rate	5.4%
Total operating expenses as a percentage of net assets	1.6%

1 Include financial period from 1 January 2016 to 27 July 2016 when ECW was a private trust.

2 Defined as net property income divided by interest paid/payable to Banks (excludes upfront financing fee).

## Financial performance (28 July 2016 to 31 December 2016)

	Actual	Forecast <sup>3</sup>	Variance (%)
Gross revenue (S\$'000)	41,175	39,294	4.8
Net property income (S\$'000)	36,761	35,716	2.9
Income available for distribution (S\$'000)	19,109	19,059	0.3
Distribution per unit (cents)	2.454	2.448	0.2
Annualised distribution yield (%) <sup>4</sup>	7.06	7.00	0.9

3 The forecast figures are derived by pro-rating the forecast disclosed in the Prospectus for the period from 28 July 2016 to 31 December 2016.

4 Based on IPO price of S\$0.81 per unit.

ECW was established as a private trust on 5 August 2015. A total of six properties was acquired between 25 August 2015 and 6 November 2015 (both dates inclusive). ECW was officially listed on 28 July 2016 on the SGX-ST Mainboard, backed by Forchn Holdings Group Co., Ltd. ("the Sponsor"). The Sponsor, established in 1992, is a diversified enterprise focusing on the industrial and commercial real estate sectors, hospitality, e-commerce logistics and finance.

For the period from 28 July 2016 to 31 December 2016, ECW achieved a gross revenue of S\$41.2 million and net property income ("NPI") of S\$36.8 million, exceeding its IPO forecast by 4.8% and 2.9% respectively. The better performance was mainly due to the additional rental income generated from asset enhancement initiatives at Chongxian Port Investment (i.e. construction of a sheltered warehouse) from 1 October 2016 as well as favorable exchange rate movements.

Based on the distribution per unit of 2.454 cents for the period from 28 July 2016 to 31 December 2016, the annualised distribution yield for ECW is approximately 7.06% based on the IPO price of S\$0.81.

### **BORROWINGS AND AGGREGATE LEVERAGE**

At the Listing Date, ECW obtained a RMB1,004.2 million (equivalent to S\$209.0 million) Onshore secured floating rate term loan facility, and a S\$200.0 million syndicated Offshore secured floating rate term loan facility. The facilities were fully drawn at the Listing Date to finance the acquisition of the properties. As at 31 December 2016,



the weighted average debt to maturity was 2.6 years while the gearing ratio stood at 27.6%, which falls within the Monetary Authority of Singapore's leverage limit of 45%.

The Manager adopts a disciplined and prudent capital management approach to maintain a strong capital structure and financial flexibility. The Manager is working actively with various financial institutions to achieve a favourable debt maturity profile.

### **RISK MANAGEMENT**

The Manager undertakes a dynamic approach to minimise the impact of foreign exchange and interest rate volatilities on distributable income.

For the financial year ended 31 December 2016 ("FY2016"), 100.0% of ECW's distributable income was being hedged into Singapore dollars. About 24.4% of ECW's total debt was hedged into fixed rates through interest rate swaps as at 31 December 2016.

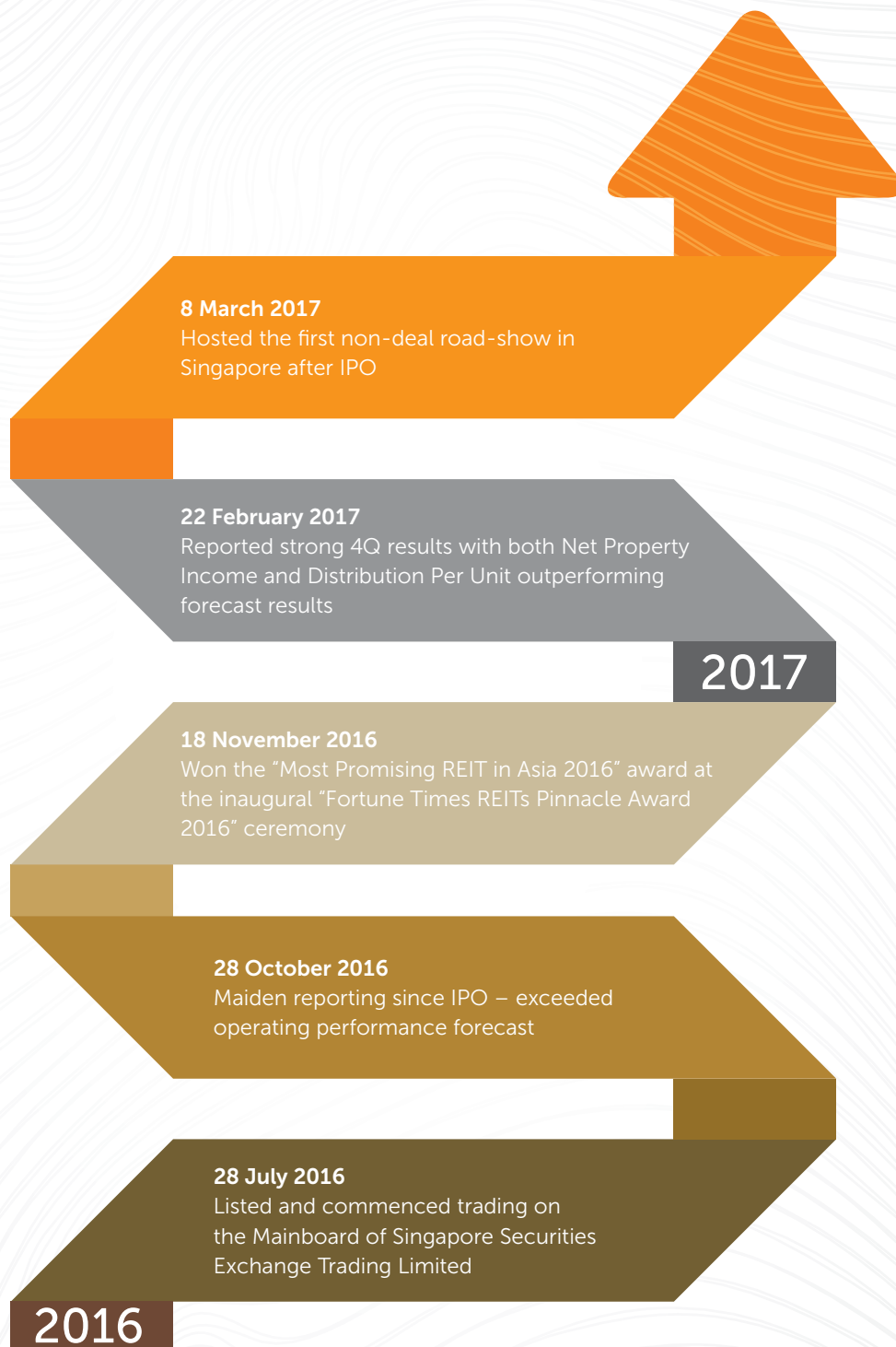
Where feasible, after taking into account cost, tax and other considerations, the Manager will borrow in the same currency as the underlying assets to provide some natural hedge, or hedge through cross currency swaps for its cross border cash flows.

The fair value of the hedge instruments at the end of FY2016, which were included as derivative financial instruments in Total Assets and Total Liabilities, were S\$417,000 and S\$387,000 respectively. The net derivative financial asset represented 0.004% of the net assets of ECW Group as at 31 December 2016.



## SIGNIFICANT EVENTS

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# LETTER TO UNITHOLDERS

## Dear Unitholders,

On behalf of the Board of Directors and management of EC World Asset Management Pte. Ltd. (“the Manager”), as Manager of EC World REIT (“ECW”), we are pleased to present the report to ECW Unitholders for the Financial Year ended 31 December 2016 (“FY2016”).

It was a monumental year for ECW, as we completed the listing of ECW on the SGX-ST Mainboard on 28 July 2016. We are delighted to welcome prominent investors like China Cinda Asset Management, Fosun International Holdings, BOCOM International Global Investment Limited, other investment fund managers and the many retail tranche subscribers who had participated in the successful IPO which, together with debt financing, raised approximately SGD1.0 billion in total funding.

We are grateful to our financial, legal and audit advisors for their effort and commitment in the preparation of the IPO in order to ensure that the listing was successful. At the same time, we wish to express our appreciation to the Monetary Authority of Singapore (“MAS”) and the Singapore Stock Exchange (“SGX”) for granting us approval to list on SGX-ST Mainboard. Lastly, we also give special mention to the Independent Directors, Mr Chan Heng Wing, Mr Wong See Hong, Mr Li Guosheng, and Mr Chia Yew Boon, and the Executive Directors, Mr Lai Hock Meng and Mr Goh Toh Sim, for their valuable contributions.

Since listing, the property portfolio of ECW has delivered consistent growth and stable performance, and we are glad to report that the performance for the period from listing to 31 December 2016 exceeded the forecasts in the IPO prospectus. On a pro-rated basis, the Gross Revenue of ECW performed better than the forecast by 4.8% in terms of Singapore dollars, mainly due to the higher contribution from the underlying assets in the five-months period, as well as from the appreciation of the Renminbi (“RMB”). Distributable Income also exceeded forecast by 0.3% during the same period. These were achieved despite the Manager’s decision not to proceed with the investment of RMB301.7 million (approximately SGD62.8 million) of security deposit received from the Master Lease tenants into a managed portfolio of debt securities, (which was the Manager’s intention at the time of the IPO) as per our announcement of 4Q results dated 22 February 2017.

We have been able to strengthen the management team of the Manager, with the additions of two veteran REIT executives since January 2017. Mr Alvin Cheng Yu-Dong (as Executive Director and Deputy CEO) and Mr Tng Chin Hwee (as CFO) both have extensive experience in managing cross-border REITs.



MR ZHANG GUO BIAO

“ Since listing, the property portfolio of ECW has delivered consistent growth and stable performance, and we are glad to report that the performance for the period from listing up to 31 December 2016 exceeded the forecasts made in the IPO prospectus. ”

### MACRO ECONOMY: YEAR IN REVIEW

The year 2016 has seen heightened uncertainties across the global political and economic landscape. These events will have profound impact on the politics and economic policies which drive financial markets and global trade. We will monitor such developments closely to prudently manage any risks and impact on ECW.

# LETTER TO UNITHOLDERS

NET LETTABLE  
AREA (SQM)

698,478

AVERAGE POSITIVE RENTAL  
REVERSION RATE (%)

6.4

PORTFOLIO COMMITTED  
OCCUPANCY (%)

100.0

WEIGHTED AVERAGE LEASE EXPIRY

4.0

BY GROSS RENTAL INCOME (YEARS)

China's economy expanded by 6.7%<sup>1</sup> for the full year in 2016 as consumers stepped up spending and the property market rebounded. This GDP growth is in line with the Chinese government's target between 6.5% to 7%. At the same time, Hangzhou's GDP rose by 9.5%<sup>2</sup>, outperforming the national average, partly due to the fact that Hangzhou's economy was boosted by the 44.4%<sup>2</sup> growth in e-commerce in 2016. As ECW's assets are currently located in Hangzhou, they will benefit from the robust economic growth of the Hangzhou area on an ongoing basis.

## E-COMMERCE DEVELOPMENTS

In early 2015, the Chinese government announced the development of a nationwide "Internet Plus" action plan to encourage the development of e-commerce and industrial networks, and Internet banking, as well as to increase the international market presence of Chinese Internet-based companies<sup>3</sup>.

According to China Internet Network Information Centre, China registered its highest number of netizens and mobile internet users in 2015, at approximately 688 million and 620 million respectively, while 413 million netizens in China participated in online shopping. The market size of China's B2B, B2C / C2C e-commerce have reached RMB10.7 trillion and RMB4.0 trillion respectively<sup>3</sup>. ECW is uniquely positioned to benefit from the rapid growth of the e-commerce industry in China.

## OPERATIONAL PERFORMANCE

Our portfolio assets were fully leased as at 31 December 2016, whereas the Weighted Average Lease Expiry ("WALE") was 4.0 years by gross rental income, thereby ensuring stability and sustainability of the portfolio income and distributable income to unitholders.

Total Net Lettable Area at end 2016 was 698,478 sqm, and we were able to achieve an average positive rental reversion rate of 6.4% during the last quarter of 2016 for the leases renewed. Furthermore, annual step-up provisions in the existing leases will provide organic rental growth in the coming years.

## ACTIVE CAPITAL MANAGEMENT

Leveraging on our favourable credit profile and prudent capital management policies, the average maturity of the loan facilities totalling SGD409 million from a syndicate of international banks at year end was approximately 2.6 years, which will provide the management with ample time and flexibility to consider refinancing alternatives before the financings are due for repayment.

## OUTLOOK

The Chinese economy, and particularly the demand for e-commerce logistic facilities, is expected to be supported by burgeoning domestic demand, increasing investments and government policies. The middle class, the mainstay of e-commerce logistics activities, continues to grow in number and with higher disposable income.

1 National Bureau of Statistics of China  
2 Hangzhou statistics  
3 Analysys Consulting Ltd





**High on-line spending growth will continue to support the expectation of double digit sales growth for the coming years, providing the basis for continuing strong demand for our portfolio. The growth in economic activities is expected to provide ECW with a tremendous platform from which to further enhance growth and returns to unitholders and we look forward to benefit from these opportunities.**

High on-line spending growth will continue to support the expectation of double digit sales growth for the coming years, providing the basis for continuing strong demand for our portfolio. The growth in economic activities is expected to provide ECW with a tremendous platform from which to further enhance growth and returns to unitholders and we look forward to benefit from these opportunities.

The Manager will continue to look out for yield accretive assets in China and other regional markets to take advantage of the strong GDP growth in China and demand by the growing middle class. Management will also continue to focus on improving the tenancies in existing assets through asset enhancement initiatives and optimising tenancy mix.

#### **ACKNOWLEDGEMENT**

We wish to express our appreciation to our tenants and business partners for their loyal support, and gratitude to our Unitholders for the faith and confidence in us as the Manager for ECW. Last but not least, we like to acknowledge the outstanding contribution from our staff.

On behalf of the Board and the management of EC World Asset Management Pte. Ltd., we look forward to working together with you to embark on the transformation journey of the Trust and achieve new milestones in 2017 and beyond.

**ZHANG GUOBIAO**

**Chairman of the Board & Non-Executive Director**

## 致股东 (单位持有人)的信

### 尊敬的各位股东(单位持有人),

我谨代表运通网城房地产信托基金(“ECW”)的管理公司, EC World 资产管理私人有限公司(“管理公司”)的董事会和管理团队, 向ECW股东(单位持有人)提交截至2016年12月31日(“FY2016”)财政年度的业绩报告。

2016年是一个对ECW有着重大意义的一年。于2016年7月28日, ECW在新加坡证券交易所主板成功上市, 并通过股票发行和债务融资的方式, 筹集了10亿新元。在此, 我们对信达资产管理公司, 复星国际控股, 交银国际全球投资有限公司等知名投资者, 以及其他投资基金经理和诸多个人投资者的加盟, 表示热烈的欢迎和衷心的感谢。

我们由衷感谢我们的财务, 法律和审计顾问在筹备公开发行过程中作出的不懈努力和推动作用, 以确保基金成功上市。同时, 我们也希望表达对新加坡金融管理局(“MAS”)和新加坡交易所(“SGX”)授予我们在新加坡证券交易所主板上市的许可表示诚挚谢意。最后, 我们亦要特别感谢独立董事陈庆荣先生, 黄仕雄先生, 李国生先生和谢有文先生, 以及执行董事赖学明先生及吴多深先生为上市作出的卓越贡献。

自上市以来, ECW的投资组合已经实现了持续增长和稳定的业绩。我们很高兴地向你们报告, 从成功上市到2016年12月31日这段时期内, 投资组合的业绩超出了IPO招股书中的预测。以新加坡元计值的方式按比例计算, ECW的总收入比IPO预测高出了4.8%。这是归功于资产组合的超预期贡献以及人民币在同一时期的升值。同期可分配利润也超过预期0.3%。与此同时, 虽然管理团队决定不将从租户收到的三亿一百七十万元人民币(约合六千二百八十万新元)的保证金投资于管理式风险债券组合中, ECW依然达成了超过预期的业绩。

自上市以来, ECW的投资组合已经实现了持续增长和稳定的业绩。我们很高兴地向你们报告, 从成功上市到2016年12月31日这段时期内, 投资组合的业绩超出了IPO招股书中的预测。

自2017年1月起, 两位资深房地产投资信托基金高管加入了管理公司。郑裕棠和唐振维的加盟进一步提升了管理团队的资质。郑先生现就任执行董事和副首席执行官; 与此同时唐先生就任首席财务官。郑先生和唐先生在管理跨界房地产投资信托基金领域有着丰富的经验。

### 宏观经济: 年度回顾

2016年间, 全球政治和经济形势的不确定性越来越大, 并有一系列意外性国际事件发生。这些事件将对政治和经济政策产生深远的影响, 且将推动国际金融市场和全球贸易的发展和变化。我们将密切监测这些发展, 谨慎地管理任何对ECW的风险和影响。

在国内消费者支出的增长和房地产市场反弹推动下, 中国经济在2016年全年增长率达到6.7%<sup>1</sup>, 实现政府年度GDP增长率的目标(6.5%至7%)。同时, 2016年度杭州的GDP增长了9.5%<sup>2</sup>, 超过了全国平均水平, 而部分归功于电子商务44.4%<sup>2</sup>的本年增长率。ECW的现有资产均位于杭州, 这必将受益于杭州地区经济的持续增长。

净可出租面积(平方米)

698,478

续租租金调升率(%)

6.4

承诺人住率(%)

100.0

加权平均租赁期限

4.0

根据租金总收入(年)

1 中国国家统计局  
2 杭州统计信息网





**在线消费的高增长率将继续支持未来几年内电子商务销售额两位数增长率的预期，为对我们的投资组合的持续性强劲需求提供了基础。经济活动的增长预期将为ECW进一步提高增长率和对股东（单位持有人）的回报。**

#### 电子商务发展

2015年初，中国政府宣布制定全国性的“互联网+”行动计划，鼓励电子商务和工业网络以及网络银行的发展，以图扩大中国互联网公司在国际市场的占有率<sup>3</sup>。

根据中国互联网络信息中心，中国在2015年登记的网民和移动互联网用户数量达到一个新高，分别为6.9亿和6.2亿。其中，4.1亿中国网民参与网上购物。中国B2B，B2C / C2C电子商务市场规模分别达到10.7万亿人民币和4.0万亿人民币<sup>3</sup>。ECW将以它拥有的独特的市场定位优势，受益于中国电子商务行业的快速增长。

#### 经营业绩

我们的投资组合资产在2016年年底已全部出租，按总租金收入计算，加权平均的租期（“WALE”）为4.0年。因此，股东（单位持有人）的组合收入和可分配收入的稳定性和可持续性得到有效保证。

2016年年底的可租赁面积总计为698,478平方米而我们在2016年最后一季续租租约的平均租金回复率为6.4%。此外，我们现有租约中的年度加幅条款将支持未来几年的整体租金稳定的增长。

#### 积极性资本管理

凭借ECW良好的信用状况和谨慎的资金管理政策，截止与2016年末，ECW的国际银行集团的贷款（约为4亿九百万新元）的平均到期期限约为2.6年。这为管理层提供了充足的时间和灵活性在融资到期前来安排再融资方案。

#### 展望未来

中国的经济，特别是对电子商务物流设施的需求，预计将受到蓬勃发展的国内需求和投资的增长以及政府政策的有力支持。作为电子商务物流活动的支柱，中产阶级的数量及可支配收入将持续增长。

在线消费的高增长率将继续支持未来几年内电子商务销售额两位数增长率的预期，为对我们的投资组合的持续性强劲需求提供了基础。经济活动的增长预期将为ECW进一步提高增长率和对股东（单位持有人）的回报。

利用中国强劲的GDP和中产阶级不断增长的需求，管理公司将继续在中国和其他区域市场寻找有良好回报增长能力的资产。同时，管理层还将继续通过资产增值措施和租赁组合来优化现有资产的租赁。

#### 致谢

在此我们想对我们的租户和业务合作伙伴表达我们真挚的谢意，感谢你们一直以来的忠诚和支持。我们也特别感谢诸位股东（单位持有人）对ECW管理团队持有的信念和信心。最后，我们也对我们的员工的杰出贡献表示衷心的感谢。

我们代表董事会和ECW管理团队，期待与您一起共同开展信托的转型之旅，并在2017年及以后实现新的里程碑。

#### 张国标

董事长兼非执行董事



# UNIT PERFORMANCE

## Unit price and trading volume

	From 28 July 2016 to 31 December 2016
Opening unit price for the period (S\$)	0.810
Highest closing unit price (S\$)	0.815
Lowest closing unit price (S\$)	0.705
Volume weighted average price (S\$)	0.794
Closing unit price for the period (S\$)	0.760
Average daily trading volume (units)	104,341
Market capitalisation <sup>(1)</sup> (S\$ million)	592

Source: Bloomberg

(1) Based on the closing price of S\$0.760 and total number of units outstanding of 778,515,845 on 30 December 2016

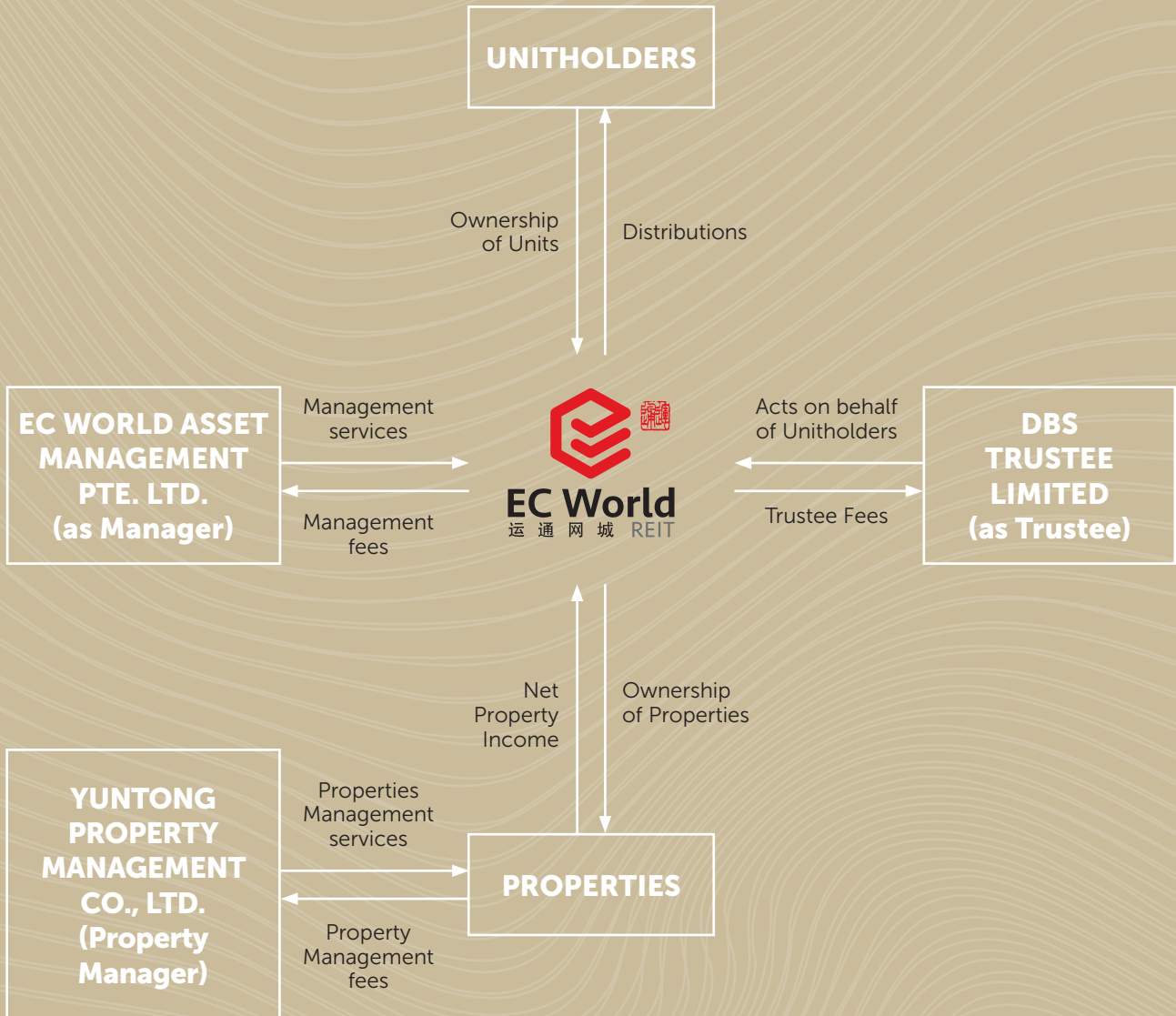
## Distribution to investors

	From 28 July 2016 to 31 December 2016
Distribution per unit (S\$ cents)	2.454
Distribution yield <sup>(2)</sup>	7.5%

(2) Annualised based on the closing price of S\$0.760 on 30 December 2016



# TRUST STRUCTURE



## BOARD OF DIRECTORS

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1. **Mr Zhang Guobiao**, Chairman and Non-Executive Director
2. **Mr Lai Hock Meng**, Chief Executive Officer and Executive Director
3. **Mr Alvin Cheng Yu-Dong**, Executive Director and Deputy Chief Executive Officer
4. **Mr Goh Toh Sim**, Executive Director and President of Investment & Asset Management
5. **Mr Chan Heng Wing**, Independent Non-Executive Director and Lead Independent Director
6. **Mr Wong See Hong**, Independent Non-Executive Director and Chairman of the Audit and Risk Committee.
7. **Mr Li Guosheng**, Independent Non-Executive Director and Chairman of the Nominating and Remuneration Committee.
8. **Mr Chia Yew Boon**, Independent Non-Executive Director





## MR ZHANG GUOBIAO

### Chairman and Non-Executive Director

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Mr Zhang was appointed as Director on 14 May 2015 and Non-Executive Chairman of the Board on 21 June 2016. He is also a member of the Nominating and Remuneration Committee.

Mr Zhang is the Chairman of the Sponsor, Forchn Holdings Group Co., Ltd., and has held this position since June 1998. He is also the founder of Forchn Trading Co., the predecessor of Forchn Holdings Group Co., Ltd., which was incorporated in 1992 as a construction materials company in Shanghai. Under his leadership, the small construction materials firm grew into a conglomerate with diversified businesses in manufacturing, real estate, logistics, e-commerce and finance.

Following the Zhejiang Provincial Government's campaign in 2006 for successful Zhejiang businessmen residing outside Zhejiang to return and invest in the province, Mr Zhang led the acquisition and modernisation of one of the key inland ports in the PRC, namely Chongxian Port in Hangzhou.

This was followed by the development of an integrated warehouse under Chongxian Port Logistics, which complemented the service of the 23 berths operated by Chongxian Port. In 2007, Mr Zhang spearheaded the acquisition and restructuring of a provincial state-owned enterprise, Hangzhou Zhang Xiao Quan Group Co., Ltd.. Zhang Xiao Quan is a widely-known household name, specialising in the design, production and merchandising of cutlery and metal household wares in the PRC since 1628.

Mr Zhang also successfully expanded Forchn Group's business to overseas markets in 2016 by sponsoring ECW on its listing on the mainboard of the Singapore Stock Exchange in July 2016.

Further to above, Mr Zhang led the expansion of the Forchn Group in late 2016 into the hospitality sector with the acquisition of an award-winning luxury resort, Fuchun Resort, located in Hangzhou, which is a premier integrated holiday resort for business and leisure activities, cultural and artistic events as well as providing high-end wellness facilities. The resort has received numerous international awards since 2006, including

9 times of China's Leading Resort Awards, Asia's Leading Villas Awards from 2013 to 2016 and Asia's Leading Luxury Golf Resort from 2010 to 2013.

As the Executive Vice Chairman of Zhejiang Chamber of Commerce in Shanghai, Mr Zhang is an active community leader in promoting corporate social responsibility. Mr Zhang is also an activist for social welfare and civic responsibility.

Mr Zhang has received many awards which include but are not limited to the Award of Excellence by the Third Global Zhejiang Entrepreneurs Convention, 2015, the Zhejiang Entrepreneur of the Year 2014, the Award of Innovation and Entrepreneurship by the Second Global Zhejiang Entrepreneurs Convention, 2013, and the Zhejiang Province Model Returning Investor Award in 2005, 2007, 2011 and 2014.

Mr Zhang has completed the "China CEO Program" jointly organised by Cheung Kong Graduate School of Business, Centre for Management Development at London Business School, Columbia Business School and IMB International. He also completed the "Global CEO Program for China" jointly organised by Harvard Business School, China Europe International Business School and IESE Business School.

## MR CHAN HENG WING

### Independent Non-Executive Director and Lead Independent Director

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Mr Chan was appointed as Independent Non-Executive Director and Lead Independent Director on 21 June 2016. He is also a member of the Nominating and Remuneration Committee.

Mr Chan is a Senior Fellow with the Ministry of Foreign Affairs Diplomatic Academy since 2012, and he also serves as the Non-Resident High Commissioner to the People's Republic of Bangladesh. Mr Chan is an independent non-executive director of Banyan Tree Holdings Limited, Frasers Centrepoint Limited and Fusan Family Office Pte Ltd. He is also a director of Precious Treasure Pte. Ltd. and Precious Quay Pte. Ltd. which owns and operates Fullerton Hotel and Fullerton Bay Hotel respectively. Precious Treasure Pte. Ltd. and Precious Quay Pte. Ltd. are subsidiaries of Sino Land Company Limited, which is part of the Sino Group, a property developer in Hong

## BOARD OF DIRECTORS

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Kong. Mr Chan is the Senior Advisor of the Milken Institute Asia Center, a non-profit think tank which is based in the United States and Singapore. During the period from 2011 to 2015, Mr Chan was also an independent non-executive director of Shanda Game Ltd., a leading online game developer, operator and publisher in China.

Mr Chan was previously the Ambassador to Thailand and Consul-General to Hong Kong and Shanghai. He later joined Temasek Holdings (Private) Limited as Chief Representative in China and Managing Director for International Relations in Temasek International (Singapore) Pte. Ltd..

Mr Chan was awarded the Public Administration Medal (Silver) in 1980 by the Singapore Government. He holds a Master of Science from the Columbia Graduate School of Journalism and a Bachelor of Arts and a Master of Arts from the University of Singapore.

### MR WONG SEE HONG

#### Independent Non-Executive Director

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Mr Wong was appointed as Independent Non-Executive Director on 21 June 2016. He is also the Chairman of the Audit and Risk Committee.

Mr Wong is currently the Chairman of Halftime Limited, Hong Kong. He is a Finance Management Committee Member of the Hong Kong Management Association, Hong Kong. He also serves as the Independent Non-Executive Director of China Merchant Bank, Frasers Hospitality Asset Management Pte. Ltd. (the manager of Frasers Hospitality Real Estate Investment Trust) and Frasers Hospitality Trust Management Pte. Ltd. (the trustee-manager of Frasers Hospitality Business Trust).

Mr Wong was the Deputy Chief Executive of the Bank of China (Hong Kong) Group from 2008 to 2013, with overall responsibility for the financial market businesses which include Global Markets, Global Transaction Banking, Investment Management, Insurance, Asset Management and other capital market-related businesses. He was also a Director of BOC Group Life Assurance Company Limited from 2008 to 2013 and concurrently the Chairman of BOC International-Prudential Trustee Limited. From 2010 to 2012, he was

the Chairman of BOCHK Asset Management Limited. Prior to joining the Bank of China (Hong Kong) Group, Mr Wong was the Corporate Executive Vice President and Country Executive of ABN AMRO Bank ("ABN") and was responsible for ABN's operations in South East Asia. He joined ABN in 1995 and had held various senior positions within ABN, including Regional Head of Financial Markets, Country Executive in Singapore, and Managing Director of the Hong Kong Branch. Mr Wong has spent over 30 years in the banking sector and has extensive knowledge and experience in treasury and financial products.

Mr Wong served as a board member of Energy Market Authority until March 2009 and was a Board Member of the Civil Service College in Singapore from March 2007 to October 2013.

Mr Wong graduated from the University of Singapore with a Bachelor's Degree in Business Administration and was awarded a Master's Degree in Science in Investment Management by the Hong Kong University of Science and Technology. Mr Wong holds a Doctorate degree in Transformation Leadership from the Bethel Bible Seminary, and he is also a Financial Industry Certified Professional with the Institute of Banking and Finance, Singapore.

### MR LI GUOSHENG

#### Independent Non-Executive Director

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Mr Li was appointed as Independent Non-Executive Director on 21 June 2016. He is also the Chairman of the Nominating and Remuneration Committee and a member of the Audit and Risk Committee.

Mr Li is the managing director of Horizonline Pte Ltd, a company involved in the import and wholesale of security products and systems, since December 2006. He is also the managing director of Ningbo Horizonline Technologies Co. Ltd., a PRC manufacturing company, since December 2009. From June 2004 to December 2006, he was a technical manager with China Enersave Limited (now known as Charisma Energy Services Ltd), a company that operates in the renewable energy industry, where he was responsible for the evaluation of the waste energy power plants. Mr Li began his career in 1988 as an electrical engineer with Beilungang Thermal

Power Plant Engineering Co. Ltd., a PRC company which constructed thermal power plants. Mr Li has been the President of the Zhejiang (S) Entrepreneurs Association, a non-profit association for people with links to the Zhejiang Province, since 2013. In addition, Mr Li is recently appointed as a Director for Sanhua International Singapore Pte. Ltd., a subsidiary of Sanhua Holding Group, a leading manufacturer of HVAC&R controls components and parts with a global footprint and 30 years of experience. Sanhua Holding Group is listed on Shenzhen Stock Exchange since 2005.

Mr Li holds a Bachelor Degree in Automation of Electrical Power System from Shanghai Jiaotong University, Shanghai, PRC, and a Master of Business Administration from the National University of Singapore.

#### MR CHIA YEW BOON

##### Independent Non-Executive Director

Mr Chia was appointed as Independent Non-Executive Director on 21 June 2016. He is also a member of the Audit and Risk Committee, and Nominating and Remuneration Committee.

Mr Chia has more than 30 years of experience working in various fields such as investments, business consultancy and corporate finance.

He is the founding Managing Director of Catalyst Advisors Private Ltd. and Catalyst Advisors International Private Limited, which are both private equity investment and venture capital business consultancy firms. Concurrently, he is also a Senior Advisor of Atlas Financial Solutions, a Paris-based corporate finance advisory firm specialising in mid-cap company mergers and acquisitions. In September 2011, Mr Chia was appointed as an independent non-executive director of Technovator International Limited, a leading company in energy management systems, solutions and services; it is part of the Tsinghua Tongfang group of companies, whose ultimate controlling shareholder is Tsinghua University.

From July 2005 to June 2007, Mr Chia was Director of Business Development at Boustead Singapore Limited, and concurrently the Chief Executive Officer of Boustead subsidiary EasyCall International Ltd. Prior to that, from

January 1999 to June 2005, Mr Chia served as Senior Vice President of GIC Special Investments Pte Ltd. ("GIC SI"), the venture capital and private equity arm of GIC Private Limited.

Mr Chia holds a Diplôme d'Ingénieur (equivalent to a Master's Degree in Engineering) from L'École Nationale Supérieure de Chimie de Strasbourg, France.

#### MR LAI HOCK MENG

##### Chief Executive Officer and Executive Director

Mr Lai was appointed as Director on 14 May 2015 and appointed as the Chief Executive Officer on 1 October 2015.

Mr Lai spent more than 30 years in the financial industry including central banking, investment banking, private banking, stockbroking and venture capital. He has extensive experience and expertise in corporate finance and corporate investment across East and South-East Asia. Prior to joining the Manager, he was the Chairman and Chief Advisor of HML Consulting Group, which provides corporate governance, investment management and family wealth advisory services across China and South East Asia to listed corporations, private equity funds, family foundations and non-profit organisations.

Mr Lai was formerly the Managing Director of Morgan Grenfell & Asia Partners Securities and the Managing Director of SocGen Crosby Securities. He was also a senior private banker with the Citigroup Private Bank and Regional Market Manager in OCBC Private Bank. During the period from 2011 to 2016, Mr Lai was an independent non-executive director of ASTI Holdings Ltd and CFM Holdings Ltd. Both companies are listed on the SGX-ST. Mr Lai was also non-executive director of Senoko Power Ltd and City Gas Private Ltd, and chaired the audit committee of the then Temasek-linked companies during the periods from 2001 to 2005 and 2002 to 2006 respectively.

Mr Lai has a wealth of experience in initial public offerings, corporate restructuring, and mergers and acquisitions and corporate governance. Over the past 15 years, he has sat on the boards of 19 public companies listed on the exchanges in Singapore, Hong Kong, Malaysia and



## BOARD OF DIRECTORS

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the United Kingdom. Mr Lai also accumulated extensive experience in investment management over the past 15 years as former Chairman of the Investment Committee of the Singapore Chinese Orchestra, former Managing Director of Tembusu Partners Pte Ltd, and currently as director of the Char Yong Foundation and Champ Buyout III Pte Ltd.

Mr Lai holds a Bachelor of Arts (Honours) degree in Economics and a Master of Arts from the University of Cambridge in England. He is also a CFA charter holder from the CFA Institute, United States of America.

### MR ALVIN CHENG YU-DONG

#### **Executive Director and Deputy Chief Executive Officer**

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Mr Cheng was appointed as Executive Director and Deputy Chief Executive Officer on 20 January 2017.

Mr Cheng spent more than 30 years in REIT and business trust management, as well as investment banking, mergers and acquisitions and corporate advisory. He has extensive experience in corporate finance and corporate investment across North Asia and South-East Asia. Prior to joining the Manager, he was the Executive Director & Chief Executive Officer for LMIRT Management Ltd, which is the Manager of Lippo Malls Indonesia Retail Trust (LMIR Trust), listed on the SGX-ST.

Mr Cheng also has a wealth of experience in banking, as well as corporate restructuring, and mergers and acquisitions in logistic sector. Mr Cheng was formerly the Chief Executive Officer & Executive Director of PST Management (trustee-manager of Pacific Shipping Trust), Director of Corporate Strategy and Planning of APL and APL Logistics in China and part of the global management team of APL Logistics. Prior to that, he was a Regional Director with GE Capital Asia Pacific, and has held senior regional roles with Chemical Bank and Rabobank.

Mr Cheng holds Master of Science (Ocean Engineering) and Master of Science (Economics of Ocean Transportation) from Massachusetts Institute of Technology, Massachusetts, the United States of America.

### MR GOH TOH SIM

#### **Executive Director and President of Investment & Asset Management**

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Mr Goh was appointed as Executive Director and President of Investment & Asset Management on 17 May 2016.

Mr Goh has over 20 years of experience in the management of industrial parks, real estate development and business management in China. Prior to joining the Manager, he was the Chief Representative in China for Keppel Corporation Limited where he was responsible for government relations and business development. Prior to joining Keppel Corporation and from July 2006 to November 2009, Mr Goh was the Chief Executive Officer of Evergro Properties Limited, a real estate developer in Tianjin, Jiangyin and Changzhou, where he was responsible for the general management of the company, including setting of strategies, land and project acquisitions and property development.

Mr Goh also served as the CEO of Ascendas (China) Pte Ltd from January 2004 to June 2006, where he was responsible for developing and managing Ascendas' businesses in China. He initiated the development of Ascendas' businesses in several cities in China including Shanghai, Hangzhou, Dalian, Xian, and Nanjing. From January 2000 to December 2003, he was the Deputy Chief Executive Officer of China-Singapore Suzhou Industrial Park Development Group Co., Ltd. (formerly known as China-Singapore Suzhou Industrial Park Development Co., Ltd.) where he was responsible for infrastructure development, finance and government relations.

Mr Goh holds a Diplôme d'Ingénieur (French engineering degree which is equivalent to a Master's degree) in Telecommunications from the Ecole Nationale Supérieure des Télécommunications, Paris, France, and a Master of Business Administration from Insead, Fontainebleau, France.

# MANAGEMENT TEAM

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## MR LAI HOCK MENG

### Chief Executive Officer and Executive Director

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Mr Lai is an Executive Director and the Chief Executive Officer of the Manager. Please refer to his profile under the Board of Directors section of this Annual Report (see page 17).

## MR ALVIN CHENG YU-DONG

### Executive Director and Deputy Chief Executive Officer

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Mr Cheng is an Executive Director and the Deputy Chief Executive Officer of the Manager. Please refer to his profile under the Board of Directors section of this Annual Report (see page 18).

## MR GOH TOH SIM

### Executive Director and President of Investment & Asset Management

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Mr Goh is an Executive Director and the President of Investment & Asset Management of the Manager. Please refer to his profile under the Board of Directors section of this Annual Report (see page 18).

## TNG CHIN HWEE

### Chief Financial Officer

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Mr Tng is the Chief Financial Officer of the Manager. Prior to joining the Manager, Mr Tng had been the Chief Financial Officer of Ying Li International Real Estate Limited, Keppel REIT and Ascendas India Trust.

Before joining Ascendas in 2006, Mr Tng had held senior corporate finance and private equity investment positions. He was Vice President - Corporate Finance at RGM International, an Indonesian conglomerate involved in resource-based industries, where he had led several multimillion dollar mergers and acquisitions. Before joining RGM International, Mr Tng advised a

private investor on the takeover and subsequent debt restructuring of a freight forwarding company listed on the Singapore Exchange Securities Trading Ltd ("SGX-ST"), Freight Links Express Holding Ltd. Post-acquisition, he also structured the disposal of non-core assets which brought the group back to profitability. Mr Tng spent the initial ten years of his career with the Monetary Authority of Singapore ("MAS"), SBC Warburg and Nomura, where he was largely involved in investment banking and private equity investments.

Mr Tng holds a Bachelor of Accountancy (Honours) degree from the Nanyang Technological University of Singapore.

## MR JINBO LI

### Senior Manager, Investor Relations and Corporate Finance

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Mr Li is responsible for maintaining and strengthening relationships with research and the investment community as well as providing support for capital markets and fund raising activities. Prior to joining the Manager, Mr Li worked for 7 years in the financial services industry with several international banks. During his banking career, he primarily focused on the origination, structuring and execution of equity capital markets and mergers & acquisitions transactions.

Mr Li graduated from National University of Singapore with a degree (Honours) in Industrial & Systems Engineering.

## MR WANG FENG

### Operation Manager – Compliance and Risk Management

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Mr Wang is currently heading the internal audit and compliance function of the Manager. He is responsible for internal audit, updating and reporting compliance requirements of ECW and the Manager under the Securities and Futures Act ("SFA") and the Code on Collective Investment Schemes, and advising the Manager on its compliance processes. Prior to joining the Manager, Mr Wang was an Audit Manager with KPMG Singapore.

Mr Wang is currently a Member of the Association of Chartered Certified Accountants based in United Kingdom, and a Member of the Institute of Singapore Chartered Accountants.

# PLATFORM FOR GROWTH

Through strategic yield-accretive acquisitions and organic growth, ECW aims to enhance our asset portfolio, delivering greater value to our unitholders.

DISTRIBUTION PER UNIT\*:

2.454

SINGAPORE CENTS

AVERAGE POSITIVE  
RENTAL REVERSION RATE OF

6.4%

\* For the period 28 July 2016 – 31 December 2016





## THE PROPERTY MANAGER

The management of the daily operations of ECW's portfolio of properties is undertaken by Yuntong Property Management Co., Ltd. (运通网城资产管理有限公司)("Yuntong"), a wholly-owned subsidiary of the Sponsor. Yuntong is responsible for providing the following services to the properties in the REIT's portfolio:

- **Property and Lease Management Services:** To manage rental leases and ensure the desired level of customer service is provided to the tenants of the properties.
- **Marketing Services:** To market and lease vacant space in the ECW portfolio of properties. Where appropriate, the Property Manager may help to enhance the market positioning and attractiveness of the properties, thereby maximising returns to Unitholders.
- **Property Maintenance and Repair Services:** To maintain the properties in good condition.

The Property Manager has a team of experienced professionals dedicated to providing services to ECW's properties. Among the professionals employed by the Property Managers are skilled executives and technicians who have experience in managing well-known real estate developments in China.

The National Development and Reform Commission ("NDRC") has granted accreditation to the Property Manager under the Internet Plus Key Project (互联网+重大项目). This accreditation allows the Property Manager to provide value-added services to the tenants of the properties. Examples of such services include the outsourcing of registration and application activities, dealing of logistics and supply chain management solutions and online community services.



# MANAGEMENT REVIEW

## OPERATION REVIEW

The portfolio had a stable performance in FY2016 with its strength derived from a good mix of master leases and multi-tenant leases with a relatively long weighted average lease to expiry. The efforts of the Management and the Property Manager have resulted in strong performance across the entire portfolio as we continue to seek ways to maximise income while minimising expenses and disruptions to operations.

### Stable and high occupancy underpinned by tenants with strong businesses

Assets	Type of Lease/No. of Tenants	Underlying Tenant Occupancy Rate (%)*	Contractual Occupancy Rate (%)*
Fu Heng Warehouse	Master leased	100%	100%
Stage 1 Properties of Bei Gang Logistics	Master leased	85%	100%
Chongxian Port Investment	Master leased	100%	100%
Chongxian Port Logistics	Multi-tenanted/30 tenants	100%	100%
Fu Zhuo Industrial	Multi-tenanted/2 tenants	100%	100%
Hengde Logistics	Multi-tenanted/2 tenants	100%	100%

\* As at 31 December 2016

The quality of the portfolio is reflected in its high underlying occupancy rate of 97.4%<sup>1</sup> as at 31 December 2016. If taking into consideration the master lease for the Stage 1 Properties of Bei Gang Logistics, the contractual occupancy rate of the portfolio is 100%.

This strong performance of the portfolio has its foundations built on the stickiness of leases of the port asset (Chongxian Port Investment), e-commerce warehouse (Fu Heng Warehouse), as well as tobacco

warehouse (Hengde Logistics). These properties are respectively leased to Hangzhou Fu Gang Supply Chain Co., Ltd. (a port operator controlling more than 50% of the market share in steel products in Hangzhou), Hangzhou Fuyang Yuntan E-Commerce Co., Ltd. (an e-commerce logistics operator servicing the big e-commerce operators in China) and China Tobacco Zhejiang Industrial Co., Ltd (a large Tobacco manufacturing company), all of whom are underpinned by solid underlying business performances.



Stockyard for steel products at Chongxian Port Investment

1 Underlying occupancy rate weighted by NLA.



# MANAGEMENT REVIEW

## OPERATION REVIEW



Packaging facilities at Fuheng Warehouse



Stage 1 Properties of Bei Gang Logistics

Supply of inland ports in Hangzhou is limited and shrinking while Hangzhou's economy is growing at a rate of 9.5%.<sup>2</sup> Therefore the macro economic environment is providing tailwinds that support the business of the tenants of the three port-related assets, namely Chongxian Port Investment, Fuzhuo Industrial and Chongxian Port Logistics.

According to China's National Bureau of Statistics, online retail sales in China grew 26.2% in 2016, more than double the growth rate of overall retail sales in the country. Fu Heng Warehouse is specifically designed to cater to the ecommerce operations of "Ruyicang" (如意仓). Ruyicang is the e-commerce logistics operator of the Sponsor, and has strong business connections with Alibaba and other key ecommerce platform operators in China such as JD.com and VIP.com. Furthermore, the burgeoning e-commerce system nurtured at Bei Gang Logistics is driving up the underlying tenancy rate, which was 85% as at 31 December 2016. The two e-commerce assets are riding on the e-commerce tide in China and e-commerce in Hangzhou grew by 44.4% in 2016<sup>3</sup>.

Hengde Logistics is currently tenanted for the storage of tobacco. The value of products stored in this warehouse by China Tobacco Zhejiang Industrial Co., Ltd, is estimated to be worth RMB10 billion. With its temperature and humidity control systems, as well as pest management system,

Hengde Logistics is specially customised to cater to the special requirements of tobacco storage and this reflects its competitive advantage compared to ordinary warehouses.

### Active lease management

The Manager works closely with the Property Manager to optimise the occupancy rates of the properties. Existing and prospective tenants are engaged well in advance of lease expiries to mitigate risk of non-renewals and vacancies. As at 31 December 2016, the portfolio WALE was 3.9 years and 4.0 years by committed net lettable area and gross rental income respectively. WALE of new leases, which were at Chongxian Port Logistics, entered into after IPO, was 4.2 years. Income from these new leases contributed to 0.1% of the portfolio's gross rental income during the period 28 July 2016 to 31 December 2016. Unitholders can enjoy stability brought about by the long leases, with no significant leases expiring in the next 3 years.

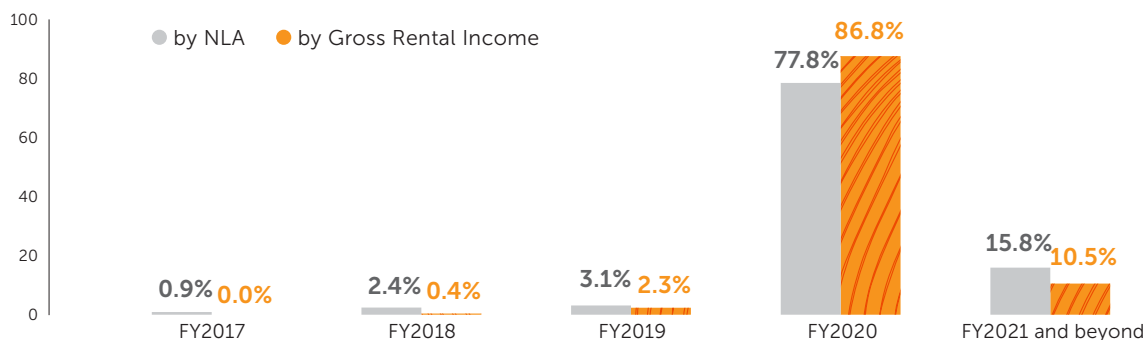
As at 31 December 2016, five out of the six properties in the portfolio are on long leases, expiring in 3.8 years and beyond. At Chongxian Port Logistics, there are 30 tenants with lease tenures ranging from 1 to 10 years with a WALE of 3.3 years. In the fourth quarter of 2016, rental of 22% of the space at this asset was renewed at a 6.4% reversion rate.

<sup>2</sup> Hangzhou statistics, released on 24 January 2017: <http://www.hzstats.gov.cn>

<sup>3</sup> Hangzhou statistics, released on 6 February 2017: <http://www.hzstats.gov.cn>

The expiry profile of leases that were locked in as at 31 December 2016 are shown in the chart below.

### Lease Expiry Profile: No significant space expiring in the next 3 years



During the period 28 July 2016 to 31 December 2016, the portfolio earned RMB186.3 million of gross rental income and 2.454 cents was paid in DPU to unitholders. Without master leases, gross rental income and DPU would have been RMB146.4 million and 1.845 cents respectively.

The majority of the leases have built-in rental escalation. Organic growth from rental escalation alone is expected to be between 4-5% per annum for the entire portfolio.

Property	Commencement date of Master Lease Agreements	Gross revenue (received from Listing Date to 31.12.16 (inclusive of VAT) (RMB'000)
Fu Heng Warehouse	1 Jan 2016	17,652
Stage 1 Properties of Bei Gang Logistics	1 Nov 2015	53,020
Chongxian Port Investment	1 Jan 2016	60,232

Property	Lease terms	Rental escalation
Fu Heng Warehouse	Master lease: From 1/1/2016 to 31/12/2020	6.0%, 5.0%, 4.0% and 3.0% on 1st Jan of 2017, 2018, 2019 and 2020 respectively.
Stage 1 Properties of Bei Gang Logistics	Master lease: From 1/11/2015 to 31/10/2020	1% per annum
Chongxian Port Investment	Master lease: From 1/1/2016 to 31/12/2020	6.0%, 5.0%, 4.0% and 3.0% on 1st Jan of 2017, 2018, 2019 and 2020 respectively
Chongxian Port Logistics	Multiple tenancies	(1) 75% of leases: increase of 10% in first 3 years, 12% from the fourth year; (2) 20% of leases: increases up to 5%, annually
Fu Zhuo Industrial	1) 25 Apr 2015 to 24 Apr 2020 2) 8 Oct 2014 to 7 Oct 2029	(1) 10% in first 3 years, 15% starting from the 4th year (2) 7.5% every 3 years
Hengde Logistics	1) 15 Oct 2015 to 14 Oct 2020 2) 9 May 2016 to 8 May 2021	2 main leases. Up to 10% upon renewal

# MANAGEMENT REVIEW

## OPERATION REVIEW

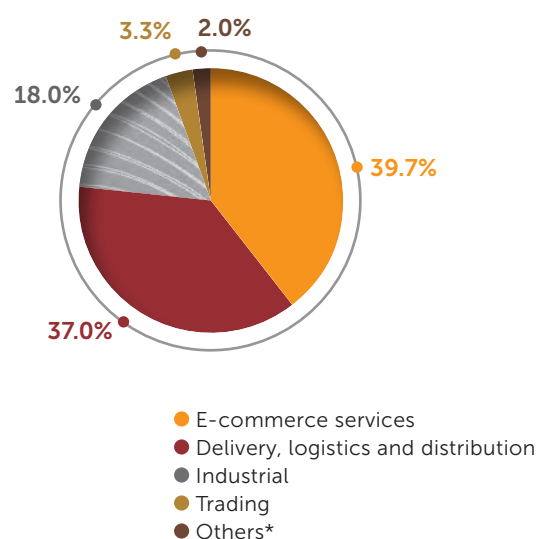
### Tenancy

As at 31 December 2016, there were a total of 35 tenants across the portfolio and contribution to gross rental income, based on locked-in rental, by the top 10 tenants is as follows:

Top tenants	% contribution to gross rental income
1 杭州富港供应链有限公司 Hangzhou Fu Gang Supply Chain Co., Ltd.	40.2%
2 富春集团控股有限公司 Forchn Holdings Group Co., Ltd	28.3%
3 浙江中烟工业有限责任公司 China Tobacco Zhejiang Industrial Co., Ltd	15.8%
4 杭州富阳运同电子商务有限公司 Hangzhou Fuyang Yuntong E-commerce Co., Ltd	10.3%
5 杭州西联物流有限公司 Hangzhou Xi Lian Logistics Co., Ltd	1.2%
6 网赢供应链有限公司	1.1%
7 浙江运通电子商务有限公司 Zhejiang Yuntong E-commerce Co., Ltd	1.1%
8 浙江高阳物资有限公司 Zhejiang Gao Yang Supplies Co., Ltd	0.7%
9 杭州乘风物资 Hangzhou Cheng Feng Supplies Co., Ltd	0.4%
10 无锡中建材钢铁有限公司 Wuxi CNBM International Corporation	0.4%

The tenants of the properties in the portfolio operate across diverse industries. The below chart shows the breakdown of tenancy according to trade sector, weighted on gross rental income collected in the second half of 2016.

### TENANTS OPERATE ACROSS DIVERSE INDUSTRIES



\* Others include Real Estate and Telecommunication sectors



Storage facilities at Fu Heng Warehouse



## PROPERTY PORTFOLIO OVERVIEW

The portfolio of ECW, purchased from the sponsor at IPO, comprises six properties located in Hangzhou, the People's Republic of China, with an aggregate net lettable area (NLA) of 698,478 sqm and land tenures ranging from 35 to 44 years. The portfolio is strategically constructed comprising a diversified set of quality assets that offers unitholders both stable income and growth potential. The six properties have an aggregate valuation of RMB6,407,000,000 as at 31 December 2016 as appraised by Colliers International.



Assets	Type	NLA (sqm)	Independent Valuation (RMB million)*
Fu Heng Warehouse	E-Commerce Logistics	94,287 <sup>1</sup>	551
Stage 1 Properties of Bei Gang Logistics	E-Commerce Logistics	120,449 <sup>2</sup>	1,295
Chongxian Port Investment	Port Logistics	112,726	2,124
Chongxian Port Logistics	Port Logistics	125,856	871
Fu Zhuo Industrial	Port Logistics	7,128	110
Hengde Logistics	Specialised Logistics	238,032	1,456

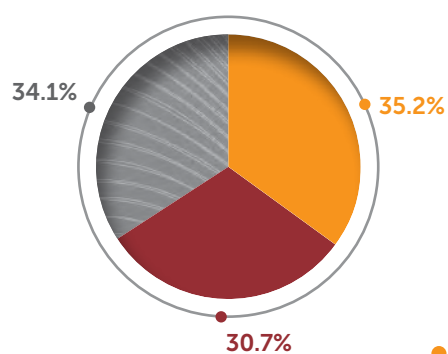
\* As at 31 December 2016 as appraised by Colliers

1 Includes underground space of 22,851.4 sqm

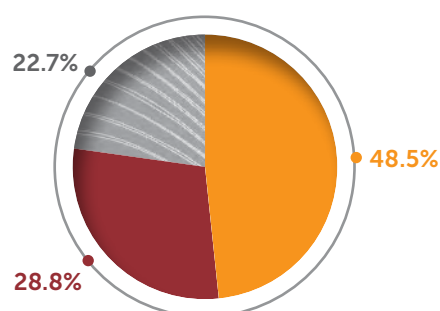
2 Includes underground carpark space of 29,848 sqm

## ASSET TYPE

### BREAKDOWN BY NLA



### BREAKDOWN BY VALUATION



- Port Logistics
- E-Commerce Logistics
- Specialised Logistics

# MANAGEMENT REVIEW

## PROPERTY PORTFOLIO OVERVIEW



Source: The Manager

Assets	Land tenure (expiry)	Remaining tenure (years)
Fu Heng Warehouse	2059-05-03	42
Stage 1 Properties of Bei Gang Logistics	2052-03-14	35
Chongxian Port Investment	2055-12-30	39
Chongxian Port Logistics – complex 1	2055-12-30	39
Chongxian Port Logistics – complex 2	2060-09-09	44
Fu Zhuo Industrial	2055-12-30	39
Hengde Logistics – complex 1	2053-07-28	37
Hengde Logistics – complex 2	2059-07-09	43
Average		40



**PROPERTY PORTFOLIO OVERVIEW**  
E-COMMERCE LOGISTICS

**FU HENG WAREHOUSE**



Fu Heng Warehouse ("FH") is located in Dongzhou Industrial Park, Fuyang District, South Hangzhou.

FH is a purpose-built e-commerce distribution centre comprising warehousing, logistics, parcel packaging and sorting supporting B2B, B2C, B2B2C operations. It houses e-commerce merchant offices, retail outlets, and warehouse space.

It serves as a full capability e-commerce centre with its integrated and highly developed system of storage and warehousing, inventory control, pick-and-pack services and express delivery capabilities.

**PROPERTY DATA**

<b>Specifications</b>	2 four-storey buildings
<b>Land Title</b>	May 2059
<b>Commencement of Operations</b>	February 2015
<b>Purchase Consideration</b>	RMB444.2 million
<b>Net Lettable Area</b>	94,287 sqm
<b>Key Tenant</b>	Master Leased to Hangzhou Fuyang Yuntong E-Commerce Co., Ltd.
<b>Occupancy</b>	100%
<b>Market Valuation</b> (as at 31 December 2016)	RMB551 million
<b>WALE (by NLA)</b>	4.0



# MANAGEMENT REVIEW

## PROPERTY PORTFOLIO OVERVIEW

### E-COMMERCE LOGISTICS

#### STAGE 1 PROPERTIES OF BEI GANG LOGISTICS



Stage 1 of Bei Gang Logistics (“BL”) is also located in North Hangzhou. BL is one of the largest e-commerce developments in the Yangtze River Delta.

BL offers an e-commerce ecosystem to its tenants who enjoy access to related services, logistics, trade and exhibition, O2O office, talent training and financial services within the premises. Demand for facilities which offer an e-commerce ecosystem is expected to grow in line with the expected expansion of B2B and B2C e-commerce businesses in China, especially in the Zhejiang Province.

Advanced logistics management systems and equipment installed in the facilities, coupled with the synergy derived from the eco-system of e-commerce service providers, add value to its tenants and provide opportunities for rental growth in the medium term. The National Development and Reform Commission (the “NDRC”) has granted accreditation to Hangzhou Bei Gang Logistics Co., Ltd. under the National Key Logistics Project 2015.

#### PROPERTY DATA

<b>Specifications</b>	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.
<b>Land Title</b>	March 2052
<b>Commencement of Operations</b>	June 2015
<b>Purchase Consideration</b>	RMB1,039.7 million
<b>Net Lettable Area</b>	120,449 sqm
<b>Key Tenant</b>	Master Leased to Forchn Holdings Group Co., Ltd
<b>Occupancy</b>	100% (underlying occupancy of 85%)
<b>Market Valuation</b> (as at 31 December 2016)	RMB1,295 million
<b>WALE (by NLA)</b>	3.8

**PROPERTY PORTFOLIO OVERVIEW**  
**PORT LOGISTICS**

**CHONGXIAN PORT INVESTMENT**



Chongxian Port Investment (“CXI”) is strategically located in the north of Hangzhou, on the east bank of the Beijing-Hangzhou Grand Canal. It is one of China’s key inland ports.<sup>1</sup> CXI is a quality river port asset, with growing annual throughput, providing income stability to the portfolio. It is leased to the port operator, a subsidiary of the Sponsor.



**PROPERTY DATA**

<b>Specifications</b>	<ul style="list-style-type: none"> <li>• Port with 23 Berths;</li> <li>• 88,617.4 sqm of storage yard;</li> <li>• 24,108.6 sqm of warehouse;</li> </ul>
<b>Land Title</b>	Until December 2055
<b>Commencement of Operations</b>	August 2008
<b>Purchase Consideration</b>	RMB1,682.1 million
<b>Net Lettable Area</b>	112,726 sqm
<b>Occupancy</b>	100%
<b>Key Tenant</b>	Master Leased to Hangzhou Fu Gang Supply Chain Co., Ltd.
<b>Market Valuation</b> (as at 31 December 2016)	RMB2,124 million
<b>WALE (by NLA)</b>	4.0

<sup>1</sup> Source: Market research by Colliers International in their independent property valuation report of Chongxian Port Investment.



# MANAGEMENT REVIEW

## PROPERTY PORTFOLIO OVERVIEW PORT LOGISTICS

### CHONGXIAN PORT LOGISTICS



Chongxian Port Logistics (“CXL”) is located in the north of Hangzhou, next to the port CXI. It is one of the largest metal products warehouse and logistics developments in the Yangtze River Delta.



#### PROPERTY DATA

Specifications	Storage yard, warehouse and office
Land Title	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	30 tenants with leases ranging from 1 to 10 years
Occupancy	100%
Car Park Lots	238
Market Valuation (as at 31 December 2016)	RMB871 million
WALE (by NLA)	3.3



**PROPERTY PORTFOLIO OVERVIEW**  
PORT LOGISTICS

**FU ZHUO INDUSTRIAL**



Fu Zhuo Industrial is strategically located north of Hangzhou, next to the port CXI, and therefore, is well-positioned to benefit from increases in the port's throughput.



**PROPERTY DATA**

<b>Specifications</b>	2 berths, a sand and stone warehouse, 1 repair workshop, 1 storage yard and 1 two-storey office building
<b>Land Title</b>	Until December 2055
<b>Commencement of Operations</b>	October 2014
<b>Purchase Consideration</b>	RMB85.6 million
<b>Net Lettable Area</b>	7,128 sqm
<b>Tenancy</b>	2 tenants
<b>Occupancy</b>	100%
<b>Car Park Lots</b>	45
<b>Market Valuation</b> (as at 31 December 2016)	RMB110 million
<b>WALE (by NLA)</b>	6.4

# MANAGEMENT REVIEW

## PROPERTY PORTFOLIO OVERVIEW SPECIALISED LOGISTICS

### HENGDE LOGISTICS



Hengde Logistics (“HL”) is located in Dongzhou Industrial Park, Hangzhou City.

It has high-specification warehouses offering features such as temperature and humidity control systems. HL has the capability to store temperature and humidity sensitive goods and products, such as tobacco, wines, cosmetics and perishables.

HL consists of 2 clusters of warehouses with its own power generator onsite and an isolated power grid to reduce any risks of electrical blackouts affecting the buildings. The two complexes are equipped with cargo lifts which are spacious and capable of accommodating forklifts. In addition, there are containment areas and docking bays which facilitate efficient and effective loading and unloading of goods for transportation.

With its specialised equipment and facilities, HL enjoys limited competition from similar specialised logistics asset in the region where it is located.

#### 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 Title	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 2016)	RMB1,456 million
WALE (by NLA)	4.0

### ASSET AND RENTAL GROWTH

The Manager employs a two-pronged approach to grow its rental income and enhance value of the REIT portfolio. It is actively scouring the market for yield accretive acquisitions as well as constantly evaluating the existing portfolio for opportunities to improve it.

### Acquisition

#### Update on properties under Right of First Refusal (ROFR)

The REIT has access to a total of 316,420 sqm of gross floor area under ROFR.

- (i) 100,777 sqm comes from Stage 2 of Bei Gang Logistics (Buildings No. 9 to 17) and
- (ii) 215,643 sqm from Fuzhou e-commerce properties.

As of 31 December 2016, construction for Buildings No. 9 to 14 in Stage 2 of Bei Gang Logistics have been completed and Buildings No. 9 to 12 leased out. Stage 2 of Bei Gang Logistics, which is located next to Stage 1 of Bei Gang Logistics, provides rental space for office and O2O retail, targeting e-commerce tenants.

Construction of Fuzhou e-commerce properties was 80% completed as at 31 December 2016 and it is expected to be ready for leasing in 2018.



The Manager will also proactively identify potential acquisition targets from the Sponsor and third parties by leveraging on the networks and business relationships of the Sponsor.

### Portfolio Management

The Manager takes a proactive approach and constantly reviews the portfolio assets to identify Asset Enhancement Initiatives ("AEI") to improve portfolio returns.

The enhancement to Chongxian Port Investment was completed at the end of third quarter of 2016. Chongxian Port Investment had 23 berths and 112,726 sqm of storage yard prior to the upgrade. The upgrade converted 24,108.6 sqm of the storage yard into warehouse space. Consequently, total income from Chongxian Port Investment increased by 4.4% in October 2016.

**LAI HOCK MENG**  
Executive Director and CEO



# CORPORATE GOVERNANCE

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## OUR CORPORATE GOVERNANCE CULTURE

The Manager aspires to the highest standards of corporate governance. The Manager is committed to ongoing improvements in corporate governance practices. It has developed and, on an ongoing basis, maintains sound and robust policies and practices to meet the specific business needs of ECW and to provide a firm foundation for a trusted and respected business enterprise. The Manager shall comply with the substance and spirit of the principles of the Code of Corporate Governance 2012 (the "Code") where applicable, while achieving operational excellence and delivering ECW's long-term strategic objectives. The Board of Directors (the "Board") is responsible for the Manager's corporate governance standards and policies, underscoring their importance to the Manager.

This report sets out the corporate governance practices for the financial year ended 31 December 2016 ("FY2016") with reference to the Code. Where there are deviations from the principles and guidelines of the Code, explanations are provided within this Annual Report.

Our primary role as the manager of ECW (the "Manager") is to establish the strategic direction of ECW in accordance with its mandate and make recommendations to DBS Trustee Limited, in its capacity as trustee of ECW (the "Trustee"), on any investment opportunities for ECW and the enhancement of the assets of ECW in accordance with the stated investment strategy for ECW. The research, evaluation and analysis required for these purposes are coordinated and carried out by us as the Manager.

As the Manager, we have general powers of management over the assets of ECW. Our primary responsibility is to manage the assets and liabilities of ECW for the benefit of the unitholders of ECW (the "Unitholders"). We do this with a focus on generating rental income and enhancing asset value over time so as to maximise the returns from the investments, and ultimately the distributions and total returns to Unitholders.

## (A) BOARD MATTERS

### THE BOARD'S CONDUCT OF AFFAIRS

#### Principle 1:

#### An effective Board to lead and control ECW

The Board is collectively responsible for the long-term success of ECW. The Board works with the management team of the Manager ("Management") to achieve this and Management remains accountable to the Board.

The Board oversees the affairs of the Manager in furtherance of the Manager's primary responsibility to manage the assets and liabilities of ECW for the benefit of Unitholders. Apart from the Board's statutory duties and responsibilities, the Board provides leadership to the Management and sets the strategic vision, direction and long-term objectives for ECW.

The Board establishes goals for Management and monitors the achievement of these goals. It ensures that proper and effective controls are in place to assess and manage business risks and compliance with requirements under the Listing Rules, the Property Funds Appendix, as well as any other applicable guidelines prescribed by the SGX-ST, MAS or other relevant authorities, and applicable laws. It also sets the values, disclosure and transparency standards for ECW and ensures that obligations to Unitholders and other stakeholders are understood and met.

The Board considers sustainability issues such as environmental and social factors as part of its strategic formulation and identifies the key stakeholder groups and recognise that their perceptions affect ECW's reputation.

The Board has put in place a set of internal controls wherein key matters are specifically reserved for approval by the Board. To facilitate operational efficiency, approval of operational transactions below certain level is delegated to Management.

The Board has reserved authority to approve certain key matters and these include:

- (a) acquisitions, investments, disposals and divestments;
- (b) issue of new units in ECW (Units);
- (c) income distributions and other returns to Unitholders;
- (d) matters which involve a conflict of interest with a controlling Unitholder or a Director;
- (e) corporate strategies and policies of ECW;
- (f) annual budget;
- (g) financial performance of ECW and to approve the release of quarterly and full year results; and
- (h) audited financial statements.

To keep pace with regulatory changes, where these changes have an important bearing on the disclosure obligations of the Manager or its Directors, the Directors are briefed either during Board meetings or at specially convened sessions involving the relevant advisers and professionals if necessary, or via circulation of Board papers. Management will also provide the Board with relevant and adequate information in a timely manner through regular updates, and at least quarterly during the quarterly Board meetings on financial results, market trends and business developments.

Where required, the Directors will be updated of the relevant changes to the Listing Rules of the SGX-ST, the Securities and Futures Act, the CIS Code and the Companies Act, as well as any applicable laws, regulations and rules. The Directors who are members of the Audit and Risk Committee will also be updated on any changes in the financial reporting standards by the external auditors at the quarterly Audit and Risk Committee meeting.

The Directors continue to receive regular training and updates on relevant laws, rules and regulations and are encouraged to participate in conferences, seminars or training programmes in connection with their duties. The costs of arranging and payment of such training of the Directors will be borne by the Manager.

All Directors are given formal appointment letters explaining the terms of their appointment as well as their duties and obligations.

An orientation was organised for all new appointed Directors during the year where the business activities of ECW, and its strategic directions and policies were briefed.

# CORPORATE GOVERNANCE

The Board has established various board committees to assist it in the discharge of its functions. These board committees are the Audit and Risk Committee (the "ARC") and the Nominating and Remuneration Committee (the "NRC"), collectively, the "Board Committees". The composition of the various Board Committees is set out in the table below.

## Composition of the Board and Board Committees

Board Members	Audit and Risk Committee	Nominating and Remuneration Committee
Mr Zhang Guobiao	Mr Wong See Hong	Mr Li Guosheng
Mr Chan Heng Wing	Mr Chia Yew Boon	Mr Zhang Guobiao
Mr Wong See Hong	Mr Li Guosheng	Mr Chan Heng Wing
Mr Chia Yew Boon		Mr Chia Yew Boon
Mr Li Guosheng		
Mr Lai Hock Meng		
Mr Alvin Cheng Yu-Dong <sup>1</sup>		
Mr Goh Toh Sim		

1 Mr Alvin Cheng Yu-Dong was appointed as an Executive Director on 20 January 2017.

Each of these Board Committees operates under delegated authority from the Board, with the Board retaining overall oversight. The Board may form other Board Committees as and when required. Membership of the various Board Committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

The Board meets at least once every quarter, and as and when required between the scheduled meeting. Where exigencies prevent a Director from attending a Board meeting in person, the Constitution of the Manager permits the Director to participate via teleconferencing or video conferencing. The Board and Board Committees may also make decisions by way of passing written resolutions.

Directors may request for explanations, briefings by or discussions with Management on any aspect of ECW's operations or business. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

A total of two Board meetings were held in FY2016<sup>2</sup>. A table showing the attendance record of the Directors at meetings of the Board and Board Committees during FY2016 is set out on page 42 of this Annual Report. The Manager believes in the overall contribution of its Directors beyond their attendance at formal Board and Board Committee meetings. The Manager believes that judging a Director's contributions based on his attendance at formal meetings alone would not do justice to his overall contributions, which include being accessible to Management for guidance or exchange of views outside the formal environment of Board and Board Committee meetings.

At all times the Directors are collectively and individually obliged to act honestly and with diligence, and to consider the best interest of Unitholders. In addition to disclosure of any interest a Director may have in a matter under consideration by the Board, any Director who is in a conflict of interest situation is also required to abstain from participating in discussions on the matter.

2 ECW was listed on the Main Board of SGX-ST on 28 July 2016.



## BOARD COMPOSITION AND GUIDANCE

### Principle 2:

#### Strong and independent element on the Board

The NRC reviews from time to time the size and composition of the Board with a view to ensuring that the size of the Board is appropriate in facilitating effective decision-making, taking into account the scope and nature of the operations of ECW and its subsidiaries (the "ECW Group"); and that the Board has a strong independent element. The Board comprises eight (8) Directors: three (3) executive Directors, one (1) non-executive Director and four (4) non-executive independent Directors (the "IDs"). The current Board comprises individuals who are business leaders and professionals with financial, banking, real estate and investment backgrounds. The varied backgrounds of the Directors enable Management to benefit from their respective expertise and diverse background.

Each Director brings to the Board skills, experience, insights and sound judgement which, together with his strategic networking relationships, serve to further the interests of ECW. The Chairman of the Board is a Non-Executive Director (the "NED"). Profiles of the Directors are provided on pages 14 to 18 of this Annual Report.

No alternate Director was appointed.

The NRC assesses the independence of each Director in accordance with the guidance in the Code and the existence of relationships or circumstances. Each non-executive Directors had provided declarations of their independence which have been deliberated upon by the NRC. The NRC has determined Mr Chan Heng Wing, Mr Wong See Hong, Mr Chia Yew Boon and Mr Li Guosheng to be independent in terms of their character and judgement in the discharge of their responsibilities as Directors. Each member of the NRC had recused himself from deliberations on his own independence.

Non-executive Directors ("NEDs") contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their view and opinions provide alternative perspectives to ECW's business and enable the Board to make informed and balanced decisions. NEDs also work with Management to help shape the strategic process.

When reviewing Management proposals or decisions, the NEDs bring their objective judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The NEDs meet without the presence of Management on a need-basis.

In the spirit of good corporate governance, the Board has appointed Mr Chan Heng Wing as Lead Independent Director. The Lead Independent Director is available to Unitholders if they have concerns and for which contact through normal channels of Chairman, the CEO or the CFO, has failed to resolve or is inappropriate.

# CORPORATE GOVERNANCE

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## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

### Principle 3:

#### Clear division of responsibilities between the Chairman of the Board and Chief Executive Officer of the Manager

To maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles and responsibilities of the Chairman and the CEO are held by separate individuals.

The non-executive Chairman, Mr Zhang Guobiao, is responsible for leadership of the Board and for creating the conditions for overall effectiveness of the Board, Board Committees and individual Directors. This includes setting the agenda of the Board in consultation with the CEO and promoting constructive engagement among the Directors as well as between the Board and the CEO on strategic issues. The CEO, Mr Lai Hock Meng, has full executive responsibilities over the business directions and operational decisions of ECW and is responsible for implementing ECW's strategies and policies and conducting ECW's business.

The Chairman and the CEO are not immediate family members. The separation of the roles of the Chairman and the CEO and the clarity of roles provide a healthy professional relationship between the Board and Management, and facilitate robust deliberations on the business activities of ECW and the exchange of ideas and views to help shape the strategic process.

## BOARD MEMBERSHIP

### Principle 4:

#### Formal and transparent process for the appointment and re-appointment of directors to the Board

The Board has established a NRC to make recommendations to the Board on all Director appointments and related matters including reviewing the structure, size and composition of the Board, reviews the independence of Directors, reviews the training and professional development programme for the Board and reviewing the performance and independence of Board members. The NRC seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to ECW's business.

The NRC comprises four NEDs, a majority of whom are independent, namely:

Mr Li Guosheng (Non-Executive Director)	Chairman
Mr Chan Heng Wing (Independent Non-Executive Director and Lead Independent Director)	Member
Mr Chia Yew Boon (Independent Non-Executive Director)	Member
Mr Zhang Guobiao (Independent Non-Executive Director)	Member

The NRC has adopted a process for selecting, appointing and re-appointing Directors and reviewing the performance of Directors and Board Committees.

- (a) The NRC will at least annually carry out a review of the Board composition as well as on each occasion when an existing Director gives notice of his intention to retire or resign. This is to assess the collective skills, knowledge and experience of Directors represented on the Board to determine whether the Board, as a whole, has the skills, knowledge and experience required to achieve the Manager's objectives for ECW.

- (b) The NRC will review the suitability of any candidates put forward by any Director for appointment and re-appointment, having regard to the skills required and the skills represented on the Board and whether a candidate's skills, knowledge and experience will complement the existing Board and whether he has sufficient time available to commit to his responsibilities as a Director, and whether he is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper criteria issued by MAS (which require the candidate to be, among other things, competent, honest, to have integrity and be financially sound).
- (c) External consultants may be engaged from time to time to access a wide base of potential directors.
- (d) No member of the Board will be involved in any decision of the Board relating to his own appointment, re-appointment or assessment of independence.
- (e) The performance of the Board, Board Committees and Directors will be reviewed annually.
- (f) The NRC will proactively address any issues identified in the board performance evaluation.

The adopted process takes into account the requirements in the Code that the composition of the Board, including the selection of candidates for new appointments to the Board as part of the Board's renewal process, be determined using the following principles:

- (a) the Board should comprise Directors with a broad range of commercial experience, including expertise in funds management, the property industry, banking and legal fields; and
- (b) at least one-third of the Board should comprise IDs. Where, among other things, the Chairman of the Board is not an ID, at least half of the Board should comprise IDs.

Since at least half of the Board comprises IDs, the Manager will not voluntarily subject the appointment or re-appointment of directors to voting by Unitholders. The Board intends to continue with the principle that at least half of the Board shall comprise IDs.

In reviewing its Board composition, the NRC and Board will also consider the guidelines that an ID should serve for no more than a maximum of two three-year terms and any extension of his appointment after he has served for six years could be on a yearly basis up to a period of nine years (inclusive of the initial two three-year terms served).

A Director with multiple directorships is expected to ensure that sufficient attention can be and is given to the affairs of the Manager in managing the assets and liabilities of ECW for the benefit of Unitholders. All Directors had confirmed that they were able to devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of ECW for the benefit of Unitholders. Taking into account also the attendance records of the Directors at meetings of the Board and Board committees during FY2016 on the next page, the NRC is of the view that the current commitments of each of its Directors are reasonable and each of the Directors is able to and has been adequately carrying out his duties. In consultation with the NRC, the Board has prescribed that its IDs may not hold more than six directorships in other public listed companies and its executive Directors not more than two directorships other than the one they are serving.



# CORPORATE GOVERNANCE

## Attendance Record of Meetings in FY2016

Name of Director	Audit and Risk Committee Meetings		Nominating and Remuneration Committee		Board of Directors	
	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended
Mr Zhang Guobiao	–	–	1	1	2	2
Mr Chan Heng Wing	–	–	1	1	2	2
Mr Wong See Hong	1	1	–	–	2	2
Mr Chia Yew Boon	1	1	1	1	2	2
Mr Li Guosheng	1	1	1	1	2	2
Mr Lai Hock Meng	–	–	–	–	2	2
Mr Alvin Cheng Yu-Dong <sup>1</sup>	–	–	–	–	–	–
Mr Goh Toh Sim	–	–	–	–	2	2

\* Number of meetings held for the period from 28 July 2016 (listing date of ECW on SGX-ST) to 31 December 2016.

<sup>1</sup> Mr Alvin Cheng Yu-Dong was appointed as an Executive Director on 20 January 2017.

## BOARD PERFORMANCE

### Principle 5:

#### Formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board

The Board has put in place a formal system of evaluating Board performance and assessing the effectiveness of the Board, the Board Committees and the individual Directors through the use of performance evaluation forms.

The evaluation of Board's performance as a whole deals with matters on Board composition, information, process, accountability, risk and internal controls and standards of conduct. The Board Committees' evaluation deals with the efficiency and effectiveness of each Board Committee in assisting the Board. The criteria for the evaluation of individual Directors include, amongst others, the Directors' attendance and participation at Board and Board Committee meetings, understanding of business plans and strategies, and ability to articulate thoughts and opinions in a clear and concise manner.

Each Director is required to complete the evaluation forms, and then return them to the company secretary of the Manager ("Company Secretary"). The Company Secretary will compile the summary of the results of the evaluation and tables the summary at the NRC meeting for the NRC's review.

The performance evaluation of the Board, Board Committees and individual Director in respect of FY2016 was carried out in January 2017. The NRC was satisfied with the Board, Board Committees and Individual Directors' performance evaluation results which indicate each and every Director had demonstrated commitment and had contributed to the effective functioning of the Board and the Board Committees. Individual Directors have recommended means to further enhance the Board. The NRC had discussed the results and recommendations with the Board who agreed to work on further enhancement areas.

## ACCESS TO INFORMATION

### Principle 6:

#### Access to Management and complete, adequate and timely information

Management provides the Board with relevant information on a timely basis prior to Board meetings and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities. Reports on ECW's performance are also provided to the Board on a regular basis.

The CEO provides update on ECW's business and operations as well as financial performance. Presentations in relation to specific business areas are also made by key executives and external consultants and/or experts, if required.

Where appropriate, informal meetings are also held for Management to brief Directors on prospective deals and potential developments in the early stages before formal Board approval is sought.

Board meetings for each year are scheduled in advance to facilitate the Directors' arrangements and commitments. Board papers are circulated in advance of each meeting and include background explanatory information for the Directors to prepare for the meeting and make informed decisions.

The Board has separate and independent access to Management including the Company Secretary at all times. The Company Secretary attends to corporate secretarial administration matters and advises the Board on governance matters. The Company Secretary attends all Board meetings. The Board, whether as individual Director or as a group, is also entitled to have access to independent professional advice where required, at the Manager's expense.

The appointment and the removal of the Company Secretary is a matter for the Board to determine.

The ARC also meets the internal and external auditors separately at least once a year, without the presence of Management and has unfettered access to any information that it may require.

## (B) REMUNERATION MATTERS

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

#### Principle 7: Procedures for Developing Remuneration Policies

#### Principle 8: Level and Mix of Remuneration

#### Principle 9: Disclosure on Remuneration

ECW is externally managed by the Manager and accordingly has no personnel of its own. Remuneration of all Directors and employees of the Manager are paid by the Manager and not by ECW. The Manager adopts the principle that remuneration for the Board and Management should be assessed holistically. The remuneration structure supports the continuous development of the management bench strength to ensure robust talent management and succession planning.

The Manager adopts the principle that remuneration matters should be appropriately structured and benchmarked with good market practices to attract qualified talent to grow and manage its business.

# CORPORATE GOVERNANCE

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The NRC has written terms of reference setting out its scope and authority in performing the functions of a remuneration committee, which include advising the Board in matters relating to:

- the framework of remuneration for the Directors and key management personnel of the Manager;
- the specific remuneration packages for the Directors and for key management personnel of the Manager covering all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, unit-based incentives, awards and benefits in kinds;
- the termination payment, gratuities, severance payment and other similar payments, if any, to the Executive Directors and key management personnel of the Manager; and
- the development of a remuneration policy with regard to the objective of attracting, rewarding and retaining performing staff.

The key objectives and features of the Manager's policy on the remuneration of its Directors are as follows:

- the level of Directors' fees should be appropriate (but not excessive) to attract and motivate the Directors to provide good stewardship of the Manager and the Group;
- Directors' fees are reviewed annually and subject to the approval of the Manager's shareholder;
- each Director is paid a basic fee and, in addition, to ensure that each Director's fees are commensurate with his or her responsibilities of the Manager's policy on the remuneration of its executives are as follows:
  - a) the level and structure of executive remuneration should be competitive (but not excessive) to attract, motivate and retain a pool of talented executives for the present and future growth of the Manager; and
  - b) executive remuneration should be performance related with a view to promoting the long-term success and sustainability of the Manager and ECW Group.

The NRC had in February 2017 reviewed and determined the remuneration packages of Directors and key management personnel, to ensure that they are adequately but not excessively remunerated.

Directors' fees are established and reviewed annually based on each Director's level of responsibilities on the Board and its Board Committees, and are benchmarked against market practices.

Directors' fees are based on a structured fees framework reflecting the responsibilities and time commitment of each Director. The fees framework comprises a base fee and additional fee for holding appointment as Board Chairman, Chairman or member of Board Committees. The Manager has set out in the table on the next page information on the fees paid to the Directors for FY2016:



### Directors' Fees (other than the Executive Directors)

Board Members	FY2016
Zhang Guobiao	100,000
Chan Heng Wing	52,500
David Wong See Hong	42,424
David Li Guosheng	39,773
Chia Yew Boon	37,121

The Chairman of the Board and of each Board Committee are paid a higher fee compared with members of the Board and of such Board Committee in view of the greater responsibility carried by that office. NEDs are paid entirely in cash.

The remuneration of the Board and the employees of the Manager is paid by the Manager from the fees which it receives from ECW and not paid by ECW.

The NRC has recommended the payment of a one-off additional fees amounting to S\$20,000 to each Mr Chan Heng Wing and Mr Chia Yew Boon, the NEDs of the Company for their additional efforts and time spent with Management before and after the initial public offering ("IPO") of ECW. The Board supported the NRC's recommendation and recommended the same to the Manager's shareholder, who had approved the payment of the said fees in February 2017.

The CEO and other Executive Directors, do not receive Director's fees. Their compensation comprises a basic salary, allowances and bonuses. The Board will, with the recommendation of the NRC, review the CEO and Executive Directors' specific remuneration packages to ensure its compliance with the substance and spirit of such directions and guidelines from the MAS.

The NRC exercises broad discretion and independent judgement in ensuring that the amount and mix of remuneration are in line with market practices, aligned with the interests of unitholders and promote the long-term success of ECW.

In establishing the remuneration structure of the key management personnel, the NRC ensures that the level and mix of remuneration is competitively benchmarked against the relevant industry market rates and tied to the performance of ECW and the individual employee. The total remuneration mix comprises fixed and variable components. The fixed component comprises the base salary, annual wage supplement, fixed allowances and compulsory employer contribution to an employee's Central Provident Fund. The variable component comprises an annual bonus plan which is linked to the achievement of annual performance targets for each key executive, which will be paid in cash or in the units of ECW (which were received by the Manager as payment for its own fees). Annual performance targets are in the form of both quantitative and qualitative measures and, are aligned to the business strategy for ECW Group and linked to the performance of ECW.

The NRC has reviewed and recommended the payment of an additional month of year-end variable bonus amounting to S\$35,000 ("Variable bonus") to each Mr Lai Hock Meng and Mr Goh Toh Sim on top of their contractual annual wage supplement. The variable bonus was paid in cash in February 2017. In recognition of the CEO's, Mr Lai Hock Meng and the Executive Director, Mr Goh Toh Sim's contributions during the IPO of ECW, the NRC had also recommended the payment of a one-off bonus amounting to S\$125,000 ("IPO bonus") to each of them. The Board supported the NRC's recommendation and recommended the same to the Manager's shareholder, who had approved the payment of the said fees. The IPO bonus was paid in units of ECW totalling 308,640 at the price of S\$0.81 per unit in February 2017.

No member of the Board will be involved in any decision of the Board relating to his own remuneration.

# CORPORATE GOVERNANCE

The Code and the Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (issued pursuant to Section 101 of the Securities and Futures Act) require

- (i) the disclosure of the remuneration of each individual Director and the CEO on a named basis, and
- (ii) the disclosure of the remuneration of at least the top five key management personnel / top five executive officers (who are neither Directors nor the CEO) in bands of S\$250,000.

Given the confidentiality and sensitivity of remuneration matters, the Board believes that disclosing the remuneration of the CEO and other Executive Directors on a named basis in exact quantum is not in the best interests of ECW and its Unitholders. In view of the highly competitive human resource environment, it is important for the Manager to retain talent for the long-term interests of ECW and its Unitholders, and ensure stability and continuity of business operations with a competent and experienced management team are in place.

Remuneration of the CEO and other Executive Directors for FY2016 is as follows:

Remuneration	Salary	Bonus	Other Benefits	Total
<b>Above S\$250,000 to S\$500,000</b>				
Lai Hock Meng	98%	–	2%	100%
Alvin Cheng Yu-Dong*	–	–	–	–
Goh Toh Sim	97%	–	3%	100%

\* Alvin Cheng Yu-Dong joined the Manager in January 2017, hence no remuneration was paid to him during FY2016.

Remuneration of the key management personnel (who are not Directors or the CEO) in bands of \$250,000 is as follows:

Remuneration	Salary	Bonus	Other Benefits	Total
<b>Above S\$250,000 to S\$500,000</b>				
Huang Jian <sup>#</sup>	72%	22%	6%	100%
Tng Chin Hwee*	–	–	–	–

<sup>#</sup> Ms Huang Jian held the position of Chief Financial Officer until she resigned from the position on 31 December 2016.

\* Mr Tng Chin Hwee joined the Manager in January 2017, hence no remuneration was paid to him during FY2016.

The aggregate remuneration paid to the above key management personnel (excluding CEO) was S\$536,000 in FY2016. Guideline 9.3 of the Code requires disclosure of the remuneration of at least the top 5 key management personnel, the Manager currently considers the above individuals, who besides the CEO, are key management personnel in view of their current assigned duties and roles.

There are no termination, retirement or post-employment benefits that are granted over and above what have been disclosed.

The NRC will review the need for long term incentive plan when appropriate.

There were no employees of the Manager who were immediate family members of a Director or the CEO during FY2016 and whose remuneration exceeded S\$50,000 during the year. 'Immediate family member' refers to the spouse, child, adopted child, step-child, sibling or parent of the individual.

## **(C) ACCOUNTABILITY AND AUDIT**

### **ACCOUNTABILITY**

#### **Principle 10:**

**The Board should present a balanced and understandable assessment of the company's performance, position and prospects**

The Manager provides Unitholders with quarterly and annual financial statements. In presenting the annual and quarterly financial statements to Unitholders, the Board aims to provide Unitholders with a balanced, clear and understandable assessment of ECW's performance, position and prospects. In order to achieve this, Management provides the Board with management accounts on a monthly basis and such explanation and information as any Director may require, to enable the Directors to keep abreast, and make a balanced and informed assessment, of ECW's financial performance, position and prospects.

The Manager believes in conducting itself in ways that seek to deliver maximum sustainable value to Unitholders. Best practices are promoted as a means to build an excellent business for Unitholders and the Manager is accountable to Unitholders for ECW's performance. Prompt fulfilment of statutory and regulatory reporting requirements is but one way to maintain Unitholders' confidence and trust in the capability and integrity of the Manager.

### **RISK MANAGEMENT AND INTERNAL CONTROLS**

#### **Principle 11:**

**A sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets**

The Manager has put in place an adequate and effective system of internal controls addressing material financial, operational, compliance and information technology risks to safeguard Unitholders' interests and ECW's assets.

The Board has overall responsibility for the governance of risk and oversees the Manager in the design, implementation and monitoring of the risk management and internal controls systems. The ARC assists the Board in carrying out the Board's responsibility of overseeing the risk management framework and policies of ECW Group.

The ARC is guided by its terms of reference, in particular, the ARC:

- (a) reviews ECW's risks profile and level of risk tolerance;
- (b) assesses the adequacy and effectiveness of the risk management and internal controls systems established by the Manager to manage risks;
- (c) oversees Management in the formulation, updating and maintenance of an adequate and effective risk management framework, policies and strategies for managing risks that are consistent with ECW Group's risk appetite and reports to the Board on its decisions on any material matters concerning the aforementioned;
- (d) makes the necessary recommendations to the Board such that an opinion relating to the adequacy and effectiveness of the risk management and internal controls system can be made by the Board in the annual report of ECW in accordance with the Listing Manual and the Code; and
- (e) considers and advises on risk matters referred to it by Management or the Board including reviewing and reporting to the Board on any material breaches of the Risk Appetite Statement ("RAS"), any material non-compliance with the approved framework and policies and the adequacy of any proposed action.



# CORPORATE GOVERNANCE

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The Manager adopts an Enterprise Risk Management (ERM) Framework which sets out the required environmental and organisational components for managing risk in an integrated, systematic and consistent manner. The ERM Framework and related policies are reviewed annually.

The Manager consistently seeks to improve and strengthen its ERM Framework. As part of the ERM Framework, the Manager, among other things, undertakes and performs a Risk and Control Self-Assessment (RCSA) process. From the RCSA process, the Manager maintains a risk register which identifies the material risks ECW Group faces and the corresponding internal controls it has put in place to manage or mitigate those risks. The material risks will be reviewed annually by the ARC and the Board.

The ARC also reviews the approach of identifying and assessing risks and internal controls in the risk register. The system of risk management and internal controls is reviewed and, where appropriate, refined regularly by Management, the ARC and the Board. Where relevant, reference is made to the best practices and guidance in the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council.

Management has established an approach on how risk appetite is defined, monitored and reviewed for ECW Group. ECW Group's RAS addresses the management of material risks faced by ECW Group. Alignment of ECW Group's risk profile to the RAS is achieved through various communication and monitoring mechanisms put in place across the various functions within the Manager.

More information on the Manager's ERM Framework can be found in the Enterprise Risk Management section on pages 57 to 59 of this Annual Report.

The internal and external auditors conduct audits that involve testing the effectiveness of the material internal controls for ECW Group addressing financial, operational, compliance and information technology risks. This includes testing, where practical, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the ARC. The adequacy and effectiveness of the measures taken by Management in response to the recommendations made by the internal and external auditors are also reviewed by the ARC.

The Board has received assurance from the CEO and CFO of the Manager that:

- (a) the financial records of ECW Group have been properly maintained and the financial statements for FY2016 give a true and fair view of ECW Group's operations and finances; and
- (b) the system of risk management and internal controls in place for ECW Group is adequate and effective in addressing the material risks faced by ECW Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the ERM Framework established and the reviews conducted by Management and both the internal and external auditors, as well as the assurance from the CEO and CFO of the Manager, the Board concurs with the recommendation of the ARC and is of the opinion, that the system of risk management and internal controls addressing material financial, operational, compliance and information technology risks established by the Manager is adequate and effective to meet the needs of ECW Group in its current business environment for FY2016.

## AUDIT COMMITTEE

### Principle 12:

#### Establishment of Audit and Risk Committee with written terms of reference

The ARC comprises three IDs namely:

Mr Wong See Hong	Chairman
Mr Chia Yew Boon	Member
Mr Li Guosheng	Member

The members bring with them invaluable and relevant managerial and professional expertise in accounting and related financial management domains.

The ARC does not have any member who is a former partner or Director of ECW's existing audit firm.

The ARC has explicit authority to investigate any matter within its terms of reference. Management is required to provide the full co-operation in providing information and resources, and in implementing or carrying out all requests made by the ARC. The ARC has direct access to the internal and external auditors and full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal and external auditors are given unrestricted access to the ARC.

The ARC is guided by its terms of reference, which defines its duties and scope of authority. In particular, the duties of the ARC include the following which the ARC had carried out during the year:

- (a) reviews the annual audit plan, including the nature and scope of the internal and external audits before the commencement of the audits;
- (b) reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of ECW Group and any announcements relating to ECW Group's financial performance;
- (c) reviews and reports to the Board at least annually the adequacy and effectiveness of the Manager's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- (d) reviews the adequacy and effectiveness of the Manager's internal audit and compliance functions;
- (e) reviews the scope and results of the external audit and independence and objectivity of the external auditors;
- (f) makes recommendations to the Board on the proposals to Unitholders on the appointment, reappointment and removal of the external auditors, and approving the remuneration of the external auditors;
- (g) reviews and approves processes to regulate transactions involving an Interested Person (as defined in Chapter 9 of the Listing Manual) and/or Interested Party (as defined in the Property Funds Appendix) (each, an Interested Person) and ECW and/or its subsidiaries (Interested Person Transactions) to ensure compliance with the applicable regulations, in particular, the requirements that the transactions are on normal commercial terms and are not prejudicial to the interests of ECW and its minority Unitholders and, in respect of any property management agreement which is an Interested Person or Interested Party transaction, the requirement that reviews of the Property Manager's compliance with the terms of the property management agreement and any remedial actions taken, where necessary, are carried out at intervals commensurate with the tenure of such agreement; and

# CORPORATE GOVERNANCE

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- (h) reviews the policy and arrangements by which employees of the Manager and any other persons may, in confidence, report suspected fraud or irregularity or suspected infringement of any laws or regulations or rules, or raise concerns about possible improprieties in matters of financial reporting or other matters with a view to ensuring that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.
- (i) reviews the procedures implemented to ensure the legal and regulatory compliance of ECW's financing activities in the applicable jurisdiction;
- (j) reviews the Master Lessees' performance of their obligations under such agreements, including deliberating and assessing whether the renewal of such agreements is in the interest of ECW and its unitholders prior to time for renewal;
- (k) reviews the Sponsor's compliance with various undertakings given in respect of the relevant issues until such time that the Deeds of Indemnity are terminated in accordance with their terms;
- (l) reviews ECW's investment in PRC corporate bonds (which are made for the purpose of efficient capital management) and monitoring Manager's compliance with the agreed investment criteria of establishing a diversified portfolio of corporate bonds issued by PRC corporations with investment ratings of AA- or higher (throughout the tenure of such bond investment)

As announced via SGXNet on 30 September 2016, given the current volatile PRC corporate bond, the ARC had concurred with Management's recommendations to set aside the cash security deposits which it received under the Master Leases in the form of cash, which may be utilised to part-finance potential acquisition(s) in which Management is exploring.

The ARC has reviewed the nature and extent of non-audit services provided by the external auditors during FY2016 and the fees paid for such services. The aggregate amount of fees paid and payable to the external auditors for FY2016 was approximately S\$1,565,488 of which audit fees amounted to approximately S\$350,000 and non-audit fees amounted to approximately S\$1,215,488. The ARC is satisfied that the independence of the external auditors has not been impaired by the provision of those services notwithstanding the non-audit fees exceeded 50% of the total audit fees for FY2016. The non-audit fees were one-off fees paid to the external auditors in relation to the restructuring of ECW Group and advices rendered on the listing of the restructured group. The external auditors have also provided confirmation of their independence to the ARC.

In FY2016, the ARC also met with the internal and external auditors, without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. Where relevant, the ARC makes reference to the best practices and guidance in the Guidebook for Audit Committees in Singapore and the practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore.

The Manager confirms, on behalf of ECW, that ECW complies with Rule 712 and Rule 715 of the Listing Manual.

## INTERNAL AUDIT

### Principle 13:

**The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits**

The Board recognises the importance of maintaining a system of internal controls, procedures and processes for safeguarding the Unitholders' investments and ECW's assets. The internal audit function of ECW is outsourced to Deloitte & Touche LLP, who adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors and reviews the Group's compliance with the control procedures and policies established within the internal control and risk management systems.



The internal auditor's primary reporting line is to the Chairman of the ARC and administratively to the CEO. The ARC reviews and approves the annual internal audit plan, and ensures that the internal auditor has adequate resources to perform its functions. The ARC also reviews the results of internal audits and Management's actions in resolving any audit issues reported. The ARC is satisfied with the suitability of the internal auditors and is of the view that the internal audit function is adequately resourced to perform its functions, and has appropriate standing within the Manager.

## **(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

### **SHAREHOLDER RIGHTS**

#### **Principle 14: Unitholders' rights**

#### **Principle 15: Communication with Unitholders**

#### **Principle 16: Conduct of Unitholder Meetings**

The Manager is committed to treating all Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. They are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings.

The Manager is committed to keeping all Unitholders and other stakeholders and analysts informed of the performance and changes in ECW or its business which would be likely to materially affect the price or value of the Units, on a timely and consistent basis, so as to assist Unitholders and investors in their investment decisions.

The Manager has an Investor Relations and Corporate Communications team which facilitates effective communication with Unitholders, analysts, fund managers and the media.

The Manager actively engages with Unitholders and has put in place a Unitholders' Communication and Investor Relations Policy (Policy) to promote regular, effective and fair communications with Unitholders.

More information on the Manager's investor and media relations with Unitholders can be found in the Investor & Media Relations section on page 62 of this Annual Report and the Policy which is available on ECW's website.

Unitholders are notified in advance of the date of release of ECW's financial results through an announcement via SGXNet. The Manager also conducts regular briefings for analysts. During these briefings, Management will share ECW's performance as well as discuss the business outlook for ECW. Briefing materials are also released through the SGX-ST via SGXNet and also made available on ECW's website.

#### ***Distribution policy***

In accordance with the Prospectus for Initial Public Offering of ECW, ECW's distributions policy is to distribute 100.0% of ECW's Distributable Income for the period from the Listing Date to 31 December 2017. Thereafter, ECW will distribute at least 90% of its Distributable Income on a semi-annual basis.

During 2016, the Manager had made a distribution of 0.991 Singapore cent per unit for the period from 28 July 2016 to 30 September 2016 on 28 November 2016. A second distribution of 1.463 Singapore cents per unit for the period from 1 October 2016 to 31 December 2016 will be made on 29 March 2017.

# CORPORATE GOVERNANCE

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## **Conduct of Unitholders' meetings**

The Manager supports the principle of encouraging Unitholders' participation and voting at general meetings.

Unitholders are informed of meetings through notices which are accompanied by the annual reports or circulars sent to them. If any Unitholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms. At the meetings, each distinct issue is proposed as a separate resolution and full information is provided for each item in the notice. Notices of the general meetings are also advertised in the press and issued on SGXNet. To ensure transparency in the voting process and better reflect Unitholders' interest, the Manager conducts poll voting for Unitholders/proxies present at the general meetings for all the resolutions proposed at the general meetings.

At general meetings, Unitholders are encouraged to communicate their views and discuss with the Board and Management on matters affecting ECW. Representatives of the Trustee, Directors (including the chairpersons of the Board, the NRC and the ARC), the Manager's senior management and the external auditors, shall be present at general meetings to address any queries that Unitholders may have.

The total number of votes cast for or against the resolutions and the respective percentages will be announced on SGXNet after the general meetings. Voting in absentia and by email which are currently not permitted may only be possible following careful study to ensure that the integrity of information and authentication of the identity of Unitholders through the web are not compromised, and legislative changes are effected to recognise remote voting.

Minutes of the general meetings are taken and are available to Unitholders for their inspection upon request.

Unitholders also have the opportunity to communicate their views and discuss with the Board and Management matters affecting ECW after the general meetings.

## **(E) ADDITIONAL INFORMATION**

### **DEALINGS WITH INTERESTED PERSONS**

#### **Review Procedures for Interested Person Transactions**

The Manager has established internal control procedures to ensure that all Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties, and are not prejudicial to the interests of ECW and Unitholders.

In respect of such transactions, Management would have to demonstrate to the ARC that such transactions are undertaken on normal commercial terms and are not prejudicial to the interests of ECW and Unitholders which may include obtaining (where practicable) third party quotations or obtaining valuations from independent valuers (in accordance with applicable provisions of the Listing Manual and the Property Funds Appendix). The internal control procedures also ensure compliance with Chapter 9 of the Listing Manual and the Property Funds Appendix.

In particular, the procedures in place include the following:

### Interested Person Transactions<sup>1</sup> Approving Authority, Procedures and Disclosure

	Approval Authority
S\$100,000 and above per transaction (which singly, or when aggregated with other transactions <sup>2</sup> with the same Interested Person in the same financial year is less than 3.0% of ECW's latest audited net tangible assets/net asset value)	<b>Trustee</b> <b>ARC</b>
Transaction <sup>2</sup> which:	<b>Trustee</b> <b>ARC</b> <b>Immediate announcement</b>
(a) is equal to or exceeds 3.0% of ECW's latest audited net tangible assets/net asset value; or	
(b) when aggregated with other transactions <sup>2</sup> with the same Interested Person in the same financial year is equal to or exceeds 3.0% of ECW's latest audited net tangible assets/net asset value	
Transaction <sup>2</sup> which:	<b>Trustee</b> <b>ARC</b> <b>Unitholders</b> <b>Immediate announcement</b>
(a) is equal to or exceeds 5.0% of ECW's latest audited net tangible assets/net asset value; or	
(b) when aggregated with other transactions <sup>2,3</sup> with the same Interested Person in the same financial year is equal to or exceeds 5.0% of ECW's latest audited net tangible assets/net asset value	

1 This table does not include the procedures applicable to interested person transactions falling under the exceptions set out in Rules 915 and 916 of the Listing Manual.

2 Any transaction of less than S\$100,000 in value is disregarded.

3 In relation to approval by Unitholders for transactions that equal to or exceed 5.0% of ECW's latest audited net tangible assets/net asset value (whether singly or aggregated), any transaction which has been approved by Unitholders, or is the subject of aggregation with another transaction that has been approved by Unitholders, need not be included in any subsequent aggregation.

### Role of the ARC for Interested Person Transactions

The Manager's internal control procedures are intended to ensure that Interested Person Transactions are conducted at arm's length and on normal commercial terms, and are not prejudicial to ECW and Unitholders' interests. The Manager maintains a register to record all Interested Person Transactions which are entered into by ECW (and the basis on which they are entered into, including the quotations obtained to support such basis).

All Interested Person Transactions are subject to regular periodic reviews by the ARC, which in turn obtains advice from IA, to ascertain that the guidelines and procedures established to monitor Interested Person Transactions, including the relevant provisions of the Listing Manual and the Property Funds Appendix, as well as any other guidelines which may from time to time be prescribed by the SGX-ST, MAS or other relevant authorities, have been complied with. The review includes an examination of the nature of the transaction and its supporting documents or such other information deemed necessary by the ARC. If a member of the ARC has an interest in a transaction, he is to abstain from participating in the review and approval process in relation to that transaction. In addition, the Trustee also has the right to review such audit reports to ascertain that the Listing Manual and the Property Funds Appendix have been complied with.

Details of all Interested Person Transactions (equal to or exceeding S\$100,000 each in value) entered into by ECW during FY2016 are disclosed on page 119 of this Annual Report.



# CORPORATE GOVERNANCE

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## Dealing with Conflicts of Interest

The following principles and procedures have been established to deal with potential conflicts of interest which the Manager (including its Directors, executive officers and employees) may encounter in managing ECW:

- (a) the Manager is a dedicated manager to ECW and will not manage any other REIT or be involved in any other real property business;
- (b) all resolutions at meetings of the Board in relation to matters concerning ECW must be decided by a majority vote of the Directors, including at least one ID;
- (c) in respect of matters in which Sponsor and/or its subsidiaries have an interest, whether direct or indirect, any nominees appointed by Sponsor and/or its subsidiaries to the Board will abstain from voting. In such matters, the quorum must comprise a majority of IDs and shall exclude such nominee Directors of Sponsor and/or its subsidiaries;
- (d) in respect of matters in which a Director or his associates have an interest, whether direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and shall exclude such interested Director(s);
- (e) if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of ECW with an affiliate of the Manager, the Manager is obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of ECW, has a prima facie case against the party allegedly in breach under such agreement, the Manager is obliged to pursue the appropriate remedies under such agreement;
- (f) Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party; and
- (g) at least one-third of the Board shall comprise IDs.

Additionally, the Trustee has been granted a right of first refusal by the Sponsor to purchase any income-producing real estate worldwide with certain specified characteristics which may in the future be identified and targeted for acquisition by the Sponsor or any of its subsidiaries.

Under the Trust Deed, in respect of voting rights where the Manager would face a conflict between its own interests and that of Unitholders, the Manager shall cause such voting rights to be exercised according to the discretion of the Trustee.

## Dealings in Securities

Each Director and the CEO of the Manager is to give notice to the Manager of his acquisition of ECW Units or of changes in the number of Units or, as the case may be, ECW Units which he holds or in which he has an interest, within two business days after such acquisition or the occurrence of the event giving rise to changes in the number of the units or, as the case may be, ECW Units which he holds or in which he has an interest.

All dealings in the ECREIT Units by the Manager Directors will be announced via SGXNET, with the announcement to be posted on the internet at the SGX-ST website <http://www.sgx.com>.

The Manager has devised and adopted a securities dealing policy for the Manager's officers and employees which applies the best practice recommendations in the Listing Manual. To this end, the Manager has issued guidelines to its Directors and employees which set out prohibitions against dealings in ECW Group's securities:

- (i) while in possession of material unpublished price sensitive information;
- (ii) during two weeks immediately preceding, and up to the time of the announcement of, ECW's financial statements for each of the first three quarters of ECW's financial year; and
- (iii) during one month immediately preceding, and up to the time of the announcement of, ECW's financial statements for the full financial year.

Prior to the commencement of each relevant period, an email would be sent out to all Directors and employees of the Manager to inform them of the duration of the period. The Manager will also not deal in ECW Group's securities during the same period.

Under the policy, Directors and employees of the Manager are discouraged to trade on short-term or speculative considerations. They are also prohibited from using any information with respect to other companies or entities obtained in the course of their employment in connection with securities transactions of such companies or entities.

The Manager has complied with its securities dealing policy in accordance with Listing Rule 1207(19).

## **(F) CODE OF BUSINESS CONDUCT**

The Manager adheres to an ethics and code of business conduct policy which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place. The policies and guidelines are published on Sponsor's Intranet which is accessible to all employees of the Manager. The policies that the Manager has implemented aim to help to detect and prevent occupational fraud in mainly three ways.

First, the Manager offers fair compensation packages, based on practices of pay-for-performance and promotion based on merit to its employees. The Manager also provides various healthcare subsidies and financial assistance schemes to alleviate the common financial pressures its employees face.

Second, clearly documented policies and work procedures incorporate internal controls which ensure that adequate checks and balances are in place. Periodic audits are also conducted to evaluate the efficacy of these internal controls.

Finally, the Manager seeks to build and maintain the right organisational culture through its core values, educating its employees on good business conduct and ethical values.

# CORPORATE GOVERNANCE

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## **Bribery and Corruption Prevention Policy**

The Manager adopts a strong stance against bribery and corruption. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, all employees of the Manager are required to make a declaration on an annual basis where they pledge to uphold the Manager's core values and not to engage in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings. The Manager's zero tolerance policy towards bribery and corruption extends to its business dealings with third parties. Pursuant to this policy, the Manager requires that certain agreements incorporate anti-bribery and anti-corruption provisions.

## **Whistle-Blowing Policy**

A whistle-blowing policy and other procedures are put in place to provide employees of the Manager and parties who have dealings with the Manager with well defined, accessible and trusted channels to report suspected fraud, corruption, dishonest practices or other improprieties in the workplace, and for the independent investigation of any reported incidents and appropriate follow up action. The objective of the whistle-blowing policy is to encourage the reporting of such matters so that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and, to the fullest extent possible, be protected from reprisal.

## **Anti-Money Laundering and Countering the Financing of Terrorism Measures**

As a holder of a Capital Markets Services licence issued by MAS, the Manager abides by the MAS' guidelines on the prevention of money laundering and countering the financing of terrorism. Under these guidelines, the main obligations of the Manager are:

- (a) evaluation of risk;
- (b) customer due diligence;
- (c) suspicious transaction reporting;
- (d) record keeping;
- (e) employee screening and representative screening; and
- (f) training.

The Manager has developed and implemented a policy on the prevention of money laundering and terrorist financing and is alert at all times to suspicious transactions. Where there is a suspicion of money laundering or terrorist financing, the Manager performs due diligence checks on its counterparties in order to ensure that it does not enter into business transactions with terrorist suspects or other high risk persons or entities. Suspicious transactions are also reported to the Suspicious Transaction Reporting Office of the Commercial Affairs Department.

Under this policy, the Manager must retain all relevant records or documents relating to business relations with its customers or transactions entered into for a period of at least five years following the termination of such business relations or the completion of such transactions.

All prospective employees, officers and representatives of the Manager are also screened against various lists of terrorist suspects issued by MAS. Periodic training is provided by the Manager to its Directors, employees and representatives to ensure that they are updated and aware of applicable anti-money laundering and terrorist financing regulations, the prevailing techniques and trends in money laundering and terrorist financing and the measures adopted by the Manager to combat money laundering and terrorist financing.

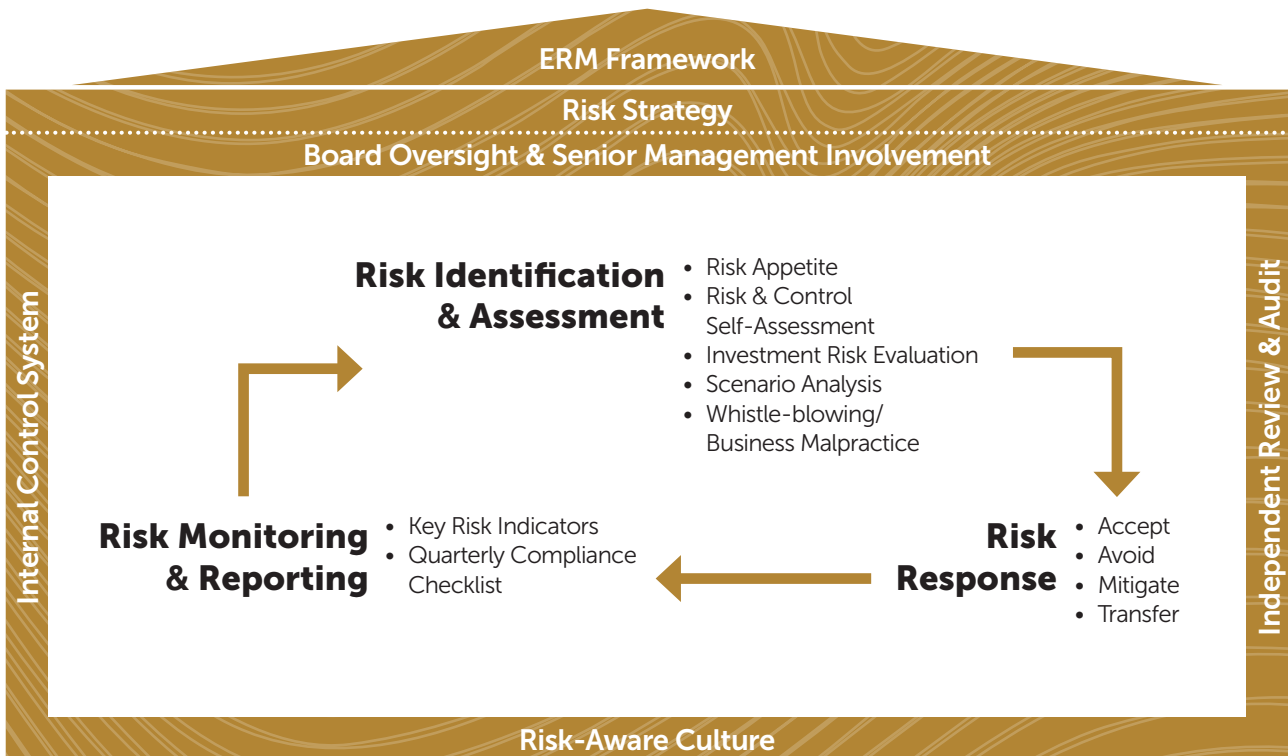
# ENTERPRISE RISK MANAGEMENT

Risk management is an integral part of the business of ECW and its subsidiaries (collectively, the "ECW Group") at both the strategic and operational levels. A proactive approach towards risk management supports the attainment of ECW Group's business objective and strategy, thereby creating and preserving value for Unitholders.

The Manager recognises that risk management is just as much about opportunities as it is about threats. To capitalise on opportunities, the Manager has to take measured risks. Therefore, risk management is not about pursuing risk minimisation as a goal, but rather optimising the risk-reward relationship within known and agreed risk appetite levels. The Manager therefore takes risks in a prudent manner for justifiable business reasons.

The Board is responsible for the governance of risk across ECW Group. The responsibilities include determining ECW Group's risk appetite, overseeing the Manager's Enterprise Risk Management ("ERM") Framework, regularly reviewing ECW Group's risk profile, material risks and mitigation strategies, and ensuring the effectiveness of risk management policies and procedures. For these purposes, it is assisted by the ARC which provides oversight of risk management.

ECW Group's RAS is expressed via formal, high-level and overarching statements. Having considered key stakeholders' interests, ECW Group's RAS sets out explicit, forward-looking views of ECW Group's desired risk profile and is aligned to ECW Group's strategy and business plans. The Manager incorporates accompanying risk limits which determine specific risk boundaries established at an operational level.





# RISK MANAGEMENT

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The Manager's ERM Framework sets out the required environmental and organisational components which enable it to manage risks in an integrated, systematic and consistent manner. The ERM Framework and related risk management policies are reviewed annually and periodically validated by external ERM consultants. A robust internal control system as well as an effective, independent review and audit process are the twin pillars that underpin the Manager's ERM Framework.

The line management is responsible for the design and implementation of effective internal controls using a risk based approach while the outsourced Internal Audit function from Deloitte & Touche LLP reviews such design and implementation to provide reasonable assurance to the ARC on the adequacy and effectiveness of the internal control system.

Annually, the Manager facilitates and coordinates ECW Group's Risk and Control Self-Assessment (RCSA) exercise that requires the respective risk and control owners to proactively identify, assess and document material risks as well as the corresponding key controls and mitigating measures needed to address them. Material risks and their associated controls are consolidated and reviewed by the Manager before they are presented to the ARC and the Board.

Awareness of and preparedness for potential risks affecting ECW Group's business continuity help the Manager minimise the impact of disruption to business operations. The Manager has in place a business continuity plan. In addition, both the Information Technology ("IT") team from the Sponsor and the outsourced IT team from JK Technology have a defined disaster recovery strategy and plans, which are reviewed and tested annually.

The Manager believes that having the right risk culture and people with the right attitude, values and knowledge are fundamental to ECW Group's success.

## MANAGING MATERIAL RISKS

The Manager undertakes an iterative and comprehensive approach in identifying, managing, monitoring and reporting material risks across ECW Group. Such material risks include:

### Business Interruption Risk

ECW Group is exposed to business interruption risk arising from sudden and major disaster event such as fire, prolonged power outages or other major infrastructure or equipment failures which may significantly disrupt

operations at our properties or data centres. The Manager manages such risks through proactive facilities management (for example, routine inspection and scheduled maintenance) and having crisis management procedures at each property.

### Competition Risk

ECW Group faces keen competition from established players, online businesses and new market entrants which are likely to affect shopper traffic and tenants' sales. The Manager adopts a relentless approach towards strengthening ECW Group's competitiveness through optimising tenant mix, differentiating its product and services offerings, refreshing property concepts and Asset Enhancement Initiatives ("AEI").

### Credit Risk

Credit risk is the potential volatility in earnings caused by tenants' failure to fulfil their contractual lease payment obligations, as and when they fall due. The Manager has in place a stringent collection policy to ensure that credit risk is minimised. In addition to the requirement for upfront payment of security deposit of an amount typically equivalent to three months' rent (12 months' rent in case of Master Leases), the Manager also establishes vigilant debt monitoring and collection procedures.

### Economic Risk

ECW Group is exposed to developments in economy, financial and property markets. These developments may reduce revenue, increase costs and result in downward revaluation of ECW Group's assets. Market illiquidity during a financial crisis makes asset divestment challenging and this can affect ECW Group's investment and strategic objectives. The Manager manages this by adopting a disciplined approach towards financial management and having a well-balanced portfolio in China.

### Information Technology Risk

IT risk comprises cyber risk, information security risk and technology infrastructure risk. IT is an integral part of ECW Group's business and security of sensitive information (for example, shopper/ tenant details and financial information) is crucial.

Increasing threats to information security such as hacking and website defacement, may pose risk of data leakage and damage to ECW Group's reputation. The outsourced IT team has put in place policies and procedures to manage IT risks. Established policies and procedures govern IT security, access controls and data security.

Disaster recovery testing is conducted periodically to validate the system continuity plan. In addition, network penetration testing is also conducted regularly to check for potential security gaps.

#### **Foreign Currency Risk**

ECW's cash flows from the operation of the Properties is denominated in RMB while the Group pays distributions in Singapore dollars. Therefore, the Group is exposed to fluctuations in the currency rates of RMB and SGD. The Manager monitors the exposure of ECW to changes in foreign exchange rates and utilises various financial instruments, where appropriate, to hedge against the currency risk.

#### **Interest Rate Risk**

Some of ECW Group's existing debts carry floating interest rates, and consequently, the interest cost for such loans will be subject to fluctuations in interest rates. Interest rate risk is managed on an ongoing basis through regular reviews on the optimal mix of fixed and floating rate borrowings, and with the primary objective of minimising the impact on net interest expenses that is caused by adverse movements in interest rates. The Manager also proactively seeks to minimise the level of interest rate risk by locking in most of the borrowings of ECW Group at fixed interest rates.

#### **Investment Risk**

The main sources of growth for ECW Group are AEI, acquisition of properties as well as developments. The risks involved in such investment activities are managed through a rigorous set of investment criteria which includes potential for growth in yield, rental sustainability and potential for value creation. Also, key financial assumptions are reviewed and sensitivity analysis performed on key variables. The potential risks associated with proposed projects and the issues that may prevent their smooth implementation or attainment of projected outcomes are identified at the evaluation stage. This is to enable the Manager to devise action plans to mitigate such risks as early as possible.

#### **Leasing Risk**

Strong competition, poor economic and market conditions are some of the key factors that could result in key tenants not renewing their leases, and adversely affecting the leasing performance of our properties.

The Manager establishes a diversified tenant base and sustainable trade mix and has in place proactive tenant

management strategies which are in line with the properties' positioning.

#### **Liquidity Risk**

The Manager actively monitors the cash flow position of ECW Group to ensure that there are sufficient liquid reserves, in the form of cash and banking facilities, to finance ECW Group's operations and AEI. Given ECW Group's reliance on external sources of funding, the health of the debt markets directly affects ECW Group. In addition, ECW Group has banking facilities as a source of back-up. ECW Group's ability to raise funds from both banks and capital markets will enable it to minimise over-reliance on a single source of funds for any funding or refinancing requirements. The Manager will continue to proactively manage the capital structure of ECW Group by ensuring its debt maturity profile is spread out without major concentration of debts maturing in a single year, and maintaining an optimal aggregate leverage. The Manager also monitors covenants closely to ensure compliance.

#### **Project Management Risk**

To manage project management risk, the Project Management team adopts a rigorous project management process to ensure that project cost, quality and time objectives are met. There are stringent pre-qualification procedures to appoint well-qualified vendors for projects, where key criteria such as vendors' track records and financial performance are assessed. The Manager will conduct regular site visits to closely monitor the progress of projects and manage potential risks of delays, poor workmanship and cost overruns.

#### **Regulatory and Compliance Risk**

Due to the nature of ECW Group's business, ECW Group is required to comply with the applicable and relevant legislation and regulations that include the Listing Manual of the Singapore Exchange Securities Trading Limited, the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore and the tax rulings issued by the Inland Revenue Authority of Singapore. The Manager has in place a robust framework that proactively identifies applicable laws and regulatory obligations, legal updates and embeds compliance into the day-to-day operations.

# PLATFORM FOR STABILITY

A high-quality and well-structured asset portfolio that offers a combination of income stability and growth potential.

PORTFOLIO WALE OF  
**4.0** years\*  
BY GROSS RENTAL INCOME

CONTRACTUAL  
OCCUPANCY RATE OF  
**100.0**%\*

\*

As at 31 December 2016







## INVESTOR RELATIONS

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The Manager is fully committed to providing the investment community and all other stakeholders with timely, transparent and consistent disclosures and updates. The Manager communicates key updates including operational and financial performance of our assets, strategies and corporate initiatives to Unitholders, potential investors, research analysts, media and the general public on a regular basis.

### **ENSURING FULL AND TIMELY DISCLOSURE OF INFORMATION**

All announcements and press releases are regularly and promptly issued through SGXNet and ECW's corporate website to ensure timely dissemination of information to the public. Other important information such as IPO prospectus, corporate video and investors presentations, are also updated on the corporate website. Furthermore, detailed information on the performance of the units as well as other financial and trading information are provided in the Investor Relations section of the website. In addition, the Manager welcomes feedback and enquiries from all stakeholders through a dedicated Investor Relations email address via its website and shall ensure prompt responses to enquiries received. Investors can also sign up for email alerts to stay on top

of all the latest developments and announcements from the Manager.

### **ENHANCING ENGAGEMENT WITH THE INVESTMENT COMMUNITY**

The Manager plans to continue to proactively engage the investment community through a variety of channels and activities including research analysts presentations, results briefings, road shows, investor conferences, teleconferences and face to face meetings.

The Manager held its maiden media and analysts briefing for the 3rd quarter results ended 30 September 2016 on 28 October 2016 and the meeting was well attended by representatives from a number of prominent securities firms. The presentation covered a wide range of topics including strategic positioning, key investment highlights and latest update on the operations of the assets and the financial performance of ECW. In order to strengthen the relationships with institutional investors, the Manager also hosted its first non-deal roadshow on 8 March 2017 in Singapore. Through these activities, the Manager aims to provide an efficient platform to share with both retail and institutional investors about ECW's asset portfolio offering, strategic initiatives and investment proposition.

# CORPORATE SOCIAL RESPONSIBILITY

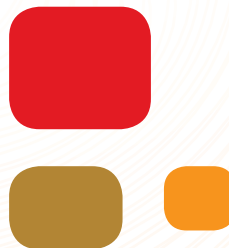
The Manager believes in being a responsible corporate citizen and acknowledges its responsibilities toward society, the environment and the stakeholders of ECW. The Manager seeks to conduct its business of managing ECW in a fair and ethical manner to demonstrate its consideration towards its employees and the wider community. The Manager is committed to providing a safe and healthy working environment for its employees and visitors to the premises of ECW's properties. It will also ensure that sufficient information and training are made available to its employees in pursuance of their activities.



During 2016, ECW and the Manager collaborated with the Sponsor on its corporate social responsibility initiatives and leveraged on the Sponsor's resources and network as a platform to reach out to society and the stakeholders of ECW for mutual benefit and for the benefit of the community in which ECW's properties operate.

## ENVIRONMENTAL STEWARDSHIP

A team of volunteers from Chongxian Port Investment, Chongxian Port Logistics and the Sponsor, carried out river cleaning work along both sides of the Beijing-Hangzhou Grand Canal. Volunteers also distributed garbage bags and brochures on sewage treatment and environmental control to the operators of the vessels that entered into Chongxian Port, and promoted awareness on the importance of protecting river environment among those ship-owners.





# CORPORATE SOCIAL RESPONSIBILITY

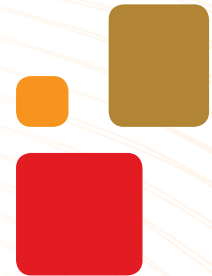
## COMMUNITY INVOLVEMENT

In September 2016, the G20 summit was held in Hangzhou, China. During this period, ECW together with Sponsor, established a "G20 Volunteer Team", to participate in "Service G20, Civilization I first" activities that include collecting road garbage, and in "Help G20, Security patrol me First" volunteer activities that include providing road security screen services.

In Singapore, the Manager actively supports causes that benefit the wellbeing of the society, including underprivileged children and the elderly, and especially in the areas of health and education. During 2016, the Manager formed a volunteer team and worked together with a charitable institution that provides benefits to underprivileged children

in Singapore and held an outdoor event with the children from the institution. The team received recognition from the institution for being "very engaged with the children" and the children "enjoyed and felt welcome".

The Manager, in partnership with our Sponsor, Forchn Holdings Group Co., Ltd., will continue to care for the local community through financial contributions, in-kind donations and volunteer work.



## RESPONSIBILITY TOWARDS OUR STAKEHOLDERS

The Manager values corporate transparency and strives to uphold high standards of corporate governance and disclosure, in accordance to the principle and guidelines of the Code of Corporate Governance 2012.

The Manager is fully committed to providing the investment community and all other stakeholders with timely, transparent and consistent disclosures and updates. The Manager communicates key updates including operational and financial performance of our assets, ECW's strategies and corporate initiatives to Unitholders, potential investors, research analysts, media and the general public on a regular basis.

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# REPORT OF THE TRUSTEE

For the Financial Year ended 31 December 2016

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DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of EC World Real Estate Investment Trust ("ECW") held by it or through its subsidiaries (collectively the "Group") in trust for the holders ("Unitholders") of units in ECW. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes ("CIS"), the Trustee shall monitor the activities of EC World Asset Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 5 August 2015 as amended by the First Amending and Restating Deed dated 29 June 2016 and First Supplemental Deed dated 27 October 2016 (the "Trust Deed") between the Trustee and the Manager in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed ECW and its subsidiaries during the financial year covered by these financial statements set out on pages 72 to 118, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee  
DBS Trustee Limited

Jane Lim Puay Yuen  
Director

Singapore,  
24 March 2017

# STATEMENT BY THE MANAGER

For the Financial Year ended 31 December 2016

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In the opinion of the directors of EC World Asset Management Pte. Ltd., the accompanying financial statements of EC World Real Estate Investment Trust ("ECW") and its subsidiaries (the "Group"), set out on pages 72 to 118, comprising the Statements of Financial Position and Investment Properties Portfolio Statement of ECW and the Group as at 31 December 2016, the Statements of Movements in Unitholders' Funds for ECW and the Group and the Consolidated Statement of Total Return, Consolidated Distribution Statement, Consolidated Statement of Cash Flows for the Group and Notes to the Financial Statements for the year then ended 31 December 2016 are drawn up so as to present fairly, in all material respects, the financial position of ECW and the Group as at 31 December 2016, movements in Unitholders' funds of ECW and the Group, the consolidated total return, consolidated amount distributable and cash flows of the Group for the year then ended 31 December 2016, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the provisions of the trust deed dated 5 August 2015 as amended by the First Amending and Restating Deed dated 29 June 2016 and First Supplemental Deed dated 27 October 2016 (the "Trust Deed"). At the date of this statement, there are reasonable grounds to believe that ECW and the Group will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,  
EC World Asset Management Pte. Ltd.

Lai Hock Meng  
Director

Singapore,  
24 March 2017

# INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

## OF EC WORLD REIT

(Constituted under a Trust Deed in the Republic of Singapore)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

In our opinion, the accompanying consolidated financial statements of EC World REIT ("ECW") and its subsidiaries (the "Group") and the statement of financial position of ECW present fairly, in all material aspects, the consolidated financial position of the Group and the financial position of ECW as at 31 December 2016, the movements in Unitholders' Funds of ECW and the Group and the consolidated total return, consolidated amount distributable, consolidated cash flows and investment properties portfolio statement of the Group for the financial year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Policies 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

#### *What we have audited*

The financial statements of ECW and the Group comprise:

- Consolidated Statement of Total Return of the Group for the financial year ended 31 December 2016
- Statement of Financial Position of ECW and the Group as at 31 December 2016
- Consolidated Distribution Statement of the Group for the financial year ended 31 December 2016
- Statement of Movements in Unitholders' Funds of ECW and the Group for the financial year ended 31 December 2016
- Consolidated Statement of Cash Flows of the Group for the financial year ended 31 December 2016
- Investment properties portfolio statement of the Group for the financial year ended 31 December 2016
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

#### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

#### Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

# INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

## OF EC WORLD REIT

(Constituted under a Trust Deed in the Republic of Singapore)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of investment properties</b></p> <p>As at 31 December 2016, the carrying value of the Group's investment properties of S\$1,333 million accounted for 90% of the Group's total assets.</p> <p>The valuation of the investment properties was a key audit matter due to the significant judgement in the key inputs used in the valuation techniques. These key inputs include growth rate of rents, discount rate and the terminal capitalisation rate, and are dependent on the nature of each investment property and the prevailing market conditions.</p>	<p>Our procedures performed to ascertain the appropriateness of the key inputs and assumptions used in the valuation included the following:</p> <ul style="list-style-type: none"> <li>• assessed the competency, independence and integrity of the professional valuers engaged by the Group;</li> <li>• obtained an understanding of the techniques used by the external valuers in determining the valuations of individual investment properties;</li> <li>• discussed the critical assumptions made by the external valuers for the key inputs used in the valuation techniques;</li> <li>• tested the integrity of information, including underlying lease and financial information provided to the professional valuers;</li> <li>• assessed the reasonableness of forecasted rental income and related expenses by comparing them against current year actual results and historical growth rates; and</li> <li>• compared the discount and terminal capitalisation rates used against those used for similar properties and in prior year.</li> </ul> <p>We have also assessed the adequacy of the disclosures relating to the assumptions, as we consider them as likely to be significant to users of the financial statements given the estimation uncertainty and sensitivity of the valuations.</p> <p>The valuers are members of recognised professional bodies for external valuers. We found that the valuation methodologies used were in line with generally accepted market practices and the key assumptions used were within the range of market data. We also found the disclosures in the financial statements to be appropriate.</p>



# INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

## OF EC WORLD REIT

(Constituted under a Trust Deed in the Republic of Singapore)

### Other Information

The Manager is responsible for the other information. The other information comprises all the sections of the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Manager and those charged with governance for the Financial Statements

The manager and those charged with governance are responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and for such internal control as the manager determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The manager's responsibilities include overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

# INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

## OF EC WORLD REIT

(Constituted under a Trust Deed in the Republic of Singapore)

### Auditor's Responsibilities for the Audit of the Financial Statements

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the manager and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the manager and those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the manager and those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr Tham Tuck Seng.

### **PricewaterhouseCoopers LLP**

Public Accountants and Chartered Accountants

Singapore,  
24 March 2017

# CONSOLIDATED STATEMENT OF TOTAL RETURN

For the Financial Year ended 31 December 2016

		<b>Year ended 31 December 2016*</b>	<b>Group Period from 5 August 2015 to 31 December 2015</b>
	Note	<b>S\$'000</b>	<b>S\$'000</b>
Gross revenue	3	<b>95,534</b>	25,218
Property expenses	4	<b>(11,631)</b>	(4,321)
<b>Net property income</b>		<b>83,903</b>	20,897
Finance income		<b>527</b>	319
Finance costs	5	<b>(20,146)</b>	(3,806)
Manager's base fees		<b>(1,911)</b>	–
Trustee's fees		<b>(121)</b>	(20)
Exchange differences		<b>15,298</b>	3,173
Other trust expenses	6	<b>(3,003)</b>	(181)
<b>Net income</b>		<b>74,547</b>	20,382
Net change in fair value of investment properties	14	<b>(1,732)</b>	949,332
Net change in fair value of financial derivatives	12	<b>30</b>	–
<b>Total return for the year/period before income tax</b>		<b>72,845</b>	969,714
Income tax expenses	7	<b>(17,025)</b>	(272,900)
<b>Total return for the year/period after income tax before distribution</b>		<b>55,820</b>	696,814
<b>Earnings per unit (cents)</b>	8		
– Basic		<b>3.77</b>	N/M
– Diluted		<b>3.77</b>	N/M

\* The year ended 31 December 2016 constitutes both the results when ECW was a private trust from 1 January 2016 to 27 July 2016 and after it was listed on SGX-ST from 28 July 2016 to 31 December 2016.

N/M: Not Meaningful

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group		ECW	
		31 December 2016 S\$'000	31 December 2015 S\$'000	31 December 2016 S\$'000	31 December 2015 S\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	9	103,665	16,032	11,113	–
Financial assets, at fair value through profit or loss	10	7,700	–	–	–
Trade and other receivables	11	37,264	168,241	1,061	–
Derivative financial instruments	12	417	–	417	–
Loans to subsidiaries	13	–	–	241,557	–
		<b>149,046</b>	<b>184,273</b>	<b>254,148</b>	<b>–</b>
<b>Non-current assets</b>					
Trade and other receivables	11	–	526	–	–
Investment properties	14	1,333,297	1,383,809	–	–
Investment properties under development	15	–	55,148	–	–
Investments in subsidiaries	16	–	–	–*	–*
		<b>1,333,297</b>	<b>1,439,483</b>	<b>–</b>	<b>–</b>
<b>Total assets</b>		<b>1,482,343</b>	<b>1,623,756</b>	<b>254,148</b>	<b>–</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	17	27,425	404,134	3,578	167
Borrowings	18	2,206	61,147	–	–
Derivative financial instruments	12	387	–	387	–
Current income tax liabilities		10,798	4,248	1	–
		<b>40,816</b>	<b>469,529</b>	<b>3,966</b>	<b>167</b>
<b>Non-current liabilities</b>					
Trade and other payables	17	59,674	–	–	–
Borrowings	18	396,624	205,993	194,855	–
Deferred income tax liabilities	19	258,408	264,595	–	–
Government grant	20	702	769	–	–
		<b>715,408</b>	<b>471,357</b>	<b>194,855</b>	<b>–</b>
<b>Total liabilities</b>		<b>756,224</b>	<b>940,886</b>	<b>198,821</b>	<b>167</b>
<b>NET ASSET ATTRIBUTABLE TO UNITHOLDERS</b>		<b>726,119</b>	<b>682,870</b>	<b>55,327</b>	<b>(167)</b>
Represented by:					
Unitholders' funds		782,700	696,814	55,327	(167)
Foreign currency translation reserve		(56,581)	(13,944)	–	–
		<b>726,119</b>	<b>682,870</b>	<b>55,327</b>	<b>(167)</b>
<b>UNITS IN ISSUE ('000)</b>	21	<b>778,516</b>	N/M	<b>778,516</b>	N/M
<b>NET ASSET VALUE PER UNIT (S\$)</b>		<b>0.93</b>	N/M	<b>0.07</b>	N/M

\* Less than S\$1,000

N/M: Not Meaningful

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED DISTRIBUTION STATEMENT

For the Financial Year ended 31 December 2016

	Group Year ended 31 December 2016* S\$'000
<b>Amount available for distribution to Unitholders at beginning of the year</b>	–
Total return for the year	55,820
Less: Total return for the period from 1 January 2016 to 27 July 2016*	(26,479)
Total return for the period 28 July 2016 to 31 December 2016* after income tax before distribution	29,341
Adjustment for net effect of non-tax chargeable items and other adjustments (Note A)	(10,231)
Amount available for distribution	19,110
<b>Distribution to Unitholders:</b>	
Distribution of 0.991 cents per unit for the period from 28 July 2016 to 30 September 2016 (Note B)	(7,715)
<b>Amount available for distribution to Unitholders at end of the year</b>	<b>11,395</b>
<b>Note A:</b>	
Adjustment for net effect of non-tax deductible/(chargeable) items and other adjustments comprise:	
– Straight lining of step-up rental	(2,364)
– Security deposit accretion	(118)
– Management fees paid/payable in units	1,911
– Trustee's fees	121
– Net fair value gain on investment properties	(8,625)
– Deferred tax on fair value gain on investment properties	3,629
– Fair value gain on financial derivatives	(30)
– Swaption premium	329
– Amortisation of upfront debt issuance costs	867
– Foreign exchange loss, net (unrealised) (up to 31 December 2016)	3,575
– Foreign exchange gain, net (realised – capital in nature)	(11,714)
– Initial Public Offering ("IPO") expenses	2,188
	(10,231)
<b>Note B:</b>	
Total Unitholders' distribution:	
– From Unitholders' contribution	7,715

\* The year ended 31 December 2016 constitutes both the results when ECW was a private trust from 1 January 2016 to 27 July 2016 and after it was listed on SGX-ST from 28 July 2016 to 31 December 2016.

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year ended 31 December 2016

		Year ended 31 December 2016*	Group Period from 5 August 2015 to 31 December 2015 S\$'000
	Note	S\$'000	S\$'000
<b>Cash Flows from Operating Activities</b>			
Total return for the year/period		55,820	696,814
Adjustments for:			
– Income tax expenses	7	17,025	272,900
– Finance income		(527)	(319)
– Finance cost	5	20,146	3,806
– Effect of straight lining of step-up rental		(4,436)	–
– Effect of security deposits accretion		(2,781)	–
– Fair value gain on derivative financial instruments	12	(30)	–
– Fair value loss/(gain) on investment properties	14	1,732	(949,332)
– Allowance for doubtful receivables		736	218
– Manager's fees payable in units		1,911	–
– Exchange loss/(gain)		3,575	(3,173)
<b>Operating cash flow before working capital change</b>		<b>93,171</b>	<b>20,914</b>
<b>Changes in working capital:</b>			
Trade and other receivables		80,233	86,638
Trade and other payables		(27,821)	(128,435)
<b>Cash generated from operations</b>		<b>145,583</b>	<b>(20,883)</b>
Interest received		882	–
Income tax paid (net)		(4,989)	(4)
<b>Net cash provided by operating activities</b>		<b>141,476</b>	<b>(20,887)</b>
<b>Cash flows from Investing Activities</b>			
Additions to investment properties under construction	15	(4,462)	(4,900)
Additions to investment properties	14	(3,792)	–
Payment of purchase consideration due to Sponsor <sup>#</sup>	16	(230,128)	–
Acquisitions of subsidiaries	16	–	50,895
Placement in structured deposits	10	(7,700)	–
<b>Net cash outflow in investing activities</b>		<b>(246,082)</b>	<b>45,995</b>
<b>Cash flows from Financing Activities</b>			
Repayment of borrowings		(251,488)	(24,895)
Distribution to Unitholders		(7,715)	–
Proceeds from borrowings		392,836	19,967
Interest paid		(13,365)	(3,898)
Proceeds from new issue of shares		629,785	–
Issuance costs		(12,324)	–
Redemption of existing units		(545,936)	–
Increase in interest reserve		(9,327)	–
<b>Net cash provided by financing activities</b>		<b>182,466</b>	<b>(8,826)</b>
<b>Net increase in cash and cash equivalents</b>		<b>77,860</b>	<b>16,282</b>
Cash and cash equivalents at beginning of the year/period		16,032	–
Effects of exchange rate changes on cash and cash equivalents		446	(250)
Cash and cash equivalents at the end of the year/period	9	<b>94,338</b>	<b>16,032</b>

\* The year ended 31 December 2016 constitutes both the results when ECW was a private trust from 1 January 2016 to 27 July 2016 and after it was listed on SGX-ST from 28 July 2016 to 31 December 2016.

<sup>#</sup> Payment of purchase consideration due to Sponsor is net of Sponsor indebtedness.

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the Financial Year ended 31 December 2016

	Group		ECW
	Year ended 31 December 2016 <sup>#</sup> S\$'000	Period from 5 August 2015 to 31 December 2015 S\$'000	Year ended 31 December 2016 <sup>#</sup> S\$'000
Note			Period from 5 August 2015 to 31 December 2015 S\$'000
<b>OPERATIONS</b>			
Beginning of the year/period	696,814	–	(167)
Total return for the year/period	55,820	696,814	(167)
Distribution to Sponsor before listing (Note a)	(34,516)	–	–
<b>End of the year/period</b>	<b>718,118</b>	696,814	<b>(9,255)</b> (167)
<b>UNITHOLDERS' CONTRIBUTION</b>			
Beginning of the year/period	–	–*	–
Movement during the year/period			–*
– Issuance of new units at listing	629,785	–	629,785
– Issue expenses	(12,324)	–	(12,324)
– Redemption of units	(545,936)	–	(545,936)
– Manager's management fees paid in units	772	–	772
– Distribution to Unitholders	(7,715)	–	(7,715)
<b>End of the year/period</b>	<b>64,582</b>	–*	<b>64,582</b> –*
21			
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>			
Beginning of the year/period	(13,944)	–	–
Translation differences relating to financial statements of foreign subsidiaries	(42,637)	(13,944)	–
<b>End of the year/period</b>	<b>(56,581)</b>	(13,944)	–
<b>Total Unitholders' funds at end of the year/period</b>	<b>726,119</b>	682,870	<b>55,327</b> (167)

\* Amounts to S\$1

# The year ended 31 December 2016 constitutes both the results when ECW was a private trust from 1 January 2016 to 27 July 2016 and after it was listed on SGX-ST from 28 July 2016 to 31 December 2016.

Note (a): The Group holds the land use right to Bei Gang Logistics. Bei Gang Logistics comprises an entire plot of land which includes completed, income-producing buildings being Buildings No. 1 to No. 8 (collectively, the "Stage 1 Properties"), and three plots of land under development (comprising of Buildings No. 9 to No. 17) (collectively, the "Stage 2 Properties"). Prior to listing, the Stage 2 Properties were transferred back to the Sponsor (FORCHN Holdings Group Co., Ltd.) as the development rights and thereafter the economic rights were assigned to the Sponsor. As such, the assets and liabilities in relation to the Stage 2 properties amounting to S\$52,536,000 and S\$18,020,000 respectively were not assumed by the Group. The aggregate net assets not assumed by the Group, amounted to S\$34,516,000 and was recognised as a distribution to the Sponsor in the consolidated financial statements for the year ended 31 December 2016.

The accompanying notes form an integral part of these financial statements.

# INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2016

Property name	Date of acquisition	Remaining term of lease* (Years)	Location	Occupancy rates at 31 December		Latest valuation date	Valuation as at 31 December		Percentage of total net assets attributable to Unitholders	
				2016	2015		(\$'000)	(\$'000)	December 2016	December 2015
Chongxian Port Investment	25 Aug 2015	39.0	No.5 Yunhe Road, Chongxian Neighbourhood, Yuhang District, Hangzhou, Zhejiang Province, PRC	100%	100%	31 Dec 2016	442,004	455,428	60.87	66.69
Chongxian Port Logistics – Complex 1	25 Aug 2015	39.0	No.5-2, Yunhe Road, Chongxian Neighbourhood, Yuhang District, Hangzhou, Zhejiang Province, PRC	100%	100%	31 Dec 2016	181,255	185,589	24.96	27.18
– Complex 2	25 Aug 2015	43.7	No.5-2, Yunhe Road, Chongxian Neighbourhood, Yuhang District, Hangzhou, Zhejiang Province, PRC	100%	100%	31 Dec 2016	22,891	23,185	3.15	3.40
Fu Zhuo Industrial	25 Aug 2015	39.0	No.5-1, Yunhe Road, Chongxian Neighbourhood, Yuhang District, Hangzhou, Zhejiang Province, PRC	100%	100%	31 Dec 2016	114,663	120,279	15.79	17.61
Fu Heng Warehouse – Building 1 and 2	9 Sep 2015	42.4	Buildings #1 – #2, No.11 Mingxing Road, Dongzhou Neighbourhood, Fuyang District, Hangzhou, Zhejiang Province, PRC	100%	100%	31 Dec 2016	302,994	317,842	41.73	46.55
Hengde Logistics – Phase 1	6 Nov 2015	36.6	No.21 Sanhao Road, Dongzhou Industrial Zone, Dongzhou Neighbourhood, Fuyang District, Hangzhou, Zhejiang Province, PRC	100%	100%	31 Dec 2016				
– Phase 2	6 Nov 2015	42.5	No.2-2 Dongqiao Road, Dongzhou Industrial Zone, Dongzhou Neighbourhood, Fuyang District, Hangzhou, Zhejiang Province, PRC	100%	100%	31 Dec 2016				

The accompanying notes form an integral part of these financial statements.



# INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2016

Property name	Date of acquisition	Remaining term of lease* (Years)	Location	Occupancy rates at 31 December 2016 %	Occupancy rates at 31 December 2015 %	Latest valuation date	Valuation as at 31 December		Percentage of total net assets attributable to Unitholders as at 31 December		Percentage of total net assets attributable to Unitholders as at 31 December 2015 %
							2016 (\$'000)	2015 (\$'000)	December 2016 %	December 2015 %	
Stage 1 Properties of Bei Gang Logistics – Building 1 to 8	25 Aug 2015	35.2	No. 5-4 Yunhe Road, Chongxian Neighbourhood, Yuhang District, Hangzhou, Zhejiang Province, PRC	100%	100.0%	31 Dec 2016	269,490	281,486	37.12	41.22	
<b>Other assets and liabilities (net)</b>							<b>1,333,297</b>	<b>1,383,809</b>	<b>183.62</b>	<b>202.65</b>	
<b>Net assets of the Group</b>							<b>(607,178)</b>	<b>(700,939)</b>	<b>(83.62)</b>	<b>(102.65)</b>	
							<b>726,119</b>	<b>682,870</b>	<b>100.00</b>	<b>100.00</b>	

\* Refers to the remaining tenure of underlying land. Remaining term of lease includes option to renew the land leases.

The carrying amounts of the China investment properties were based on independent valuations as at 31 December 2016. The valuations were undertaken by Colliers International (Hong Kong) Limited ("Colliers"), an independent valuer. Colliers has appropriate professional qualifications and experience in the location and category of the properties being valued. The valuations of the investment properties were based on the Discounted Cash Flow method. The net movement in valuation has been taken to the Statements of Total Return. It is the intention of the Group to hold the investment properties for the long term.

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. GENERAL INFORMATION

EC World Real Estate Investment Trust ("ECW") (formerly known as EC World Trust) is a Singapore-domiciled Real Estate Investment Trust constituted pursuant to the Trust Deed dated 5 August 2015 (as amended) between EC World Asset Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore.

ECW was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 28 July 2016 (the "Listing Date") and was approved for inclusion under the Central Provident Fund Investment Scheme.

The financial periods presented in this audited financial statements are not directly comparable as ECW was constituted as a private fund from 5 August 2015 to 27 July 2016.

The principal activity of ECW and its subsidiaries (the "Group") is to invest, directly or indirectly, in a diversified portfolio of income-producing real estate which is used primarily for e-commerce, supply chain management and logistics purposes, as well as real estate-related assets, with an initial geographical focus on the People's Republic of China (the "PRC").

ECW has entered into several service agreements in relation to the management of ECW and its property operations. The fee structures for these services are as follows:

### (a) Trustee's fees

The Trustee's fees shall not exceed 0.1% per annum of the value of all the assets of the Group ("Deposited Property") (subject to a minimum of S\$12,000 per month), excluding out-of-pocket expenses and GST in accordance with the Trust Deed. The Trustee's fees are payable out of the Deposited Property of ECW monthly, in arrears.

### (b) Manager's management fees

The Manager is entitled under the Trust Deed to receive the following remuneration:

- (i) a base fee of 10.0% per annum of the Distributable Income (calculated before accounting for the base fee and the performance fee in each financial year); and
- (ii) a performance fee of 25.0% of the difference in Distribution per Unit ("DPU") in a financial year with the DPU in the preceding full financial year (calculated before accounting for the performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year.

No base fee is payable for the financial period from 5 August 2015 to 27 July 2016. No performance fee is payable for the financial period from 5 August 2015 to 31 December 2016.

The base fee and performance fee, if any, is payable to the Manager or its nominees in the form of cash and/or units out of the Deposited Property. The Manager has agreed to receive 100% of the Base Fee and Performance Fee in the form of Units for the period from the Listing Date to 31 December 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 1. GENERAL INFORMATION (CONTINUED)

### (c) Acquisition and Divestment fees

The Manager is entitled to receive the following fees:

- (i) An acquisition fee at the rate of 0.75% for acquisitions from Related Parties (as defined in the Trust Deed) and 1.0% for all other cases (or such lower percentage as may be determined by the Manager in its absolute discretion).

In respect of any acquisition of real estate assets from related parties, such a fee should be in the form of units issued by ECW at prevailing market price(s) instead of cash. Such units should not be sold within 1 year from the date of their issuance; and

- (ii) A divestment fee at the rate of 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the sale price of the real estate sold or divested, pro-rated if applicable to the proportion of ECW's interest.

In respect of any sale or divestment of real estate assets from related parties, such a fee should be in the form of units issued by ECW at prevailing market price(s) instead of cash. Such units should not be sold within 1 year from the date of their issuance.

The acquisition and divestment fees will be paid in the form of cash and/or units and are payable as soon as practicable after completion of the respective acquisition or disposal.

### (d) Development management fee

The Manager is entitled to receive a development management fee equivalent to 3.0% of the total project costs incurred in a development project undertaken and managed by the Manager on behalf of ECW.

The development management fee is payable in cash and/or units, in equal monthly instalments over the construction period of each development project based on the Manager's best estimate of the total project costs and construction period and, if necessary, a final payment of the balance amount when the total project costs are finalised.

### (e) Fees under the Property Management Agreement

- (i) Property management services

The Trustee will pay Yuntong Property Management Co., Ltd. (the "Property Manager"), for each fiscal year (as defined in the Property Management Agreement), a fee of 1.5% per annum of the gross revenue of each property.

- (ii) Marketing services

Under the Property Management Agreement, the Trustee will pay the Property Manager, the following commissions:

- 1 month's gross rent for securing a tenancy of 24 months or more; and
- 0.5 month's gross rent for renewal of existing lease; and

If the new lease secured or lease renewal is for tenure of less than 24 months, the commission shall be calculated on a pro rata basis.

The lease commission payable to the Property Manager in respect of the marketing services to be provided for the Properties in the IPO Portfolio or the IPO Properties (Note 14) shall only be payable for new leases entered into or existing leases renewed in the year commencing from 1 January 2018 and thereafter.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 1. GENERAL INFORMATION (CONTINUED)

### (e) Fees under the Property Management Agreement (continued)

#### (iii) Project management fee

The Property Manager is entitled to a project management fee based on the following development or redevelopment (if not prohibited by the Property Funds Appendix or if otherwise permitted by MAS), refurbishment, retrofitting, addition and alteration or renovation works to the relevant property:

- a fee of 3.25% of the construction costs, where the construction costs are RMB10.0 million;
- a fee of 3.0% of the construction costs, where the construction costs exceed RMB10.0 million but do not exceed RMB100.0 million;
- a fee of 2.75% of the construction costs, where the construction costs exceed RMB100.0 million but do not exceed RMB250.0 million; and
- a fee to be mutually agreed by the Manager, the Trustee and the Property Manager, where the construction costs exceed RMB250.0 million.

The project management fees will be paid in the form of cash or/and Units (as the Manager may in its sole discretion to determine).

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements have been prepared for the financial year ended 31 December 2016, with comparative period from 5 August 2015 (date of constitution) to 31 December 2015.

The financial statements have been prepared in accordance with the recommendations of the Statement of Recommended Accounting Practice 7 ("RAP 7") "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants ("ISCA"), the applicable requirements of the Code on Collective Investment Schemes ("CIS") issued by Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards ("FRS").

The financial statements are expressed in Singapore Dollars ("S\$ and SGD") and has been rounded to the nearest thousand, unless otherwise stated.

The financial statements are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with RAP 7 requires Management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Information about an area involving a higher degree of judgment, where assumptions and estimates are significant to the financial statements, is disclosed in Note 14 – Investment properties. The assumptions and estimates were used by the independent valuers in arriving at their valuations.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

#### *Interpretations and amendments to published standards effective in 2016*

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and had no material effect on the amounts reported for the current financial year or prior financial period.

### 2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services and is presented net of goods and services tax, rebates and discounts. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

#### (a) Rental income from operating leases

Rental income from operating leases (net of any incentives given to the lessees) on investment properties are recognised on a straight-line basis over the lease term.

#### (b) Warehouse management fee income

Warehouse management fee income is recognised when services are rendered.

#### (c) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

#### (d) Dividend income

Dividend income is recognised when the right to receive payment is established.

### 2.3 Expenses

#### (a) Property expenses

Property expenses are recognised on an accrual basis. Included in property expenses are Property Manager's fees which are based on the applicable formula stipulated in Note 1(e).

#### (b) Borrowing costs

Interest expense and similar charges are recognised in the period in which they are incurred using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Expenses (continued)

#### (c) Trustee's fees

Trustee's fees are recognised on an accrual basis using the applicable formula stipulated in Note 1(a).

#### (d) Manager's management fees

Manager's management fees are recognised on an accrual basis using the applicable formula stipulated in Note 1(b).

### 2.4 Income taxes

Current income tax for current year and prior periods is recognised at the amount expected to be paid or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in the Statement of Total Return, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

Except for the tax exemption as described below, taxable income earned by ECW is subject to Singapore income tax at the prevailing corporate tax rate. Such taxable income includes interest income received from Singapore Holding Companies, interest income arising from bank deposits placed with financial institutions in Singapore and interest income received in Singapore from financial institutions outside Singapore.

Dividend receivable by ECW from the Singapore Holding Companies are one-tier tax exempt dividends. The Trustee is not taxed on dividend income distributed by the Singapore Holding Companies resident in Singapore.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Income taxes (continued)

Return of capital and repayment of loan principal are generally regarded as capital in nature and are not taxable in the hands of the Trustee.

Gains arising from the disposal of shares in the Singapore Holding Companies is not subject to Singapore tax unless the gains are considered to be trading gains or gains of an income nature.

### 2.5 Group accounting

#### (a) Subsidiaries

##### (i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### (ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Group accounting (continued)

#### (a) Subsidiaries (continued)

##### (iii) Disposals

When a change in ECW's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to the Statement of Total Return or transferred directly to Unitholders' funds if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the Statement of Total Return.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of ECW.

### 2.6 Investment properties

Investment properties are properties held either to earn rental income or capital appreciation, or for both.

Investment properties are accounted for as non-current assets and initially recognised at cost on acquisition, and subsequently carried at fair value. Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year, in accordance with CIS issued by MAS. Changes in fair values are recognised in the Statement of Total Return.

Investment properties are subject to renovations or improvement from time to time. The cost of major renovations and improvement are capitalised and the carrying amounts of the replaced components are recognised in the Statement of Total Return. The costs of maintenance, repairs and minor improvements are recognised in the Statement of Total Return when incurred.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Total Return.

### 2.7 Investment in subsidiaries

Investment in subsidiaries is carried at cost less accumulated impairment losses in ECW's Statements of Financial Position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the Statement of Total Return.

### 2.8 Impairment of non-financial assets

#### *Investment in subsidiaries*

Investment in subsidiaries is reviewed for impairment whenever there is any objective evidence or indication that this asset may be impaired.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Impairment of non-financial assets (continued)

#### *Investment in subsidiaries (continued)*

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the Statement of Total Return.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount or if there is a change in the events that had given rise to the impairment since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the Statement of Total Return.

### 2.9 Financial assets

#### (a) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (i) Financial assets at fair value through profit or loss

This category has two sub-categories: assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the reporting date.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 11) and "cash and cash equivalents" (Note 9) on the Statements of Financial Position.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Financial assets (continued)

#### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the Statement of Total Return. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to the Statement of Total Return.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

#### (c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

#### (d) Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in the Statement of Total Return when the changes arise.

#### (e) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

##### (i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the Statement of Total Return.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Financial assets (continued)

#### (e) Impairment (continued)

##### (i) Loans and receivables (continued)

The impairment allowance is reduced through the Statement of Total Return in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

### 2.10 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

### 2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Total Return over the period of the borrowings using the effective interest method.

### 2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### 2.13 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Fair value estimation of financial assets and liabilities (continued)

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

### 2.14 Operating leases

*When the Group is a lessor:*

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the Statement of Total Return on a straight-line basis over the period of the lease.

### 2.15 Currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Singapore Dollars, which is the functional currency of ECW.

#### (b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in the Statement of Total Return. However, in the consolidated financial statements, currency translation differences on the arising from borrowings in foreign currencies and investment in foreign operations, are recognised in the foreign currency translation reserve within the Statements of Movements in Unitholders' Funds of the Group.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to the Statement of Total Return, as part of the gain or loss on disposal.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Currency translation (continued)

#### (c) Translation of Group entities' financial statements

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rates at the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to the Statement of Total Return on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

### 2.16 Units and unit issuance expenses

Proceeds from the issuance of Units in ECW are recognised as Unitholders' funds. Incremental costs directly attributable to the issuance of new Units are deducted directly from the net assets attributable to the Unitholders.

### 2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Management who is responsible for allocating resources and assessing performance of the operating segments.

### 2.18 Distribution policy

ECW's distribution policy is to distribute, on a semi-annual basis, 100% of its distributable income for the period from the Listing Date to 31 December 2017. Thereafter, at least 90% of its distributable income on semi-annual basis. The actual level of distribution will be determined at the Manager's discretion, having regard to ECW's funding requirements, other capital management considerations and the overall stability of distributions.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 3. GROSS REVENUE

	<b>Year ended 31 December 2016 S\$'000</b>	<b>Group</b> Period from 5 August 2015 to 31 December 2015 S\$'000
Rental income	93,356	24,455
Warehouse management income	1,958	386
Government grant	164	320
Other operating income	56	57
	<b>95,534</b>	<b>25,218</b>

## 4. PROPERTY EXPENSES

	<b>Year ended 31 December 2016 S\$'000</b>	<b>Group</b> Period from 5 August 2015 to 31 December 2015 S\$'000
Property maintenance and repair expenses	5,514	1,168
Property management fee	540	–
Business and property-related taxes	5,577	3,153
	<b>11,631</b>	<b>4,321</b>

The Group's daily operations and administrative functions are provided by the Manager and Property Manager. All of the Group's investment properties generate rental income and the above expenses are direct operating expenses arising therefrom.

## 5. FINANCE COSTS

	<b>Year ended 31 December 2016 S\$'000</b>	<b>Group</b> Period from 5 August 2015 to 31 December 2015 S\$'000
Interest expenses:		
– Borrowings	13,902	3,790
– Interest rate swaps	296	–
Financing fees	5,439	–
Other bank charges	509	16
	<b>20,146</b>	<b>3,806</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 6. OTHER TRUST EXPENSES

	<b>Year ended 31 December 2016 S\$'000</b>	<b>Group</b> Period from 5 August 2015 to 31 December 2015 S\$'000
Consultancy and professional fees	590	181
Valuation fees	78	–
Listing expenses	2,188	–
Others trust expenses	147	–
	<b>3,003</b>	<b>181</b>

## 7. INCOME TAX EXPENSES

	<b>Year ended 31 December 2016 S\$'000</b>	<b>Group</b> Period from 5 August 2015 to 31 December 2015 S\$'000
Tax expense attributable to profit is made up of:		
– Current income tax	11,613	2,168
– Deferred income tax (Note 19)	5,412	270,732
	<b>17,025</b>	<b>272,900</b>

The income tax expense on the results for the financial year differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	<b>Year ended 31 December 2016 S\$'000</b>	<b>Group</b> Period from 5 August 2015 to 31 December 2015 S\$'000
Total return for the year/period before income tax	72,845	969,714
Tax calculated using Singapore tax rate of 17% (2015: 17%)	12,384	164,851
Effects of:		
– Different tax rates in foreign jurisdiction	5,406	77,339
– Revaluation of investment properties	3,562	32,230
– Non-tax deductible items, net	2,299	24
– Income not subject to tax	(6,626)	(1,544)
	<b>17,025</b>	<b>272,900</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 8. EARNINGS PER UNIT

The calculation of basic earnings per unit is based on:

	Year ended 31 December 2016 S\$'000	Group Period from 5 August 2015 to 31 December 2015 S\$'000
Total return for the year/period	55,820	696,814
Less: Total return for the period from 1 January 2016 to 27 July 2016	(26,479)	–
Total return attributable to Unitholders of ECW	29,341	696,814
Weighted average number of units outstanding from 28 July 2016 to 31 December 2016 ('000)	777,806	–*
Basic and diluted earnings per unit (cents per share)	3.77	N/M

\*: Amounts to S\$1

N/M: Not meaningful as there was only 1 unit issued from 5 August 2015 (date of incorporation) to 31 December 2015.

Diluted earnings per unit is the same as the basic earnings per unit as there are no dilutive instruments in issue during the financial year/period.

## 9. CASH AND CASH EQUIVALENTS

	Group		ECW	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Cash at bank	27,037	1,925	5,803	–
Fixed deposits	76,628	14,107	5,310	–
	<b>103,665</b>	16,032	<b>11,113</b>	–

Included in cash at bank are bank deposits amounting to S\$9,327,000 which are deposit maintained as interest reserves, as required by the offshore term loan and onshore syndicated loan facilities agreements.

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2016 S\$'000	2015 S\$'000
Cash and bank balances (as above)	103,665	16,032
Less: Interest reserve	(9,327)	–
Cash and cash equivalents per consolidated statement of cash flows	<b>94,338</b>	16,032



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 10. FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2016 S\$'000	2015 S\$'000
Structured deposits	<b>7,700</b>	–

During the year, the Group placed RMB37,000,000 with the financial institutions which invest in debt securities. The principal is not guaranteed but redeemable on demand with a rate of return ranging from 2% to 4% per annum.

## 11. TRADE AND OTHER RECEIVABLES

	Group		ECW	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<i>Current</i>				
Trade receivables				
– Non-related parties	<b>3,315</b>	7,977	–	–
– Related parties	<b>29,974</b>	21,414	–	–
Impairment losses (non-related parties)	<b>(954)</b>	(218)	–	–
Trade receivables (net)	<b>32,335</b>	29,173	–	–
Amounts due from related parties (non-trade)	–	76,756	–	–
Amounts due from subsidiaries (non-trade)	–	–	<b>10</b>	–
Interest receivables	–	378	–	–
VAT receivables	<b>1,853</b>	1,631	<b>1,009</b>	–
Other receivables	<b>3,061</b>	280	<b>42</b>	–
Loans to third parties	–	59,122	–	–
Prepayments	<b>15</b>	901	–	–
	<b>37,264</b>	168,241	<b>1,061</b>	–
<i>Non-current</i>				
Other receivables	–	526	–	–

The amounts due from subsidiaries and loans to third parties are unsecured, interest-free and repayable on demand.

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract notional amount S\$'000	Group and ECW Fair value	
		Asset S\$'000	Liability S\$'000
<b>2016</b>			
Interest rate swaps	100,000	<b>147</b>	–
Currency options	18,000	<b>270</b>	<b>(387)</b>
		<b>417</b>	<b>(387)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 12. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group enters into interest rate swaps to manage its exposure to interest rate movements on its floating rate interest-bearing borrowings (Note 18). Under the interest rate swaps, the Group receives floating interest equal to Singapore Dollar Swap Offer Rate ("SGD SOR") at every 3 months and pays fixed rates of interest at 1.485% per annum.

As at 31 December 2016, the Group had also entered into currency options to manage its foreign currency risk.

There are no derivative transactions entered into during the financial period from 5 August 2015 till 31 December 2015.

## 13. LOANS TO SUBSIDIARIES

	ECW	
	2016 S\$'000	2015 S\$'000
Loans to subsidiaries	<u>241,557</u>	–

As at 31 December 2016, the loans to subsidiaries are unsecured, repayable on demand and approximate their fair values.

## 14. INVESTMENT PROPERTIES

	Group	
	2016 S\$'000	2015 S\$'000
Beginning of the year/period	1,383,809	–
Acquisition of subsidiaries	–	448,676
Asset enhancements during the year/period	8,228	3,784
Fair value changes	(1,732)	949,332
Transfer from investment properties under development (Note 15)	3,856	–
Currency translation differences	(60,864)	(17,983)
End of the year/period	<u>1,333,297</u>	<u>1,383,809</u>

All investment properties are mortgaged to secure bank loans (Note 18).

Investment properties are stated at fair value based on valuations performed by independent professional valuers. In determining the fair value, the valuers have used valuation methods which involved certain estimates.

The overall portfolio valuation in "RMB" increased from RMB6,356,500,000 (equivalent to S\$1,383,809) as at 31 December 2015 to RMB6,407,000,000 (equivalent to S\$1,333,297) as at 31 December 2016.

Details of the investment properties are shown in the investment properties portfolio statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 14. INVESTMENT PROPERTIES (CONTINUED)

### Fair value hierarchy

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1) S\$'000	Significant other observable inputs (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000
<b>31 December 2016</b>			
– Investment Properties	–	–	1,333,297
<b>31 December 2015</b>			
– Investment Properties	–	–	1,383,809

There were no changes in valuation techniques during the year.

### Valuation techniques and key unobservable inputs

The following table presents the valuation techniques and key inputs that were used to determine the fair value of the investment properties classified under Level 3 of the fair value hierarchy:

Description	Valuation techniques	Key unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	Discounted cash flow	Terminal Capitalisation rate	6.0% – 6.5% (2015: 6.0% – 6.5%)	The higher the terminal capitalisation rate, the lower the valuation.
		Discount rate	8.0% – 9.0% (2015: 8.0% – 9.0%)	The higher the discount rate, the lower the valuation.

### Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of the financial year based on the properties' highest and best use. As at 31 December 2016, the fair values of the properties have been determined by Colliers International (Hong Kong) Limited. The fair values of the properties as at 31 December 2015 were based on the average of the two independent valuations undertaken for each property by the independent valuers (Colliers International (Hong Kong) Limited and Savills Valuation and Professional Services Limited) for listing purposes.

The IPO portfolio or the IPO Properties includes Chongxian Port Investment, Chongxian Port Logistics (Complex 1 and Complex 2), Fu Zhuo Industrial, Fu Heng Warehouse (Building 1 and Building 2), Hengde Logistics (Phase 1 and Phase 2) and Stage 1 properties of Bei Gang Logistics.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 15. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	Group	
	2016 S\$'000	2015 S\$'000
Beginning of the year/period	55,148	–
Acquisition of subsidiaries	–	50,693
Additions during the year/period	4,462	4,900
Transfer to investment properties (Note 14)	(3,856)	–
Distribution to Sponsor	(52,536)	–
Currency translation differences	(3,218)	(445)
End of the year/period	–	55,148

Investment properties under development are stated at cost as the fair value cannot be reasonably determined.

Included in the property under development was the development of Bei Gang Stage 2 properties of S\$52,536,000 (2015: S\$53,962,000) which were excluded from the IPO portfolio and where the development rights and thereafter the economic rights were being assigned to the Sponsor prior to the Listing Date.

The assignment of rights had been accounted for as a distribution of reserve to the Sponsor as reflected in the Consolidated Statements of Movements in Unitholders' Funds.

## 16. INVESTMENTS IN SUBSIDIARIES

	ECW	
	2016 S\$	2015 S\$
<i>Equity investments at cost</i>		
Beginning of the year/period	50	–
Additions	10	50
End of the year/period	60	50

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held directly by parent		Proportion of ordinary shares held by the Group	
			2016	2015	2016	2015
			%	%	%	%
Fullwealth Investment Pte. Ltd.*	Investment holding	Singapore	100	100	100	100
Richwin Investment Pte. Ltd.*	Investment holding	Singapore	100	100	100	100
Prorich Investment Pte. Ltd.*	Investment holding	Singapore	100	100	100	100
Richport Investment Pte. Ltd.*	Investment holding	Singapore	100	100	100	100
Magnasset Investment Pte. Ltd.*	Investment holding	Singapore	100	100	100	100
JY Logistics Investment Pte. Ltd.*	Investment holding	Singapore	100	–	100	–
Hangzhou Chongxian Port Investment Co., Ltd.#	Port logistics	People's Republic of China, Hangzhou	–	–	100	100
Hangzhou Chongxian Port Logistics Co., Ltd.#	Port logistics	People's Republic of China, Hangzhou	–	–	100	100
Hangzhou Bei Gang Logistics Co., Ltd.#	E-commerce logistics	People's Republic of China, Hangzhou	–	–	100	100
Hangzhou Fu Zhuo Industrial Co., Ltd.#	Port logistics	People's Republic of China, Hangzhou	–	–	100	100
Hangzhou Fu Heng Warehouse Co., Ltd.#	E-commerce logistics	People's Republic of China, Hangzhou	–	–	100	100
Zhejiang Hengde Sangpu Logistics Co., Ltd.#	Specialised logistics	People's Republic of China, Hangzhou	–	–	100	100

\* Audited by PricewaterhouseCoopers LLP, Singapore.

# Audited by PricewaterhouseCoopers Zhong Tian LLP, People's Republic of China.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### *Acquisitions of subsidiaries*

On 25 August 2015, the Group acquired 100% of equity interest in Hangzhou Chongxian Port Investment Co., Ltd., Hangzhou Chongxian Port Logistics Co., Ltd., Hangzhou Bei Gang Logistics Co., Ltd., and Hangzhou Fu Zhuo Industrial Co., Ltd. for considerations of RMB956,500,000 (equivalent to S\$209,760,000).

On 9 September 2015, the Group acquired 100% of equity interest in Hangzhou Fu Heng Warehouse Co., Ltd. for consideration of RMB168,900,000 (equivalent to S\$37,462,000).

On 6 November 2015, the Group acquired 100% of equity interest in Zhejiang Hengde Sangpu Logistics Co., Ltd. for consideration of RMB250,000,000 (equivalent to S\$55,375,000).

The cash flow and net assets of the subsidiaries acquired are provided below:

	Cost recognised on acquisition 2015 S\$'000
Investment properties (Note 14)	448,676
Investment properties under development (Note 15)	50,693
Trade and other receivables	259,088
Cash and cash equivalents	50,895
Deferred income tax assets – net (Note 19)	1,947
	811,299
Trade and other payables	(230,729)
Current income tax payable	(2,395)
Government grants	(788)
Borrowings	(274,790)
Total liabilities	(508,702)
Total identifiable net assets	302,597
Consideration transferred for acquisition:	
Purchase consideration	302,597
Less: Exchange gain – unrealised	(3,172)
Purchase consideration due to Sponsor	299,425

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 17. TRADE AND OTHER PAYABLES

	Group		ECW	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<i>Current</i>				
Trade payables to:				
– non-related parties	6,842	37,299	–	–
– related parties	–	26,557	–	–
Interest payables	3,238	289	1,274	–
Dividend payables	–	727	–	–
Accruals for operating expenses	6,412	4,715	970	167
Purchase consideration due to Sponsor	–	299,425	–	–
Other payables				
– non-related parties	4,744	4,207	54	–
– related parties	1,356	28,353	1,280	–
Deposits	1,444	2,023	–	–
Deferred income	2,823	–	–	–
Rental received in advance	566	539	–	–
	<b>27,425</b>	404,134	<b>3,578</b>	167
<i>Non-current</i>				
Tenancy related deposits	51,206	–	–	–
Deferred income	8,468	–	–	–
	<b>59,674</b>	–	–	–
	<b>87,099</b>	404,134	<b>3,578</b>	167

The amounts due to related parties are unsecured, interest-free and repayable on demand.

The fair value of the non-current tenancy related deposits approximates its carrying value as at reporting date.

## 18. BORROWINGS

	Group		ECW	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<i>Current</i>				
Secured bank borrowings				
– Onshore facilities	2,206	61,147	–	–
	<b>2,206</b>	61,147	–	–
<i>Non-current</i>				
Secured bank borrowings				
– Onshore facilities	201,769	205,993	–	–
– Offshore facilities	194,855	–	194,855	–
	<b>396,624</b>	205,993	<b>194,855</b>	–
Total borrowings	<b>398,830</b>	267,140	<b>194,855</b>	–

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 18. BORROWINGS (CONTINUED)

The maturity of the borrowings are as follows:

	Group		ECW	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Within 1 year	2,206	61,147	–	–
After 1 year but within 3 years	396,624	205,993	194,855	–
	<b>398,830</b>	267,140	<b>194,855</b>	–

### *Measurement of fair value*

The carrying amounts of Onshore and Offshore interest-bearing borrowings are repriced upon revision of People's Bank of China ("PBOC") Lending Base Rate and SGD SOR, respectively. The carrying amounts of the interest-bearing borrowings as at reporting date approximate to their corresponding fair values.

### *Onshore facilities*

The Onshore Borrowers are the Group's subsidiaries namely, Hangzhou Chongxian Port Investment Co., Ltd., Hangzhou Bei Gang Logistics Co., Ltd. and Zhejiang Hengde Sangpu Logistics Co., Ltd. (Note 16).

As at 31 December 2016, the Group has an aggregate amount of RMB1,004.2 million (equivalent to S\$209 million) term loan secured by:

- i) a first ranking pledge over the entire issued equity interest of the Group's subsidiary, Hangzhou Chongxian Port Logistics Co., Ltd. (Note 16);
- ii) an unconditional and irrevocable guarantee from the Onshore Guarantors on a joint and several basis, where the "Onshore Guarantors" refer to the Group's subsidiaries Hangzhou Fu Zhuo Industrial Co., Ltd., Hangzhou Fu Heng Warehouse Co., Ltd., and Hangzhou Chongxian Port Logistics Co., Ltd. (Note 16) and an unconditional and irrevocable guarantee from DBS Trustee Limited in its capacity as the Trustee;
- iii) a first ranking mortgage over the IPO Properties;
- iv) a pledge of all sales proceeds, rental income, bond pledge and all other revenue derived from the IPO Properties;
- v) an assignment of all material agreements in relation to the IPO Properties;
- vi) an assignment of all insurance policies in relation to the IPO Properties with the onshore security agent (being DBS Bank (China) Limited) named as the first beneficiary;

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

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## 18. BORROWINGS (CONTINUED)

### *Onshore facilities (continued)*

- vii) an assignment of all present and future rights and interests of the Onshore Borrowers in relation to inter-company debts and shareholder loans made by the Offshore Guarantor (ECW) and/or the Singapore Holding Companies (which consists of Fullwealth Investment Pte. Ltd., Richwin Investment Pte. Ltd., Prorich Investment Pte. Ltd., Richport Investment Pte. Ltd. and Magnasset Investment Pte. Ltd.);
- viii) a subordination deed in relation to the inter-company debts and shareholder loans made to the Onshore Borrowers and/or the Onshore Guarantors; and
- ix) any other security as may be reasonably required by the lenders.

### *Offshore Facility*

The Offshore borrower is ECW and as at 31 December 2016, the S\$200million three-year syndicated term loan secured by:

- i) an unconditional and irrevocable guarantee from the Singapore Holding Companies (which consists of Fullwealth Investment Pte. Ltd., Richwin Investment Pte. Ltd., Prorich Investment Pte. Ltd., Richport Investment Pte. Ltd. and Magnasset Investment Pte. Ltd.) on a joint and several basis;
- ii) a first ranking pledge over the entire issued share capital of each of the Singapore Holding Companies;
- iii) a first ranking pledge over the entire issued equity interest of each of the PRC Property Companies (which consists of Hangzhou Chongxian Port Investment Co., Ltd., Hangzhou Bei Gang Logistics Co., Ltd., Hangzhou Fu Zhuo Industrial Co., Ltd., Hangzhou Fu Heng Warehouse Co., Ltd. and Zhejiang Hengde Sangpu Logistics Co., Ltd.);
- iv) a first priority account charge over all bank accounts of ECW (as the "Offshore Borrower") relating to and/or in connection with the IPO Properties and its existing revenue amount, operating account and fixed deposit account, and all bank accounts of the Singapore Holding Companies;
- v) a first fixed and floating charge and debenture over all the assets of the Offshore Borrower relating to and/or in connection with the IPO Properties, and over all of the assets of the Singapore Holding Companies (other than the dividends attributable solely to revenue from Stage 2 Properties), including the assignment of all the rights and benefits under all material contracts, inter-company loans, property management agreement and hedging agreements; and
- vi) a subordination in relation to inter-company debts and shareholder loans made by ECW or any of its subsidiaries other than shareholder's loan obtained solely in relation to future property acquisition.

The Onshore Facilities and the Offshore Facilities have cross-default provisions, where an event of default of the Offshore Facility shall automatically trigger a cross default on the Onshore Facilities and vice versa.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 19. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the Statements of Financial Position as follows:

	<b>Group</b>	
	<b>2016</b>	2015
	<b>S\$'000</b>	S\$'000
Deferred income tax assets		
– To be recovered after 1 year	<b>(492)</b>	(2,000)
Deferred income tax liabilities		
– To be settled after 1 year	<b>258,900</b>	266,595
Deferred income tax liabilities (net)	<b>258,408</b>	264,595

Deferred income tax liabilities of S\$833,000 (2015: S\$312,000) have not been recognised for the withholding taxes and other taxes that will be payable on the earnings of its overseas subsidiaries when remitted to the holding company as the Group is in a position to control the dividend policies of these subsidiaries and provision of such taxes is made only when there is a plan for dividend distribution.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

### *Deferred tax liabilities*

	<b>Fair value gains on investment properties</b>	<b>Accelerated tax depreciation</b>	<b>Total</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Group</b>			
<b>2016</b>			
Beginning of the year	<b>265,398</b>	<b>1,197</b>	<b>266,595</b>
Tax charged for the year	<b>3,129</b>	<b>884</b>	<b>4,013</b>
Currency translation differences	<b>(11,656)</b>	<b>(52)</b>	<b>(11,708)</b>
End of the year	<b>256,871</b>	<b>2,029</b>	<b>258,900</b>
<b>2015</b>			
Beginning of the period	–	–	–
Acquisition of subsidiary	–	886	886
Tax charged for the period	269,543	367	269,910
Currency translation differences	(4,145)	(56)	(4,201)
End of the period	265,398	1,197	266,595



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 19. DEFERRED INCOME TAX (CONTINUED)

### Deferred tax assets

	Accelerated tax depreciation S\$'000	Total S\$'000
<b>Group</b>		
<b>2016</b>		
Beginning of the year	(2,000)	(2,000)
Tax charged for the year	1,399	1,399
Currency translation differences	109	109
End of the year	<u>(492)</u>	<u>(492)</u>
<b>2015</b>		
Beginning of the period	–	–
Acquisition of subsidiary	(2,833)	(2,833)
Tax charged for the period	822	822
Currency translation differences	11	11
End of the period	<u>(2,000)</u>	<u>(2,000)</u>

## 20. GOVERNMENT GRANT

	2016 S\$'000	Group 2015 S\$'000
Government grant	<u>702</u>	<u>769</u>

## 21. UNITS IN ISSUE

	Group and ECW			
	2016	2015		
	No. of units '000	S\$'000	No. of units '000	S\$'000
<i>Units in issue</i>				
Beginning of the year/period	–*	–*	–*	–
Sub-division of existing units (Note a)	673,995	–	–	–
Issue of units:				
– Placement at listing (Note b)	777,512	629,785	–	–
– Manager's base fees paid in units (Note c)	1,004	772	–	–
Redemption of existing units (Note b)	(673,995)	(545,936)	–	–
Issue expenses	–	(12,324)	–	–
Distribution to Unitholders	–	(7,715)	–	–
End of the year/period	<u>778,516</u>	<u>64,582</u>	<u>–*</u>	<u>–*</u>

\*: Amounts to S\$1 or 1 unit

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 21. UNITS IN ISSUE (CONTINUED)

- (a) On 5 August 2015, ECW was constituted as a private trust and one unit was issued at the issue price of S\$1 per unit. Prior to the IPO, the unit was sub-divided into 673,995,371 private trust units.
- (b) On 28 July 2016 (date of IPO), 777,512,000 units were issued at S\$0.81 per unit. With the proceeds from the IPO, the Manager fully redeemed the 673,995,371 private trust units. The redemption was paid for in cash at S\$0.81 per unit. The private trust units were cancelled subsequent to the redemption.
- (c) On 15 November 2016, ECW issued 1,003,845 new units at the issue price of S\$0.7689 per unit, in respect of the payment of base fees to the Manager in units. The issue price was determined based on the volume weighted average traded price for all trades done on SGX-ST in the ordinary course of trading for the last 10 business days of the relevant quarter on which the fees accrued.

Each unit in ECW represents an undivided interest in the REIT. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- Receive income and other distributions attributable to the units held;
- Participate in the termination of ECW by receiving a share of all net cash proceeds derived from the realisation of the assets of ECW less any liabilities, in accordance with their proportionate interests in ECW. However, a Unitholder does not have the right to require that any assets (or part thereof) of ECW be transferred to him; and
- Attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or Unitholders representing not less than 10% of the issued units of ECW) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

A Unitholder's liability is limited to the amount paid or payable for any units in ECW. The provisions of the Trust Deed provide that no Unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that the liabilities of ECW exceed its assets.

## 22. COMMITMENTS

- (a) Capital commitments

As at 31 December 2016, there is no capital expenditure (2015: S\$2,739,000) contracted but not recognised in the financial statements.

- (b) Operating lease commitments – where the Group is a lessor

The Group leases out its investment properties under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group	
	2016	2015
	S\$'000	S\$'000
Not later than one year	94,302	–
Between one and five years	292,843	–
	<b>387,145</b>	–

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

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## 23. FINANCIAL RISK MANAGEMENT

### *Financial risk factors*

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency forwards, interest rate swaps and borrowings denominated in the respective entities' functional currency to manage certain financial risk exposures.

Risk management is carried out under policies approved by the Board of Directors of the Manager. The Manager provides written principles for overall risk management as well as written policies covering specific areas, such as interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities.

#### (a) Market risk

##### (i) *Currency risk*

The Group's portfolio of properties is located in PRC, held via special purpose vehicles incorporated in PRC and the cash flows from the operation of the Properties is denominated in RMB. The PRC's special vehicles are held by holding companies in Singapore, which are in turn held by ECW. ECW will pay distributions in Singapore dollars. These various levels of shareholding expose ECW to fluctuations in the currency rates of RMB and SGD. In order to manage the currency risk involved in the investment of assets outside Singapore, the Manager will adopt strategies that may include:

- the use of borrowings denominated in the respective entities' functional currency to match the currency of the investment asset as a natural currency hedge;
- entering into cross currency interest rate swaps that are used to reduce the Group's exposure to currency risk on its borrowings and interest; and
- entering into currency forward contracts or currency options to manage the foreign currency income received from the offshore assets, back into Singapore Dollars.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) *Currency risk (continued)*

The Group's currency exposure based on the information provided to key management is as follows:

	SGD S\$'000	RMB S\$'000	Other S\$'000	Total S\$'000
<b>Group</b>				
<u>As at 31 December 2016</u>				
<b>Financial assets</b>				
Cash and cash equivalents	11,165	92,493	7	103,665
Trade and other receivables	1,061	36,188	–	37,249
Derivative financial instruments	417	–	–	417
Financial assets, at fair value through profit or loss	–	7,700	–	7,700
<b>Total financial assets</b>	<b>12,643</b>	<b>136,381</b>	<b>7</b>	<b>149,031</b>
<b>Financial liabilities</b>				
Trade and other payables	(4,153)	(71,082)	(7)	(75,242)
Borrowings	(194,855)	(203,975)	–	(398,830)
Derivative financial instruments	(387)	–	–	(387)
<b>Total financial liabilities</b>	<b>(199,395)</b>	<b>(275,057)</b>	<b>(7)</b>	<b>(474,459)</b>
<b>Net financial liabilities</b>	<b>(186,752)</b>	<b>(138,676)</b>	<b>–</b>	<b>(325,428)</b>
Less: Net financial liabilities denominated in the respective entities' functional currency	186,752	138,676	–	325,428
Currency swaps	–	18,000	–	18,000
<b>Net currency exposure</b>	<b>–</b>	<b>18,000</b>	<b>–</b>	<b>18,000</b>
<u>As at 31 December 2015</u>				
<b>Financial assets</b>				
Cash and cash equivalents	55	15,970	7	16,032
Trade and other receivables	–	167,866	–	167,866
<b>Total financial assets</b>	<b>55</b>	<b>183,836</b>	<b>7</b>	<b>183,898</b>
<b>Financial liabilities</b>				
Trade and other payables	(255)	(403,333)	(7)	(403,595)
Borrowings	–	(267,140)	–	(267,140)
<b>Total financial liabilities</b>	<b>(255)</b>	<b>(670,473)</b>	<b>(7)</b>	<b>(670,735)</b>
<b>Net financial liabilities</b>	<b>(200)</b>	<b>(486,637)</b>	<b>–</b>	<b>(486,837)</b>
Less: Net financial liabilities denominated in the respective entities' functional currency	200	187,212	–	187,412
<b>Net currency exposure</b>	<b>–</b>	<b>(299,425)</b>	<b>–</b>	<b>(299,425)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

ECW's currency exposure based on the information provided to key management is as follows:

	SGD S\$'000	RMB S\$'000	Other S\$'000	Total S\$'000
<b>ECW</b>				
<u>As at 31 December 2016</u>				
<b>Financial assets</b>				
Cash and cash equivalents	11,113	–	–	11,113
Loans to subsidiaries	241,557	–	–	241,557
Trade and other receivables	1,061	–	–	1,061
Derivative financial instruments	417	–	–	417
Total financial assets	<u>254,148</u>	–	–	<u>254,148</u>
<b>Financial liabilities</b>				
Trade and other payables	(3,578)	–	–	(3,578)
Borrowings	(194,855)	–	–	(194,855)
Derivative financial instruments	(387)	–	–	(387)
Total financial liabilities	<u>(198,820)</u>	–	–	<u>(198,820)</u>
<b>Net financial assets</b>	<b>55,328</b>	–	–	<b>55,328</b>
Less: Net financial assets denominated in ECW's functional currency	<u>(55,328)</u>	–	–	<u>(55,328)</u>
<b>Net currency exposure</b>	<u>–</u>	–	–	<u>–</u>
<u>As at 31 December 2015</u>				
<b>Financial liabilities</b>				
Trade and other payables	(167)	–	–	(167)
Total financial liabilities	<u>(167)</u>	–	–	<u>(167)</u>
<b>Net financial liabilities</b>	<b>(167)</b>	–	–	<b>(167)</b>
Less: Net financial liabilities denominated in ECW's functional currency	<u>167</u>	–	–	<u>167</u>
<b>Net currency exposure</b>	<u>–</u>	–	–	<u>–</u>

As at 31 December 2016, the operations of the Group and ECW are not exposed to significant foreign currency risks as they do not have significant transactions denominated in foreign currencies. As at 31 December 2015, if RMB strengthened/weakened by 5% against the SGD with all other variables including tax rate being held constant, the total return of the Group would have been lower/higher by S\$12,426,000.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk (continued)

#### (ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group's interest rate risk arises from its borrowings which bear floating interest rates. Borrowings at variable rates expose the Group to cash flow interest rate risk. The Manager endeavours to utilise interest rate hedging strategies where appropriate from time to time to ensure stable returns to Unitholders.

The Manager will adopt prudent and proactive interest rate management strategies including interest rate swaps with reputable banks to manage the risk associated with changes in interest rates on the loan facilities while ensuring that ECW's on-going cost of debt capital remains reasonable and continues to create value to the returns to Unitholders.

As at the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	Group		ECW	
	Carrying amount		Carrying amount	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Variable rate instruments				
– Onshore borrowings	<b>208,964</b>	267,140	–	–
– Offshore borrowings	<b>200,000</b>	–	<b>200,000</b>	–
– Interest rate swaps	<b>100,000</b>	–	<b>100,000</b>	–
	<b>508,964</b>	267,140	<b>300,000</b>	–

The Group uses interest rate swaps to manage its exposure to interest rate movements on its floating rate interest-bearing term loan by swapping the interest expense on a proportion of the term loan from floating rates to fixed rates (Note 12).

A change in the interest rate at the reporting date would have an impact on the total return. If the interest rates increase/decrease by of 25 (2015: 25) basis points ("bp") at the reporting date, the total return would be lower/higher by S\$772,000 (2015: S\$668,000). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's primary exposure to credit risk arises through its trade and other receivables. The Group adopts the policy of dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The trade receivables of the Group comprise 1 debtor (2015: 1 debtor) that represent 75% (2015: 67%) of trade receivables. More than 90% (2015: 70%) of the Group's trade receivables are due from related parties which are incorporated in the PRC.

ECW does not have trade receivables balance outstanding as at 31 December 2016 and 31 December 2015.

#### (i) Financial assets that are neither past due or impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and Company.

#### (ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		ECW	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Past due 0 to 3 months	317	4,731	-	-
Past due over 3 months	2,042	3,246	-	-
	<b>2,359</b>	<b>7,977</b>	-	-

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		ECW	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Past due 0 to 3 months	317	-	-	-
Past due over 3 months	419	218	-	-
	<b>736</b>	<b>218</b>	-	-
Less: Allowance for impairment	(736)	(218)	-	-
	<b>-</b>	<b>-</b>	-	-
Beginning of the year/period	218	-	-	-
Allowance made	736	218	-	-
End of the year/period	<b>954</b>	<b>218</b>	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk

The Group adopts prudent liquidity risk management by maintaining sufficient cash to fund its working capital and financial obligations. At the end of each reporting period, assets held by the Group for managing liquidity risk included cash and short-term deposits. In addition, the Manager also monitors and observes the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the "CIS Code") concerning the leverage limits and financial covenants imposed by the banks on the various borrowings.

The table below analyses financial liabilities (including derivative financial liabilities) of the Group and ECW into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximates their carrying amounts as the impact of discounting is not significant.

	Contractual cash flows S\$'000	Within 1 year S\$'000	Within 2 to 3 years S\$'000	More than 3 years S\$'000
<b>Group</b>				
<b>2016</b>				
<b>Non-derivative financial liabilities</b>				
Borrowings	(453,499)	(19,445)	(434,054)	–
Trade and other payables*	(83,575)	(20,798)	(62,777)	–
<b>Derivative financial liabilities</b>				
Interest rate swaps <sup>^</sup>	(2,113)	(818)	(1,295)	–
<b>2015</b>				
<b>Non-derivative financial liabilities</b>				
Borrowings	(360,301)	(18,069)	(49,132)	(293,100)
Trade and other payables*	(403,595)	(403,595)	–	–
<b>ECW</b>				
<b>2016</b>				
<b>Non-derivative financial liabilities</b>				
Borrowings	(216,364)	(6,334)	(210,030)	–
Trade and other payables*	(3,578)	(3,578)	–	–
<b>Derivative financial liabilities</b>				
Interest rate swaps <sup>^</sup>	(2,113)	(818)	(1,295)	–
<b>2015</b>				
<b>Non-derivative financial liabilities</b>				
Borrowings	–	–	–	–
Trade and other payables*	–	–	–	–

\* Exclude deferred income and rental received in advance.

<sup>^</sup> For the purpose of the contractual cash flows calculation, SOR of 0.66717% and 1-to-5 year PBOC Lending Base Rate of 4.75% were being used.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Capital risk

The Group is subject to the aggregate leverage limit as defined in Appendix 6 of the CIS ("Property Funds Appendix"). The Property Funds Appendix stipulates that the total borrowings and deferred payments (collectively, the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's deposited property at the time the borrowing is incurred, taking into account deferred payments including deferred payments for assets whether to be settled in cash or in Units.

The Group has complied with the Aggregate Leverage requirements for the financial year ended 31 December 2016 and for the financial period ended 31 December 2015:

	Group	
	2016	2015
	S\$'000	S\$'000
Total borrowings and deferred payment	<b>408,964</b>	267,140
Total assets	<b>1,482,343</b>	1,623,756
Aggregate leverage ratio	<b>27.6%</b>	16.5%

The Manager aims to optimise the capital structure and cost of capital, within the Aggregate Leverage limit the Property Fund Appendix. Such strategy involves adopting and maintaining appropriate Aggregate Leverage level to ensure optimal returns to Unitholders, while maintaining flexibility in respect of future capital expenditures or acquisitions.

The Manager will periodically review ECW's capital management policy and modify the policy as the Manager deems prudent with regards to prevailing market conditions. As and when appropriate, the Manager may consider diversifying its sources of debt financing in the future by way of accessing the public capital markets through the issuance of bonds to further enhance the debt maturity profile of ECW.

### (e) Financial instruments by category and fair value measurements

The table below presents its financial assets and liabilities measured and carried at fair value and classified by the following level of fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Financial instruments by category and fair value measurements (continued)

There were no transfers between Levels 1 and 2 during the year.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward currency rates at the reporting date. These investments are classified as Level 2 and comprise debt investments and derivative financial instruments.

	Carrying amount			Fair value				
	Fair value through profit or loss S\$'000	Loans and receivables S\$'000	Other financial liabilities within the scope of FRS 39 S\$'000	Total S\$'000	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
<b>Group 2016</b>								
<b>Financial assets</b>								
Cash and cash equivalents	–	103,665	–	103,665	–	–	–	–
Trade and other receivables*	–	37,249	–	37,249	–	–	–	–
Derivative financial instruments	417	–	–	417	–	417	–	417
Financial assets, at fair value through profit or loss	7,700	–	–	7,700	–	7,700	–	7,700
	<b>8,117</b>	<b>140,914</b>	<b>–</b>	<b>149,031</b>				
<b>Financial liabilities</b>								
Trade and other payables^	–	–	75,242	75,242	–	–	–	–
Borrowings	–	–	398,830	398,830	–	–	–	–
Derivative financial instruments	387	–	–	387	–	387	–	387
	<b>387</b>	<b>–</b>	<b>474,072</b>	<b>474,459</b>				
<b>2015</b>								
<b>Financial assets</b>								
Cash and cash equivalents	–	16,032	–	16,032	–	–	–	–
Trade and other receivables*	–	167,866	–	167,866	–	–	–	–
	<b>–</b>	<b>183,898</b>	<b>–</b>	<b>183,898</b>				
<b>Financial liabilities</b>								
Trade and other payables^	–	–	403,595	403,595	–	–	–	–
Borrowings	–	–	267,140	267,140	–	–	–	–
	<b>–</b>	<b>–</b>	<b>670,735</b>	<b>670,735</b>				



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Financial instruments by category and fair value measurements (continued)

	Carrying amount			Fair value				
	Fair value through profit or loss S\$'000	Loans and receivables S\$'000	Other financial liabilities within the scope of FRS 39 S\$'000	Total S\$'000	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
<b>ECW 2016</b>								
<b>Financial assets</b>								
Cash and cash equivalents	-	11,113	-	11,113	-	-	-	-
Trade and other receivables*	-	1,061	-	1,061	-	-	-	-
Derivative financial instruments	417	-	-	417	-	417	-	417
Loans to subsidiaries	-	241,557	-	241,557	-	-	-	-
	<b>417</b>	<b>253,731</b>	<b>-</b>	<b>254,148</b>				
<b>Financial liabilities</b>								
Trade and other payables^	-	-	3,578	3,578	-	-	-	-
Borrowings	-	-	194,855	194,855	-	-	-	-
Derivative financial instruments	387	-	-	387	-	387	-	387
	<b>387</b>	<b>-</b>	<b>198,433</b>	<b>198,820</b>				
<b>2015</b>								
<b>Financial liabilities</b>								
Trade and other payables^	-	-	167	167	-	-	-	-
	<b>-</b>	<b>-</b>	<b>167</b>	<b>167</b>				

\* Excludes prepayments

^ Excludes deferred income and rental received in advance

## 24. IMMEDIATE AND ULTIMATE HOLDING CORPORATIONS

For financial reporting purposes under FRS 110 Consolidated Financial Statements, the Group is regarded as a subsidiary of Forchn International Pte. Ltd.. The immediate and ultimate holding companies are Forchn International Pte. Ltd. and Forchn Holdings Group Co., Ltd. respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 25. RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Group when the Group has the ability, directly or indirectly to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subjected to common significant influence. The Manager and the Property Manager are indirect wholly-owned subsidiaries of Forchn Holdings Group Co., Ltd..

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

	Group	
	2016 S\$'000	2015 S\$'000
Property management fees paid/payable	540	–
Trustee's fees paid/payable	121	–
Manager's base fees paid/payable	1,911	–
Warehouse management fees expenses	1,715	–
Rental and other related income received/receivable from related parties	<u>(69,413)</u>	<u>(28,479)</u>

Outstanding balances at 31 December 2016, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from the reporting date and are disclosed in Notes 11 and 17 respectively.

## 26. FINANCIAL RATIOS

	Group	
	2016 %	2015 %
Ratio of expenses to weighted average net assets <sup>1</sup>		
– including and excluding performance component of Manager's fees	0.39	0.03
Portfolio turnover rate <sup>2</sup>	<u>–</u>	<u>42.00</u>

1 The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore dated 25 May 2005. The expenses used in the computation relate to expenses of the Group, excluding property expenses, borrowing costs and income tax expense.

2 In accordance with the formulae stated in the CIS, the ratio reflects the number of times per year that a dollar of assets is reinvested. The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 27. SEGMENT INFORMATION

The Group had determined the operating segments based on reports reviewed by Management that are used to make strategic decisions, allocate resources and assess performance. Management comprises the Chief Executive Officer, Chief Financial Officer and the President of Investment & Asset Management. Management considers and evaluates the business by the nature of investment properties – port logistics, specialised logistics and E-commerce logistics. These properties are concentrated in one geographical location: People's Republic of China. This forms the basis of identifying the operating segments of the Group under FRS 108 *Operating Segments*.

Segment revenue comprises mainly income generated from its tenants. Segment net property income represents the income earned by each segment after allocating property expenses. This is the measure reported to Management for the purpose of assessment of segment performance. In addition, Management monitors the non-financial assets as well as financial assets attributable to each segment when assessing segment performance.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly management fee, trust expenses, finance income, finance costs and related assets and liabilities.

### Property income and expenses

	Port Logistics		Specialised Logistics		E-commerce Logistics		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>								
Gross revenue	<b>43,928</b>	13,543	<b>16,605</b>	2,945	<b>35,001</b>	8,730	<b>95,534</b>	25,218
Property expenses	<b>(3,766)</b>	(1,902)	<b>(2,860)</b>	(560)	<b>(5,005)</b>	(1,859)	<b>(11,631)</b>	(4,321)
<b>Segment net property income</b>	<b>40,162</b>	11,641	<b>13,745</b>	2,385	<b>29,996</b>	6,871	<b>83,903</b>	20,897
Net change in fair value of investment properties	<b>3,905</b>	493,356	<b>(946)</b>	212,864	<b>(4,691)</b>	243,112	<b>(1,732)</b>	949,332
Finance income							<b>527</b>	319
Finance costs							<b>(20,146)</b>	(3,806)
Exchange difference							<b>15,298</b>	3,173
Net change in fair value of financial derivatives							<b>30</b>	–
Other trust expenses							<b>(5,035)</b>	(201)
Total return for the financial year before income tax							<b>72,845</b>	969,714
Income tax expenses							<b>(17,025)</b>	(272,900)
<b>Total return for the financial year after income tax before distribution</b>							<b>55,820</b>	696,814

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

## 27. SEGMENT INFORMATION (CONTINUED)

### Assets and liabilities

	Port Logistics		Specialised Logistics		E-commerce Logistics		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>								
Segment assets	<b>695,690</b>	778,330	<b>310,862</b>	340,523	<b>463,139</b>	504,315	<b>1,469,691</b>	1,623,168
Unallocated assets							<b>12,652</b>	588
Total assets							<b>1,482,343</b>	1,623,756
Segment liabilities	<b>173,366</b>	208,037	<b>64,359</b>	69,083	<b>115,122</b>	96,940	<b>352,847</b>	374,060
Unallocated liabilities								
– Borrowings							<b>398,830</b>	267,140
– Others							<b>4,547</b>	299,686
<b>Total liabilities</b>							<b>756,224</b>	940,886

## 28. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2017 and which the Group has not early adopted:

*FRS 115 Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2016

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## 28. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

*FRS 109 Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one Management actually use for risk management purposes.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group is currently assessing the impact of FRS 109 and plans to adopt the new standard on the required effective date.

*FRS 116 Leases* (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the Statements of Financial Position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the lessee. The accounting for lessor will not change significantly.

## 29. EVENTS OCCURRING AFTER STATEMENT OF FINANCIAL POSITION DATE

The manager announced a distribution of 1.463 cents per unit for the period from 1 October 2016 to 31 December 2016.

## 30. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Manager and the Trustee on 24 March 2017.



## ADDITIONAL INFORMATION

### A. INTERESTED PERSON (AS DEFINED IN THE LISTING MANUAL OF THE SGX-ST) AND INTERESTED PARTY (AS DEFINED IN THE PROPERTY FUNDS APPENDIX) TRANSACTIONS (COLLECTIVELY “RELATED PARTY TRANSACTIONS”)

The Related Party Transactions entered into during the financial year ended 31 December 2016, which fall under the Listing Manual of Singapore Exchange Securities Trading Limited and the Property Funds Appendix (excluding transactions less than S\$100,000 each) are as follows:

Name of interested person	Aggregate value of all related party transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all related party transactions during the financial year under review conducted under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000
EC World Asset Management Pte. Ltd.		
– Manager's base fees	1,911	–
Forchn Holdings Group Co. Ltd. and its subsidiaries		
– Rental income	(69,413)	–
– Property management fees	540	–
– Warehouse management fees expenses	1,715	–
DBS Trustee Limited		
– Trustee's fees	121	–

Saved as disclosed above, there were no additional interested person/party transactions (excluding transactions less than S\$100,000 each) nor any material contracts entered into by ECW involving the interests of the CEO, each Director or controlling shareholder of the Manager or controlling Unitholder.

The following table sets out a summary of Units issued for payment of the management fees during or in respect of the financial year from 1 January 2016 to 31 December 2016.

For Period	Issue Date	Units issued	Issue Price (\$)*
28 July 2016 to 30 September 2016	15 November 2016	1,003,845	0.7689

- Based on the volume weighted average traded price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the last ten business days of the relevant period in which the management fee accrues.

Please also see Related party transactions in Note 25 to the financial statements.

## ADDITIONAL INFORMATION

### B. UPDATE ON THE USE OF THE IPO PROCEEDS

The Manager had disclosed in the Prospectus its estimated allocation of the use of the IPO Proceeds, and the Manager wishes to update ECW Unitholders on ECW's utilisation of such proceeds:

Uses	Amount allocated (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Acquisition of PRC Property Companies	231,003	230,128	875
Repayment of existing loans	205,908	205,908	–
Redemption of units	545,936	545,936	–
Payment of initial paid-in capital	11,545	11,429	116
Transaction costs	29,597	26,595	3,002
Offshore interest reserve requirement	3,798	3,798	–
Working capital	6,060	9,628	(3,568)
Capital expenditure	1,846	1,846	–
<b>Total</b>	<b>1,035,693</b>	<b>1,035,268</b>	<b>425</b>

The breakdown on the use of IPO proceeds for the working capital is as follows:

Specific uses	Amount utilised (S\$'000)
Interest expenses	1,913
Distribution for the period from 28 July 2016 (Listing Date) to 30 September 2016	7,715
<b>Total</b>	<b>9,628</b>

The Manager will make further announcements via SGX-ST on the utilisation of the remainder of the IPO Proceeds as and when such funds are materially disbursed.

### C. UTILISATION OF THE SECURITY DEPOSITS

The Group has received security deposits of RMB301.7 million (equivalent to S\$62.8 million) from the Master Lease tenants. As announced on 30 September 2016 and 14 October 2016, the Manager had decided to set aside the security deposits to part-finance the potential acquisition of an asset, instead of using the security deposits to invest in the PRC corporate bonds, after taking into account the current volatile PRC corporate bond market.

At the reporting date, there are reasonable grounds to believe that ECW and the Group will be able to repay the security deposits at the end of the term of the Master Leases.

# STATISTICS OF UNITHOLDINGS

As at 13 March 2017

## ISSUED UNITS

There were 778,515,845 Units (voting rights: one vote per Unit) issued in ECW as at 13 March 2017. There is only one class of Units in ECW. There were no treasury units.

## Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	0	0.00	0	0.00
100 – 1,000	268	28.36	264,500	0.03
1,001 – 10,000	434	45.92	2,534,200	0.33
10,001 – 1,000,000	235	24.87	12,343,645	1.59
1,000,001 and above	8	0.85	763,373,500	98.05
<b>Total</b>	<b>945</b>	<b>100.00</b>	<b>778,515,845</b>	<b>100.00</b>

## Twenty Largest Unitholders

No.	Name	No. of Units	%
1	FORCHN INVESTMENTS (SINGAPORE) PTE LTD	322,957,200	41.48
2	RAFFLES NOMINEES (PTE) LIMITED	149,813,500	19.24
3	CITIBANK NOMINEES SINGAPORE PTE LTD	148,086,500	19.02
4	DBS NOMINEES (PRIVATE) LIMITED	101,403,200	13.03
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	34,068,000	4.38
6	DB NOMINEES (SINGAPORE) PTE LTD	2,750,000	0.35
7	CHINA TAIPING INSURANCE (SINGAPORE) PTE LTD	2,500,000	0.32
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,795,100	0.23
9	DBSN SERVICES PTE LTD	858,100	0.11
10	EC WORLD ASSET MANAGEMENT PTE LTD	695,205	0.09
11	WOO TOONG LI	425,000	0.05
12	TING CHOON MENG	400,000	0.05
13	FU MUI KIM	350,000	0.04
14	PALM BEACH SEAFOOD RESTAURANT PTE LTD	305,000	0.04
15	HUANG JIAN	300,000	0.04
16	GOH CHAP CHOR	280,400	0.04
17	HENKY TOHA	218,000	0.03
18	WONG SIEW MING	217,000	0.03
19	CHENG YE	208,000	0.03
20	LAI HOCK MENG	204,320	0.03
<b>Total</b>		<b>767,834,525</b>	<b>98.63</b>

# STATISTICS OF UNITHOLDINGS

As at 13 March 2017

## SUBSTANTIAL UNITHOLDERS

	Name of Substantial Unitholder	No. of Units Direct Interest	No. of Units Deemed Interest
1	Forchn Investments (Singapore) Pte. Ltd. (now known as Forchn International Pte. Ltd.) <sup>(1)</sup>	322,957,200	695,205
2	Forchn Holdings Group Co., Ltd. <sup>(2)</sup>	–	323,652,405
3	Zhang Guobiao <sup>(3)</sup>	–	323,652,405
4	Zhang Zhangsheng <sup>(4)</sup>	–	323,652,405
5	BOCOM International Global Investment Limited	61,728,300	–
6	BOCOM International Holdings Company Limited <sup>(5)</sup>	–	61,728,300
7	Bank of Communications Co., Ltd. <sup>(6)</sup>	–	61,728,300
8	Fosun International Holdings Ltd.	82,716,000	–
9	Guo Guangchang <sup>(7)</sup>	–	82,716,000
10	Liang Xinjun <sup>(8)</sup>	–	82,716,000
11	Sunkits Resources Limited	95,061,700	–
12	China Cinda (HK) Asset Management Co., Limited <sup>(9)</sup>	–	95,061,700
13	China Cinda (HK) Holdings Company Limited <sup>(10)</sup>	–	95,061,700
14	China Cinda Asset Management Co., Ltd. <sup>(11)</sup>	–	95,061,700
15	Ministry of Finance of The People's Republic of China <sup>(12)</sup>	–	95,061,700
16	Hu Yuqing	57,400,000	–

### Notes:

- (1) Forchn International Pte. Ltd. (formerly known as Forchn Investments (Singapore) Pte. Ltd.) is deemed to be interested in the Units held by its wholly-owned subsidiary, EC World Asset Management Pte. Ltd..
- (2) Forchn Holdings Group Co., Ltd. is deemed to be interested in the Units held by its wholly-owned subsidiary, Forchn International Pte. Ltd. and Units held by EC World Asset Management Pte. Ltd.. EC World Asset Management Pte. Ltd. is a wholly-owned subsidiary of Forchn International Pte. Ltd..
- (3) Zhang Guobiao owns 80% of the equity interest of Forchn Holdings Group Co., Ltd.. Forchn Holdings Group Co., Ltd. is in turn the sole shareholder of Forchn International Pte. Ltd.. Further, Forchn International Pte. Ltd. is the sole shareholder of EC World Asset Management Pte. Ltd. Accordingly, Zhang Guobiao is deemed to be interested in the Units held by Forchn International Pte. Ltd. and Units held by EC World Asset Management Pte. Ltd..
- (4) Zhang Zhangsheng owns 20% of the equity interest of Forchn Holdings Group Co., Ltd.. Forchn Holdings Group Co., Ltd. is in turn the sole shareholder of Forchn International Pte. Ltd.. Further, Forchn International Pte. Ltd. is the sole shareholder of EC World Asset Management Pte. Ltd.. Accordingly, Zhang Zhangsheng is deemed to be interested in the Units held by Forchn International Pte. Ltd. and Units held by EC World Asset Management Pte. Ltd..
- (5) BOCOM International Holdings Company Limited is deemed to be interested in the Units held by its wholly-owned subsidiary, BOCOM International Global Investment Limited.
- (6) Bank of Communications Co., Ltd. is deemed to be interested in the Units held by BOCOM International Global Investment Limited. BOCOM International Global Investment Limited is a wholly-owned subsidiary of BOCOM International Holdings Company Limited. BOCOM International Holdings Company Limited is a wholly-owned subsidiary of Bank of Communications Co., Ltd..
- (7) Guo Guangchang owns 64.45% of Fosun International Holdings Ltd. Accordingly, he is deemed to be interested in the Units held by Fosun International Holdings Ltd..
- (8) Liang Xinjun owns 24.44% of Fosun International Holdings Ltd. Accordingly, he is deemed to be interested in the Units held by Fosun International Holdings Ltd..
- (9) China Cinda (HK) Asset Management Co., Limited is deemed to be interested in the Units held by its wholly-owned subsidiary, Sunkits Resources Limited.
- (10) China Cinda (HK) Holdings Company Limited is deemed to be interested in the Units held by Sunkits Resources Limited. Sunkits Resources Limited is a wholly-owned subsidiary of China Cinda (HK) Asset Management Co., Limited, which is a wholly-owned subsidiary of China Cinda (HK) Holdings Company Limited.
- (11) China Cinda Asset Management Co., Ltd. is deemed to be interested in the Units held by Sunkits Resources Limited. Sunkits Resources Limited is a wholly-owned subsidiary of China Cinda (HK) Asset Management Co., Limited, which is a wholly-owned subsidiary of China Cinda (HK) Holdings Company Limited. China Cinda (HK) Holdings Company Limited is 100% owned by China Cinda Asset Management Co., Ltd..
- (12) The Ministry of Finance of the People's Republic of China is deemed to be interested in the Units held by Sunkits Resources Limited. Sunkits Resources Limited is a wholly-owned subsidiary of China Cinda (HK) Asset Management Co., Limited. China Cinda (HK) Asset Management Co., Limited is a wholly-owned subsidiary of China Cinda (HK) Holdings Company Limited, which is in turn 100% owned by China Cinda Asset Management Co., Ltd.. The Ministry of Finance of the People's Republic of China owns 67.84% of China Cinda Asset Management Co., Ltd..

# STATISTICS OF UNITHOLDINGS

As at 13 March 2017

## UNITHOLDINGS OF DIRECTORS OF THE MANAGER

(As at 21 January 2017)

	Name of Director	No. of Units Direct Interest	No. of Units Deemed Interest
1	Zhang Guobiao <sup>(1)</sup>	–	323,961,045
2	Lai Hock Meng <sup>(2)</sup>	1,000,000	–
3	Goh Toh Sim <sup>(3)</sup>	500,000	–
4	Chan Heng Wing	100,000	–
5	Chia Yew Boon	100,000	–

### Notes:

- (1) Zhang Guobiao owns 80% of the equity interest of Forchn Holdings Group Co., Ltd.. Forchn Holdings Group Co., Ltd. is in turn the sole shareholder of Forchn International Pte. Ltd.. Further, Forchn International Pte. Ltd. is the sole shareholder of EC World Asset Management Pte. Ltd. Accordingly, Zhang Guobiao is deemed to be interested in the Units held by Forchn International Pte. Ltd. and Units held by EC World Asset Management Pte. Ltd..
- (2) Lai Hock Meng's direct interest is derived from the Units held in his own name and in the name of DBS Nominees (Private) Limited.
- (3) Goh Toh Sim's direct interest is derived from the Units held in his own name and in the name of DBS Nominees (Private) Limited.

## FREE FLOAT

Based on information available to the Manager as at 13 March 2017, approximately 20.01% of the Units in EC World REIT are held in public hands. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been complied with.



# NOTICE OF ANNUAL GENERAL MEETING

## EC WORLD REAL ESTATE INVESTMENT TRUST

(Constituted in the Republic of Singapore  
pursuant to a trust deed dated 5 August 2015 (as amended))

NOTICE IS HEREBY GIVEN that the First Annual General Meeting (“AGM”) of the holders of units of EC World Real Estate Investment Trust (“EC World REIT”, and the holders of units of EC World REIT, the “Unitholders”) will be held at **Maxwell Chambers, 32 Maxwell Road, #03-01, Singapore (069115)** on Friday, 21 April 2017 at 10:00 a.m. to transact the following business:

### (A) AS ORDINARY BUSINESS

1. To receive and adopt the Report of DBS Trustee Limited, as trustee of EC World REIT (the “Trustee”), the Statement by EC World Asset Management Pte. Ltd., as manager of EC World REIT (the “Manager”) and the Audited Financial Statements of EC World REIT for the financial year ended 31 December 2016 together with the Auditors’ Report thereon. **(Ordinary Resolution 1)**
2. To re-appoint PricewaterhouseCoopers LLP as Auditors of EC World REIT and to hold office until the conclusion of the next AGM and to authorise the Manager to fix their remuneration. **(Ordinary Resolution 2)**

### (B) AS SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without any modifications, the following resolution as an Ordinary Resolution:

#### 3. GENERAL MANDATE FOR THE ISSUE OF NEW UNITS AND/OR CONVERTIBLE SECURITIES

That authority be given to the Manager to

- (a) (i) issue units in EC World REIT (“Units”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, options, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

- (b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50.0%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a *pro rata* basis to existing Unitholders (including Units to be issued in pursuance of Instruments to be made or granted pursuant to this Resolution) shall not exceed twenty per cent (20.0%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below);

# NOTICE OF ANNUAL GENERAL MEETING

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- (2) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "SGX-ST"), for the purpose of determining the aggregate number of Units and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Units and Instruments shall be based on the total number of issued Units (excluding treasury Units, if any) at the time of the passing of this Resolution, after adjusting for:
- (a) any new Units arising from the conversion or exercise of the Instruments or any convertible securities which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Trust Deed constituting EC World REIT (as amended) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) unless revoked or varied by Unitholders in a general meeting of EC World REIT, the authority conferred by this Resolution shall continue in force (i) until (a) the conclusion of the next AGM of EC World REIT or (b) the date by which the next AGM of EC World REIT is required by the applicable laws and regulations or the Trust Deed to be held, whichever is earlier or (ii) in the case of Units to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Units in accordance with the terms of the Instruments;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (6) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interest of EC World REIT to give effect to the authority conferred by this Resolution.

**(Ordinary  
Resolution 3)**

(Please see Explanatory Note)

By Order of the Board  
EC World Asset Management Pte. Ltd.  
as Manager of EC World REIT  
Company Registration No. 201523015N

Victor Lai  
Josephine Toh  
Company Secretaries

Singapore  
6 April 2017

# NOTICE OF ANNUAL GENERAL MEETING

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## Explanatory Note:

The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this AGM until (i) the conclusion of the next AGM of the Unitholders of EC World REIT, or (ii) the date by which the next AGM of the Unitholders of EC World REIT is required by the applicable laws and regulations or the Trust Deed to be held, or (iii) such authority is varied or revoked by the Unitholders in a general meeting, whichever is the earliest, to issue Units, make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding, in total, fifty per cent (50.0%) of the total number of issued Units (excluding treasury Units, if any), with a sub-limit of twenty per cent (20.0%) for issues other than on a *pro rata* basis to Unitholders.

For the purpose of determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units (excluding treasury Units, if any) at the time this Ordinary Resolution is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

## Important Notice:

1. A Unitholder who is not a relevant intermediary and entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his or her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he or she specifies the proportion of his or her holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointment shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the Proxy Form (defined below).

**"Relevant intermediary"** means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or
  - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the Unit Registrar's Office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than seventy-two (72) hours before the time appointed for holding the AGM.

## Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by EC World REIT (or its agents) for the purpose of the processing and administration by EC World REIT (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for EC World REIT (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to EC World REIT (or its agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by EC World REIT (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify EC World REIT in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

## Special Note on Dress Code:

Unitholders of EC World REIT (and their respective proxies) are advised not to wear singlets, bermudas, shorts and slippers at Maxwell Chambers, the venue of the Annual General Meeting. Your co-operation in complying with Maxwell Chambers' dress code is greatly appreciated or otherwise, you will be denied entry into the building.

# PROXY FORM ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

**EC WORLD REAL ESTATE INVESTMENT TRUST**  
(Constituted in the Republic of Singapore pursuant to a trust deed dated 5 October 2015 (as amended))

**IMPORTANT:**

1. A relevant intermediary may appoint more than two proxies to attend and vote at the Annual General Meeting (please see Note 2 for the definition of "relevant intermediary").
2. For CPF investors who have used their CPF monies to buy units in EC World REIT, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
3. **PLEASE READ THE NOTES TO THE PROXY FORM.**

**Personal data privacy**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2017.

\* I/We, \_\_\_\_\_

with NRIC/Passport/Company Registration Number: \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a Unitholder/Unitholders of EC World Real Estate Investment Trust ("**EC World REIT**"), hereby appoint:

Name	NRIC/Passport no.	Proportion of Unitholdings	
		No. of Units	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport no.	Proportion of Unitholdings	
		No. of Units	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the First Annual General Meeting (the "**Meeting**") of Unitholders of EC World REIT to be held at **Maxwell Chambers, 32 Maxwell Road, #03-01, Singapore (069115)** on Friday, 21 April 2017 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

No.	Ordinary Resolutions	No. of votes 'For'*	No. of votes 'Against'*
<b>ORDINARY BUSINESS</b>			
1.	To receive and adopt the Report of the Trustee, the Statement by the Manager, the Audited Financial Statements of EC World REIT for the financial year ended 31 December 2016 and the Auditors' Report thereon.		
2.	To re-appoint PricewaterhouseCoopers LLP as Auditors of EC World REIT and to authorise the Manager to fix the Auditors' remuneration		
<b>SPECIAL BUSINESS</b>			
3.	To authorise the Manager to issue new Units and to make or grant convertible instruments		

\* If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

Total number of Units in:	No. of Units
(a) CDP Register	
(b) Register of Unitholders	

\_\_\_\_\_  
Signature of Unitholder(s)/Common Seal of Corporate Unitholder

## IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

### Notes to the Proxy Form:

1. A unitholder of EC World REIT ("**Unitholder**") who is not a relevant intermediary and entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his or her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he or she specifies the proportion of his or her holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the Proxy Form (defined below).

#### "Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or
  - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A Unitholder should insert the total number of Units held in the Proxy Form. If the Unitholder has Units entered against his or her name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"), he or she should insert that number of Units. If the Unitholder has Units registered in his or her name in the Register of Unitholders, he or she should insert that number of Units. If the Unitholder has Units entered against his or her name in the said Depository Register and Units registered in his or her name in the Register of Unitholders, he or she should insert the aggregate number of Units entered against his or her name in the Depository Register and registered in his or her name in the Register of Unitholders. If no number is inserted, the Proxy Form will be deemed to relate to all the Units held by the Unitholder.
  4. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the Unit Registrar's Office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for holding the Meeting.
  5. The Proxy Form must be executed under the hand of the appointor or of his or her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the Proxy Form is executed by an attorney on behalf of the appointor, the letter or power of attorney or a notarially certified copy thereof must be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
  6. Completion and return of this instrument appointing a proxy or proxies shall not preclude a Unitholder from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the Meeting in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
  7. The Manager shall have the right to reject any Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager (a) may reject any Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his or her name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by CDP to the Manager; and (b) shall be entitled and bound to accept as accurate the number of Units entered against the name of that Unitholder as shown in the Depository Register as at a time not earlier than 72 hours prior to the time of the Meeting, supplied by CDP to the Trustee and to accept as the maximum number of votes which in aggregate that Unitholder and his proxy/ies (if any) are able to cast on poll a number which is the number of Units entered against the name of that Unitholder as shown in the Depository Register, whether that number is greater or smaller than that specified by the Unitholder or in the Proxy Form.
  8. All Unitholders will be bound by the outcome of the Meeting regardless of whether they have attended or voted at the Meeting.
  9. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he or she is a Unitholder. A person entitled to more than one vote need not use all his or her votes or cast them the same way.

### Special Note on Dress Code :

Unitholders of EC World REIT (and their respective proxies) are advised not to wear singlets, bermudas, shorts and slippers at Maxwell Chambers, the venue of the Annual General Meeting. Your co-operation in complying with Maxwell Chambers' dress code is greatly appreciated or otherwise, you will be denied entry into the building.



# CORPORATE INFORMATION

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## EC WORLD REAL ESTATE INVESTMENT TRUST

### REGISTERED ADDRESS

**DBS Trustee Limited**  
12 Marina Boulevard  
Marina Bay Financial Centre Tower 3  
Singapore 018982

### WEBSITE & EMAIL ADDRESS

www.ecwreit.com  
ir@ecwreit.com

### TRUSTEE

**DBS Trustee Limited**  
12 Marina Boulevard  
Level 44 DBS Asia Central  
Marina Bay Financial Centre Tower 3  
Singapore 018982  
Tel: +65 6878 8888  
Fax: +65 6878 3977

## THE MANAGER

### REGISTERED ADDRESS

**EC World Asset Management  
Limited**  
8 Shenton Way  
#37-03 AXA Tower  
Singapore 068811  
Tel: +65 6221 9018  
Fax: +65 6221 9338

### BOARD OF DIRECTORS

**Zhang Guobiao**  
*Chairman & Non-Executive Director*

**Chan Heng Wing**  
*Independent Non-Executive Director  
and Lead Independent Director*

**Wong See Hong**  
*Independent Non-Executive Director*

**Li Guosheng**  
*Independent Non-Executive Director*

**Chia Yew Boon**  
*Independent Non-Executive Director*

**Lai Hock Meng**  
*Executive Director and  
Chief Executive Officer*

**Alvin Cheng Yu-Dong**  
*Executive Director and  
Deputy Chief Executive Officer*

**Goh Toh Sim**  
*Executive Director and President,  
Investment and Asset Management*

### AUDITOR

**PricewaterhouseCoopers LLP**  
Public Accountants and Chartered  
Accountants  
8 Cross Street  
#17-00 PWC Building  
Singapore 048424  
Tel: +65 6236 3388  
Fax: +65 6236 3300

Partner-In-Charge:  
Tham Tuck Seng  
(With effect from financial year  
ended 31 December 2015)

## AUDIT AND RISK COMMITTEE

**Wong See Hong**  
*Chairman*

**Chia Yew Boon**  
**Li Guosheng**

## NOMINATING AND REMUNERATION COMMITTEE

**Li Guosheng**  
*Chairman*

**Zhang Guobiao**  
**Chan Heng Wing**  
**Chia Yew Boon**

## COMPANY SECRETARIES

Toh Lei Mui, Josephine  
Lai Kuan Loong, Victor

## LEGAL ADVISER

**Allen & Gledhill LLP**  
One Marina Boulevard #28-00  
Singapore 018989  
Tel: +65 6890 7188  
Fax: +65 6327 3800

## STOCK CODE

BWCU

## UNIT REGISTRAR

**Boardroom Corporate & Advisory  
Services Pte. Ltd.**  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
Tel: +65 6536 5355  
Fax: +65 6536 1360



**EC World**  
运通网城 REIT