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运通网城 REIT

# FY2022 Results Presentation

23 February 2023



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# Agenda

## Section A

FY2022 Key Highlights

## Section B

Financial Review

## Section C

Portfolio Update



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## Section A: FY2022 Key Highlights



# FY2022 Key Highlights



## Financials and Asset Management

- **Stable performance** across all properties – slight decline in gross revenue and **NPI by 3.1% and 1.8% respectively**, due mainly to the **weakening of RMB** and **discontinuance of contribution** from Fu Zhuo Industrial
- In RMB terms, after the relevant distribution adjustments, gross revenue was largely unchanged – attributable to **organic rental escalations**, which offset the reduction of income due to compulsory expropriation
- Retained 10% of **FY2022 total amount available for distribution ~S\$4.1m in 4QFY2022**, for loan repayment, refinancing related costs and general working capital purpose
- Full Year DPU of **4.762 cents** translates to annualised yield of **10.7%**
- Portfolio occupancy sustained at high of **99.2%**



## Proposed Divestment

- **Long-Stop** date extended to **28 February 2023**
- **Strong support from Sponsor – RMB200m Margin Deposit and S\$4.4m** from 3Q2022 distribution to Sponsor used as prepayment for Divestment
- **RMB198.9m** of margin deposit and **S\$4.4m** were utilised for settlement of partial Mandatory Repayment

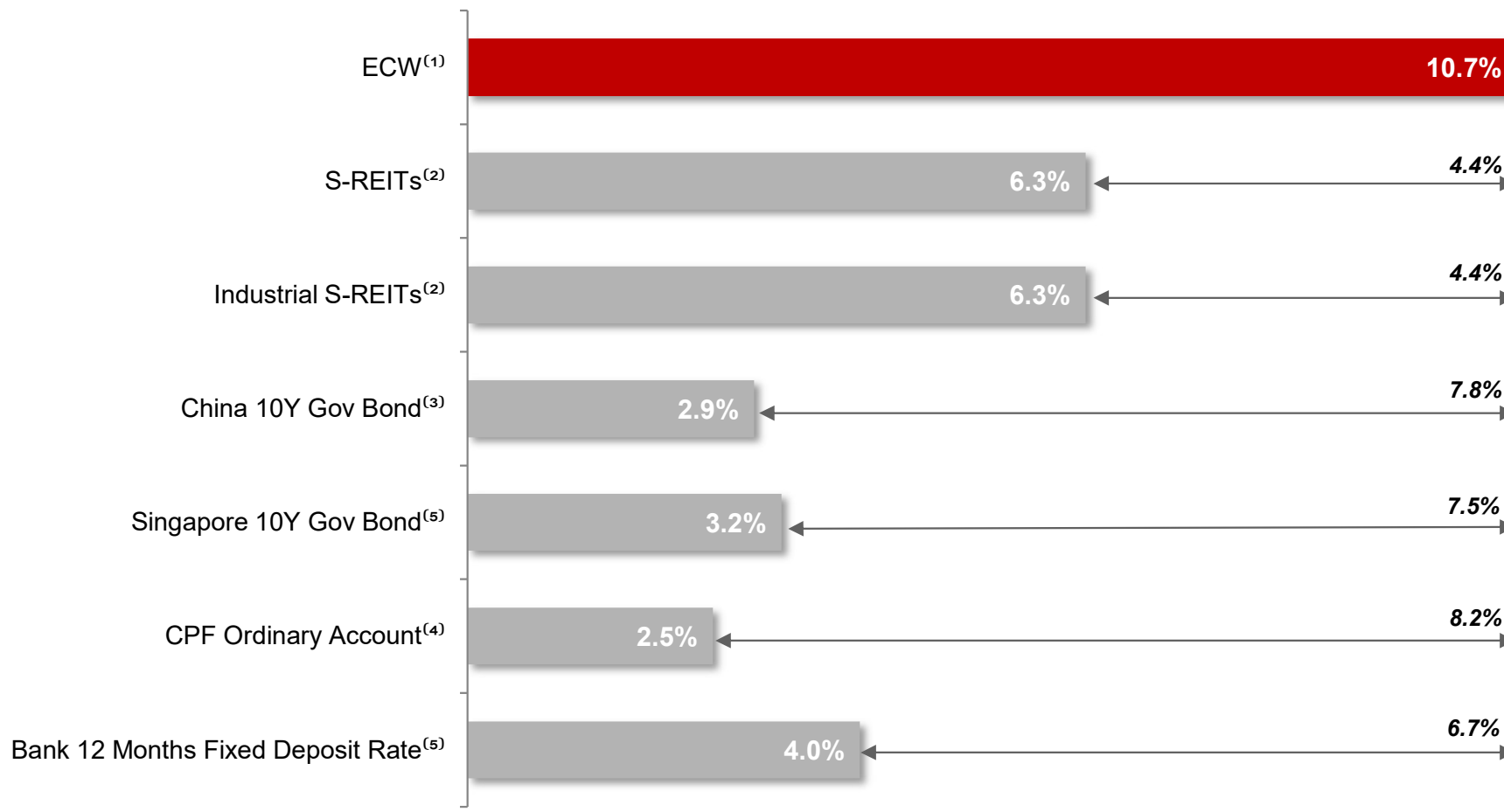


## Outlook

- China is widely expected to achieve **higher GDP growth of ~ 5% in 2023**, up from 3% in 2022
- **Offline sales could outpace online sales**, with the increased mobility
- External headwinds include **elevated interest rate environment** and **slowing global economy**
- Nevertheless, **quality assets remain resilient** to benefit from upturn with China's re-opening

# Distribution Yield

## Attractive Yield Compared to Peers



(1) Based on FY2022 annualised DPU of 4.762 Singapore cents and closing price of S\$0.445 per unit as at 30 December 2022.

(2) Based on Broker Research

(3) Source: Bloomberg

(4) Source: CPF Board

(5) Average rate based on media compilation

# 4QFY2022 Distribution Timetable

## Distribution Timetable

<b>Last Day of Trading on “cum” Basis</b>	:	13 March 2023 (Monday)
<b>Ex-date</b>	:	14 March 2023 (Tuesday)
<b>Record Date</b>	:	15 March 2023 (Wednesday)
<b>Distribution Payment Date (Est)</b>	:	29 March 2023 (Wednesday)



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## Section B: Financial Review





## 4QFY2022 (Year-on-Year) Summary Results

Year-on-Year Comparison	4QFY2022	4QFY2021	Variance (%)
Gross revenue (S\$'000)	28,414	31,943	(11.0)
Net property income (S\$'000)	25,966	28,813	(9.9)
Finance Costs (S\$'000)	(11,195)	(10,158)	10.2
Income tax expenses (S\$'000)	(11,845)	(2,917)	>100
Total amount available for distribution (S\$'000) <sup>1</sup>	9,229	12,443	(25.8)
Amount retained (S\$'000) <sup>2</sup>	4,144	3	N/M
Distribution to Unitholders (S\$'000) <sup>2</sup>	5,085	12,440	(59.1)
Applicable number of units for computation of DPU (million)	809.8	809.5	-
<b>Distribution Per Unit (Singapore cents)</b>	<b>0.628</b>	<b>1.537</b>	<b>(59.1)</b>

- YoY decline in gross revenue and NPI as a result of the **weakening of RMB against SGD**, and **discontinuance of income contribution from Fu Zhuo Industrial**
- After the relevant distribution adjustments, **gross revenue in RMB terms was 2.0% lower**, impacted by the **discontinuance of income contribution** from Fu Zhuo Industrial and **lower late fee income**, but partially mitigated **by organic rental escalations**. NPI contracted by **0.5%** due to reduction in revenue offset the refund of land use taxes
- Increase in finance costs was driven by higher interest rate
- In addition to the above mentioned, total amount available for distribution was negated by **higher withholding tax** incurred for **repatriation of fund**
- Amount retained in 4QFY2022 representing **10% of total amount available for distribution in FY2022**, resulting in YoY decline in 4QFY2022 DPU
- **DPU of 0.628 cents**, translates to a yield of 5.6%

(1) Based on 100% distribution

(2) Retention of 10% of total amount available for distribution in FY2022 in 4QFY2022

## 4QFY2022 (Quarter-on-Quarter) Summary Results

Year-on-Year Comparison	4QFY2022	3QFY2022	Variance (%)
Gross revenue (S\$'000)	28,414	29,830	(4.7)
Net property income (S\$'000)	25,966	27,051	(4.0)
Finance Costs (S\$'000)	(11,195)	(10,609)	5.5
Income tax (expenses)/credit (S\$'000)	(11,845)	(5,671)	> 100
Total amount available for distribution (S\$'000)	9,229	11,046	(16.4)
Amount retained (S\$'000) <sup>1</sup>	4,144	-	N/M
Distribution to Unitholders (S\$'000) <sup>1</sup>	5,085	11,046	(54.0)
Applicable number of units for computation of DPU (million)	809.8	809.8	-
<b>Distribution Per Unit (Singapore cents)</b>	<b>0.628</b>	<b>1.364</b>	<b>(54.0)</b>

(1) Retention of 10% of total amount available for distribution in FY2022 in 4QFY2022

- The reduction in Gross revenue and NPI was mainly due to **weakening of RMB against SGD**
- In addition, the lower NPI was due to higher maintenance and repair expenses incurred during the quarter, offset by comparatively lower property-related taxes
- In RMB terms, after relevant distribution adjustments, gross revenue was **down marginally by 0.1%, while NPI grew by 0.9% QoQ.**
- Lower amount available for distribution QoQ was due to **higher withholding tax** paid for repatriation of funds and **higher finance costs** incurred in 4QFY2022
- Lower Distribution to Unitholders and DPU, as a result of **10% distribution for FY2022 retained in full during 4QFY2022** for loan repayment, refinancing related costs and general working capital purpose

# FY2022 Summary Results

Year-on-Year Comparison	FY2022	FY2021	Variance (%)
Gross revenue (S\$'000)	121,568	125,488	(3.1)
Net property income (S\$'000)	110,956	113,025	(1.8)
Finance Costs (S\$'000)	(41,856)	(39,791)	5.2
Income tax expenses (S\$'000)	(22,577)	(20,151)	12.0
Total amount available for distribution (S\$'000)	41,452	51,907	(20.1)
Amount retained (S\$'000) <sup>1</sup>	4,144	3,243	27.8
Amount previously retained (S\$'000) to be distributed	1,256	1,951	(35.6)
Distribution to Unitholders (S\$'000) <sup>2</sup>	38,564	50,615	(23.8)
Applicable number of units for computation of DPU (million)	809.8	809.5	-
<b>Distribution Per Unit (Singapore cents)</b>	<b>4.762</b>	<b>6.263</b>	<b>(24.0)</b>

(1) For FY2022, retained 10% of total amount available for distribution in FY2022 in 4QFY2022. For FY2021, retained 5% of distributable income in 3QFY2021, as well as 10% each of distributable income in 2QFY2021 and 1QFY2021

(2) For FY2022, 2QFY2022 payout included distribution previously retained in 2QFY2020 (balance) and 3QFY2020 (partial). For FY2021, 2QFY2021 payout included previously retained distribution in 4QFY2019, 1QFY2020 and 2QFY2020 (partial).

- Gross revenue and NPI declined by 3.1% and 1.8% respectively due mainly to impact from the **compulsory expropriation of Fu Zhuo Industrial**, and **weakening of RMB** against SGD
- In RMB terms, and after the relevant distribution adjustments, gross revenue was **largely unchanged (-0.6%)**, as **higher rental escalations nullified** the absence of contribution from Fu Zhuo Industrial and lower late fee income. **NPI in RMB terms grew 0.8%**, resulting from **lower operating expenses**
- **Higher finance costs** due to rising interest rate environment
- **Distribution to Unitholders declined 23.8%** due to the combined effects from absence of contribution from Fu Zhuo Industrial, pre-termination compensation to 3rd party tenant, higher finance costs and withholding tax, and higher % of Management fees paid in cash versus FY2021 and higher distributable amount retained for loan repayment, refinancing related costs and general working capital purpose
- Total DPU for FY2022 of **4.762 cents, annualised yield at 10.7%**

# Stable Balance Sheet

S\$'000	As at 31 December 2022	As at 31 December 2021
Cash and cash equivalents <sup>(1)</sup>	113,330	169,255
Investment Properties <sup>(2)</sup>	1,076,874	1,673,893
Assets of Disposal Group classified as held-for-sale	460,424	-
<b>Total Assets</b>	<b>1,666,778</b>	<b>1,895,263</b>
Borrowings	593,136	721,493
Liabilities directly associated with Disposal Group classified as held-for-sale	168,727	-
<b>Total Liabilities</b>	<b>1,059,784</b>	<b>1,143,510</b>
<b>Net Assets attributable to Unitholders</b>	<b>606,994</b>	<b>751,753</b>
<b>NAV per unit (S\$)</b>	<b>0.75</b>	<b>0.93</b>

(1) Includes RMB71.6 million (S\$13.8 million) cash security deposits received from the master leases, and cash deposits of RMB480.3 million (S\$92.9 million) placed as collateral for standby letter of credit ("SBLC") issuance

(2) Decline in Investment Properties due to the derecognition of Fu Zhuo Industrial, the reclassification of disposal group as asset held for sale and weakening of RMB against SGD. In RMB terms, the valuation including the disposal group as at 31 December 2022 was 2.2% lower year-on-year

# Capital Management

## Continued focus on Capital Management

### FY2022 Summary

- **FY2022 and 4QFY2022** running interest rate of **4.9%** and **5.4% respectively**
- Aggregate leverage of **38.8%** as at **31 December 2022** (31 December 2021: 38.2%)
- Weighted Average Debt Maturity of **0.44 years**
- Interest coverage ratio of 2.68x<sup>(1)</sup>

### Key Metrics as at 31 December 2022

#### Total Debt Drawdown as at 31 December 2022

- Onshore: RMB1,018.0 million and RMB77.0 million
- Offshore: S\$300.0 million and US\$86.8 million (S\$116.7 million)
- S\$89.5 million RCF<sup>(2)</sup>

#### FY2022 Blended Running Interest Rate<sup>(2)(3)</sup>

- Onshore – 6.4% p.a.
- Offshore – 4.7% p.a.
- RCF – 2.96% to 5.55% p.a.

(1) Calculated by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees

(2) S\$89.5 million drawn down from S\$130.0 million revolving credit facility. Including amortized upfront fee, the blended all-in interest rate of the aggregate facilities for the quarter and 12 months ended 31 December 2022 was 6.2% and 5.8% respectively

(3) Based on outstanding loans as at 31 December 2022



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## Section C: Portfolio Update



# Continual support from key tenants

## Strong Occupancy of 99.2%

### E-Commerce Logistics Assets

Asset	Lease Structure	Occupancy <sup>1</sup>	Key Highlight
Fu Heng	Master Lease: 1 Jan 2016 to 31 Dec 2024 Rental escalation of 2.0% annually from 1 <sup>st</sup> Jan 2021.	100%	Coveted property; <b>entire suite of facilities</b> supporting e-commerce fulfilment
Fuzhou E-Commerce	Master Lease: 8 Aug 2019 to 7 Aug 2024 Rental escalation of 2.25% per annum	100%	Situated next to Fu Heng. A <b>sizable integrated e-commerce</b> logistics asset
Stage 1 Properties of Bei Gang <sup>2</sup>	Master lease: 1 Nov 2015 to 31 Oct 2024 Annual rental escalation of 1% from Nov 2020 to Oct 2024	100%	One of the <b>largest e-commerce developments</b> in the region
Wuhan Meiluote	Multi Tenanted	86.7%	First acquisition in 2018. Houses mainly e-commerce players

### Specialized Logistics Asset

Asset	Lease Structure	Occupancy	Key Highlight
Hengde Logistics	Multi Tenanted.	100%	Customised environment control warehouse space for major SOE tenant <b>China Tobacco</b>

### Port Logistics Assets

Asset	Lease Structure	Occupancy	Key Highlight
Chongxian Port Investment	Master lease: 1 Jan 2016 to 31 Dec 2024 Rental escalation of 2.0% annually from 1 <sup>st</sup> Jan 2021	100%	Leading river port with <b>60% market share</b> for steel products in Hangzhou
Chongxian Port Logistics <sup>2</sup>	Multi Tenanted	99.3%	<b>Integrated operations</b> , storage processing and logistics distribution for steel products

(1) As at 31 December 2022

(2) On 3 October 2022, the Manager announced the proposed divestment of its indirect interests in Beigang Logistics Stage 1 and Chongxian Port Logistics. The NLA for the remaining five properties stands at 707,058 sqm.

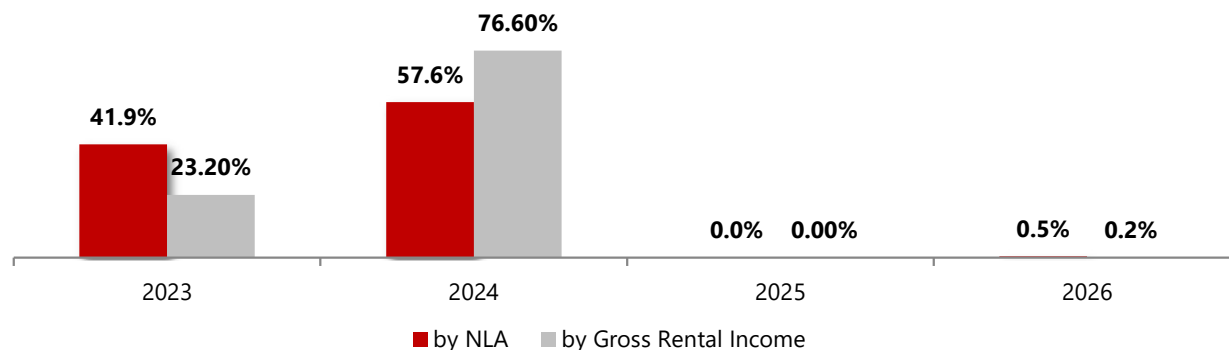
# Quality and Differentiated Asset Portfolio

- ✓ Strong portfolio occupancy of **99.2%** as at 31 December 2022
- ✓ Resilient income contribution across all sectors

## Lease Expiry Profile of Portfolio <sup>(1)</sup>

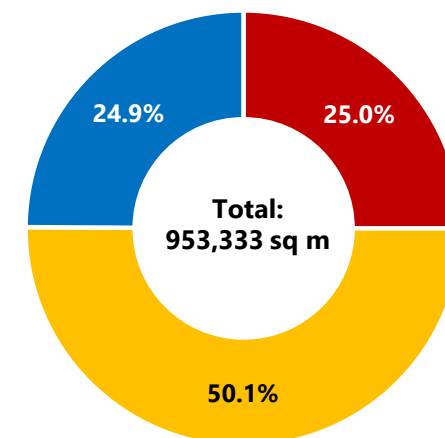
WALE by NLA: 1.4 years

WALE by Gross Rental Income: 1.6 years

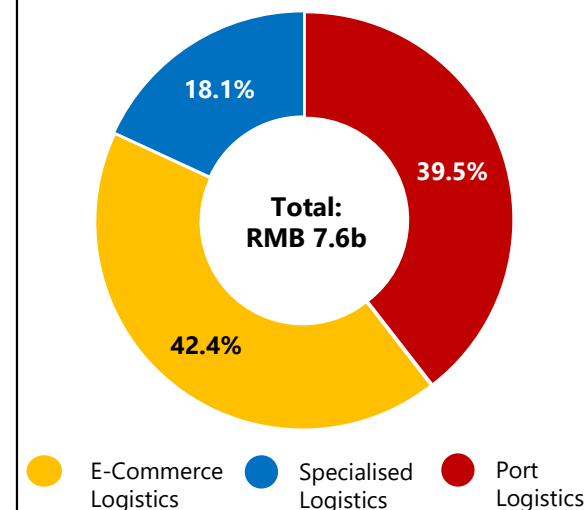


## Portfolio Diversification <sup>(1)</sup>

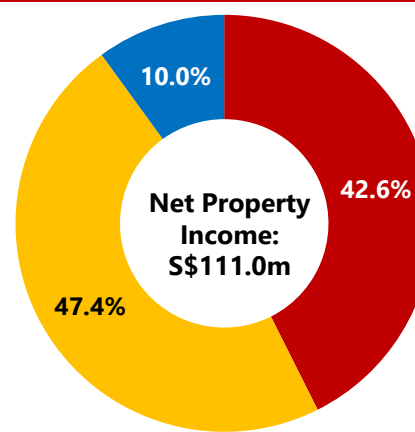
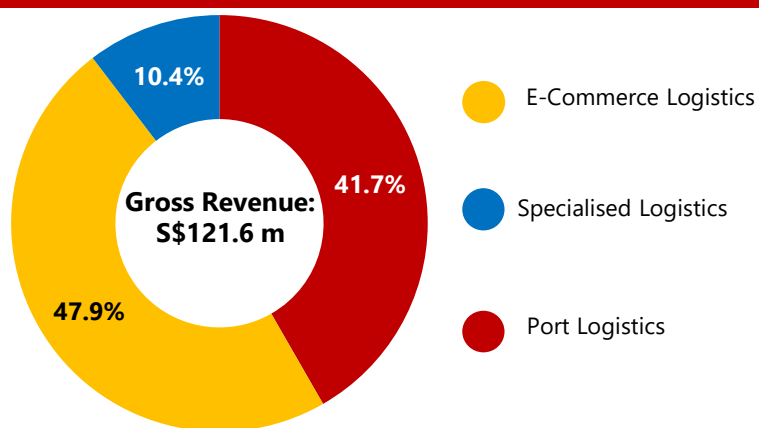
By Net Lettable Area <sup>(2)</sup>



By Valuation



## FY2022 Contribution by segments



(1) As at 31 December 2022; excluding Fu Zhuo Industrial

(2) Excluding Divestment Properties, NLA for remaining give properties would be 707,058 sq m





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**For queries, please contact:**

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**Thank You**

