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**EC World**  
运通网城 REIT

# FY2023 Annual General Meeting

29 July 2024



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# Agenda

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## Section B

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## Section C

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## Section D

Independent Auditor's Disclaimer of Opinion





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# Section A: Key Highlights



# FY2023 Macro Environment

## Global Macro Economy

- Ongoing geo-political tension led to prolonged market uncertainty
- Persistent high inflation remained a significant challenge
- Continued global trend of rising and high interest rate, some countries initiated rate cuts towards the latter part of 2023

## China Economy and Real Estate Sector

- ❖ FY2023 GDP growth meet official target, but recovery was far shakier than market expectations <sup>(1)</sup>
- ❖ The market has yet to fully respond to government stimulus measures
- ❖ Real estate sector had worsened, property investment dropped 9.6% in FY2023
- ❖ Focus in new quality (新质) industries, hi-tech industries
- ❖ Average vacancy rates at logistics properties in east and north China are approaching 20%, the highest in years<sup>(2)</sup>
- ❖ Some leading warehouse players who faced with high vacancy rates and falling rents, are contemplating divestment of assets in China <sup>(2)(3)</sup>
- ❖ The market share of the top 10 logistics developers in 2023 decreased from 71.6% in 2019 to 65.5% <sup>(3)</sup>

## Singapore REITs

**5-year Singapore iEdge S-REIT Index [SGD] as of 30 June 2024 <sup>(4)</sup>**

Price return (YTD): -14.06% Total return (YTD): -11.67%

1. <https://www.reuters.com/world/china/chinas-q4-gdp-grows-52-yy-below-market-forecast-2024-01-17>
2. <https://www.businesstimes.com.sg/property/us100-billion-bet-chinas-economy-sours-warehouses-empty>
3. <https://pdf.savills.asia/selected-international-research/2024-china-logistics-en-2.pdf>
4. [https://api2.sgx.com/sites/default/files/2024-07/S-REIT\\_Factsheet\\_20240628.pdf](https://api2.sgx.com/sites/default/files/2024-07/S-REIT_Factsheet_20240628.pdf)

## FY2023 Financial Highlights



### Financials

- Excluding the relevant accounting and distribution adjustment, the gross revenue and NPI in RMB terms was **1.6%** and **0.5%** lower respectively compared to FY2022, mainly due to **lower occupancy rate** in Wuhan Meiluote, **discontinuation** of China Tobacco leases in relation to Hengde Logistics Phase I, **cessation of rental income contribution** from Fu Zhuo Industrial from 1 Apr 2022, mitigated partly by organic rental escalations, higher late fee income and lower operating expenses at the Properties
- **Higher finance cost** mainly due to higher interest rate and extension fee incurred during the year
- Calculated FY2023 DPU of 3.659 cents was 23.2% lower y-o-y mainly due to lower gross revenue and higher finance cost and absence of pay out distribution previously retained in prior periods
- The distribution for the period from **1 January 2023 to 30 June 2023 has been deferred** until ECW has sufficient available cash
- **No distribution** was declared for **2H FY2023**, and it is highly likely that no distribution will be declared for the financial year 2024.

# Asset Management



## Asset Management

- Committed occupancy of **79.9%** as at 31 December 2023
- **Valuation** of the portfolio of EC World REIT has **declined by 43%** to RMB4,336 million (RMB 7,604 million as at 31 December 2022)
- Completed **novation process** on 30 June 2024 to take over underlying leases from master lessees
- **Discontinuation** of China Tobacco leases in Hengde Logistics Phase 1 had impacted property assessment
- **Proactive leasing strategies** to improve lease performance and stabilize rental income
- **Hengde Logistics** achieved an overall committed occupancy of **76.2%** as at 30 June 2024
- Overall committed occupancy **improved to 80.2%** as at 30 June 2024

# Challenges and Updates



## Updates

- The Sponsor and the Purchasers were **unable to complete** the Proposed Divestment by the Long-Stop Date (31 October 2023)
- As of 31 December 2023, the REIT and its subsidiaries are owed more than RMB289.1 million (S\$53.7 million) in **overdue rent receivables** by the Sponsor group.
- **Unauthorised mortgages** had been imposed on three properties owned by ECW during November 2023 **without the Manager's consent or knowledge**
- The Manager retrieved **all stamps**, issued **demand letters** to the Sponsor, submitted **lawsuits** to the relevant PRC court.
- Management secured the discharge of the **unauthorised mortgages** over Hengde Logistics and Fuheng Warehouse and is working to discharge **Fuzhou E-commerce**
- Engaged KPMG Services Pte. Ltd. to **explore** various **strategic options**
- Appointed Savills Property Services (Shanghai) Co., Ltd. and Cushman & Wakefield (HK) Ltd. to identify potential purchasers for **property divestment** to meet lenders' requirement





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## Section B: Financial Review



# Balance Sheet

S\$'000	As at 31 December 2023	As at 31 December 2022
Cash and cash equivalents <sup>(1)</sup>	100,964	113,330
Investment Properties <sup>(2)</sup>	805,629	1,076,874
Assets of Disposal Group classified as held- for-sale	-	460,424
<b>Total Assets</b>	<b>1,005,280</b>	<b>1,666,778</b>
Borrowings	559,079	593,136
Liabilities directly associated with Disposal Group classified as held-for-sale	-	161,053
<b>Total Liabilities</b>	<b>910,419</b>	<b>1,059,784</b>
<b>Net Assets attributable to Unitholders</b>	<b>94,861</b>	<b>606,994</b>
<b>NAV per unit (S\$)</b>	<b>0.12</b>	<b>0.75</b>

(1) Includes RMB195.1 million (S\$36.2 million) cash security deposits received from the master leases and cash deposits of RMB474.9 million (S\$88.2 million) placed as collateral for standby letter of credit ("SBLC") issuance. As at 31 December 2023, cash collaterals for SBLC facilities were placed with United Overseas Bank (China) Limited and Bank of East Asia (China) Limited which have good credit rating

(2) Represents the year end fair value of the investment properties based on the valuation as at 31 December 2023 conducted by Knight Frank. The decrease in the carrying amount of Investment Properties was due to fair value loss and weakening of RMB against SGD

## Facilities Update

- ❑ The restructuring of the Onshore Facilities has been completed with the signing of a supplementary agreement on 16 July 2024 between the EC World REIT group and the Onshore Lenders
- ❑ Although the Manager has received the Pre-enforcement Notice from Offshore lenders, the Pre-enforcement Notice allows up to 31 May 2025 (more than 12 months from year end) for the Group to divest its assets in such amount sufficient to repay the Offshore Facility.
- ❑ As of today, the Group has not received any notice of enforcement action. The Manager is actively working with the lenders of the Offshore Facility and KPMG to fulfil conditions under the Pre-enforcement Notice
- ❑ Approximately S\$20.1 million of the EC World REIT group's revolving loans (Existing SBLC Loans) remains outstanding which is fully secured by cash deposit in PRC

## Key Terms Under the Onshore Supplementary Agreement

- ❑ **Interest Expense Reduction:** Margin reduction by 2% per annum, preserving more cash for ongoing operations.
- ❑ **Waiver Fee:** Obligation to pay a 2% waiver fee per annum on the current outstanding principal by 30 April 2026.
- ❑ **Repayment Schedule Revision:** Significant reduction in the principal amount payable before the Onshore Facilities Maturity Date.
- ❑ **Income Account Requirement:** Maintain income account at least equal to the next interest payment due under the Onshore Facilities.



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## Section C: Portfolio Management



# Existing Portfolio

## Average Occupancy

### E-Commerce Logistics Assets

Asset	Lease Structure <sup>(1)</sup>	Committed Occupancy (As at 31 Dec 2023)	Committed Occupancy (As at 30 June 2024)	Key Highlight
Fu Heng Warehouse	MLA/ Novation completed	100.0%	78.1%	Coveted property; supporting e-commerce fulfilment
Fuzhou E-Commerce Stage 1 Properties of Bei Gang	MLA/ Novation completed	100.0%	70.8%	Situated next to Fu Heng. An integrated e-commerce logistics asset
Wuhan Meiluote	Master Lease: 1 Nov 2015 to 31 Oct 2024	100.0%	100%	An integrated e-commerce logistic asset
	Multi Tenanted	44.0%	33.8%	First acquisition in 2018. Houses mainly e-commerce players Heavy competition at Wuhan market currently

### Specialized Logistics Asset

Asset	Lease Structure	Committed Occupancy (As at 31 Dec 2023)	Committed Occupancy (As at 30 June 2024)	Key Highlight
Hengde Logistics <sup>(2)</sup>	Multi Tenanted	31.4%	76.2%	Customised environment control warehouse space

### Port Logistics Assets

Asset	Lease Structure	Committed Occupancy (As at 31 Dec 2023)	Committed Occupancy (As at 30 June 2024)	Key Highlight
Chongxian Port Investment	MLA/ Novation completed	100.0%	95.6%	River port for steel products in Hangzhou
Chongxian Port Logistics	Multi Tenanted	99.3%	92.9%	An integrated complex of with warehouses and office building

(1) As at 31 December 2023. MLA: Master Leased Agreement; Negotiation on Master Settlement Agreement with the Sponsor Group is pending

(2) The decrease in occupancy rate of Hengde Logistics was due to China Tobacco Zhejiang Industrial Co., Ltd deciding not to continue its lease in relation to Hengde Phase 1 (forming 159,794 square metres of Hengde Logistics)



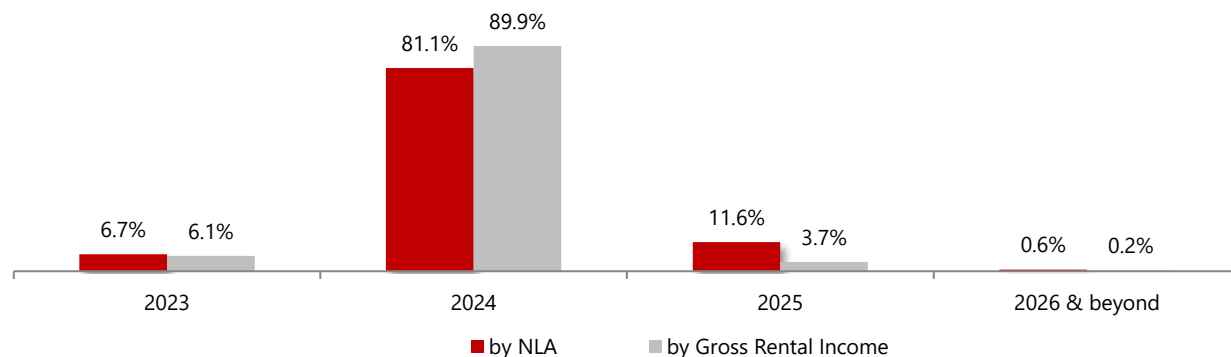
# Quality and Differentiated Asset Portfolio

- ✓ Average portfolio occupancy of **79.9%** as at 31 December 2023
- ✓ Income contribution across all sectors, however collection of rentals from related parties has been seriously delayed

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

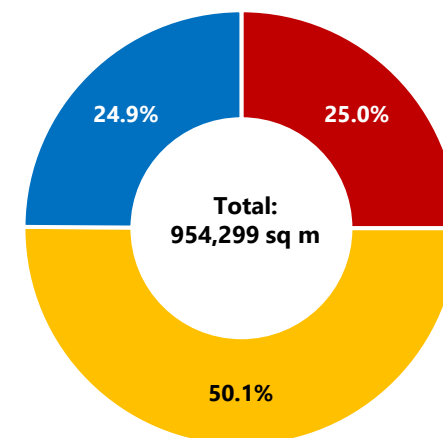
WALE by NLA: 0.8 years

WALE by Gross Rental Income: 0.8 years

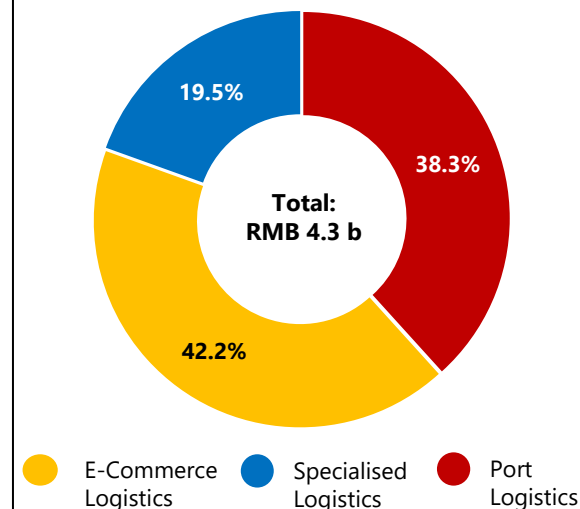


## Portfolio Diversification <sup>(1)</sup>

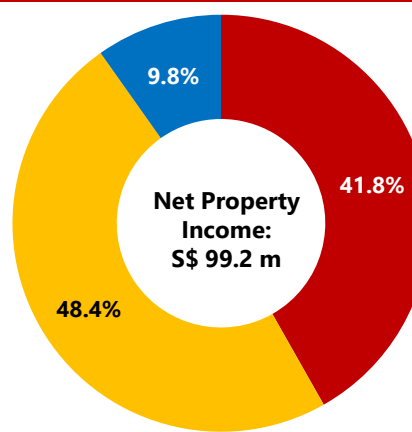
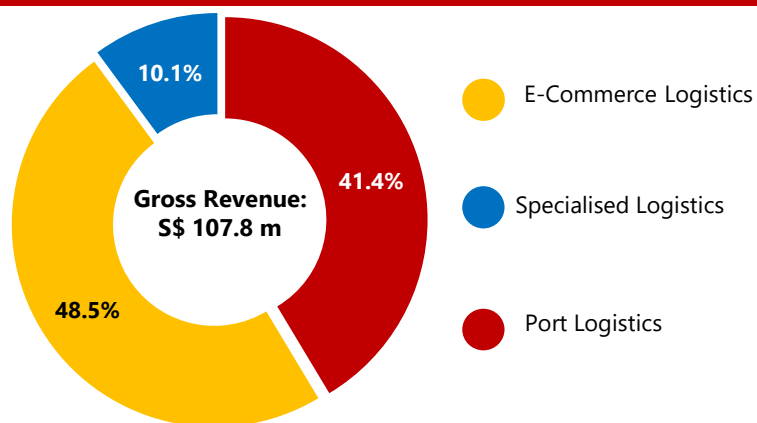
By Net Lettable Area



By Valuation



## FY2023 Contribution by segments



(1) As at 31 December 2023

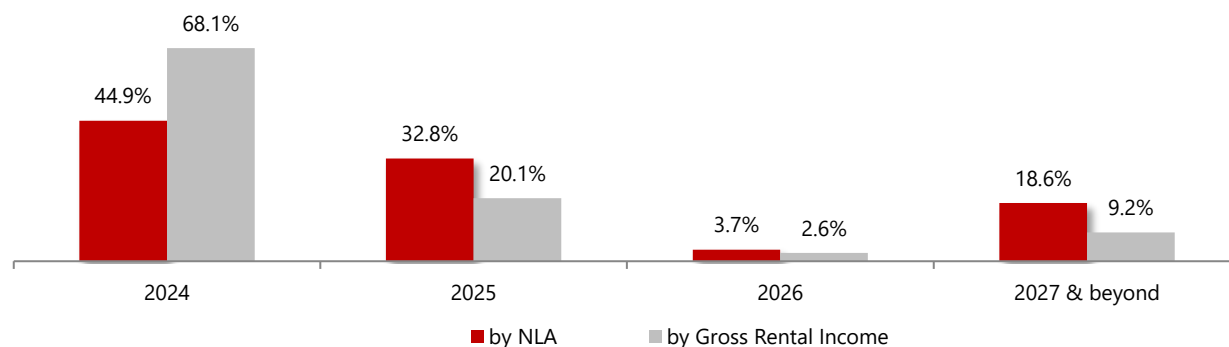
# Quality and Differentiated Asset Portfolio

- ✓ Average committed occupancy of **80.2%** as at 30 June 2024
- ✓ Completed novation process on 30 June 2024 to take over underlying leases from master lessees

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

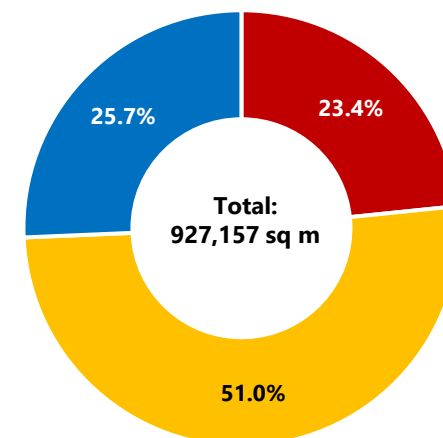
WALE by NLA: 1.5 years

WALE by Gross Rental Income: 0.9 years

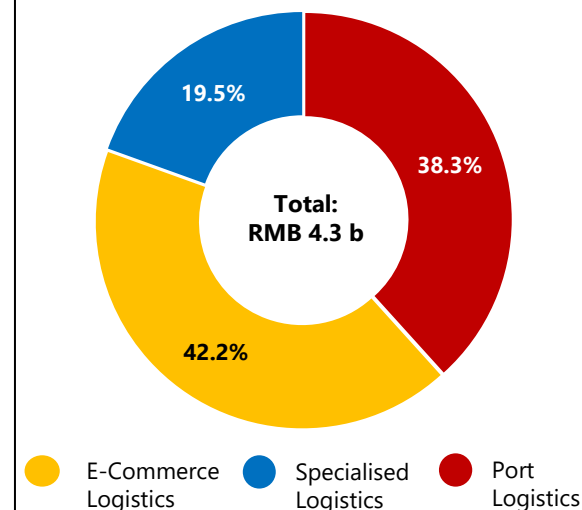


## Portfolio Diversification

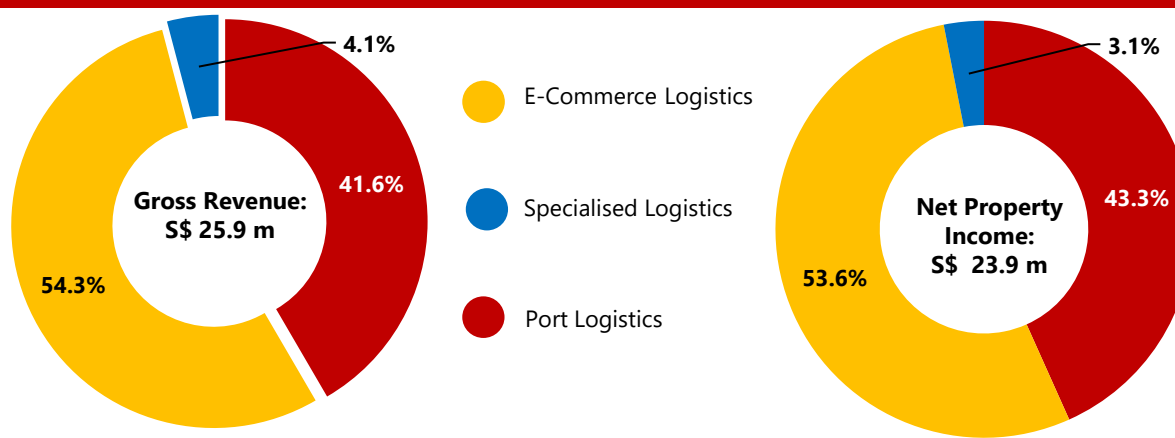
By Net Lettable Area <sup>(1)</sup>



By Valuation <sup>(2)</sup>



## 2QFY2024 Contribution by segments <sup>(1)</sup>



(1) As at 30 June 2024, based on preliminary results

(2) As at 31 December 2023



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**Section D: Independent Auditor's Disclaimer of Opinion**



# Independent Auditor's Disclaimer of Opinion

Disclaimer	Details
<b>Going Concern</b>	<p>Material uncertainties about the ECW Group's ability to continue as going concerns:</p> <ul style="list-style-type: none"><li>▪ Current liabilities exceed current assets</li><li>▪ Bank borrowings repayable on demand</li></ul>
<b>Valuation of Investment Properties</b>	<ul style="list-style-type: none"><li>▪ Fair values of certain investment properties are based on assumptions regarding lease restructuring and Master Settlement Agreement negotiations with the Sponsor Group</li></ul>
<b>Impairment Allowance for Trade and Other Receivables</b>	<ul style="list-style-type: none"><li>▪ Trade and other receivables: S\$92.2 mil</li><li>▪ Assumptions regarding negotiations over a Master Settlement Agreement with the Sponsor Group</li></ul>
<b>Contingent Liabilities Relating to Unauthorised Mortgages</b>	<ul style="list-style-type: none"><li>▪ Unauthorised mortgages on properties: up to RMB 268.6 mil (S\$49.9 mil)</li><li>▪ Two out of three unauthorised mortgages were released</li></ul>
<b>Unauthorised Use of Relevant Seals and Stamps</b>	<ul style="list-style-type: none"><li>▪ Unauthorised use of company seals and title deeds by the Sponsor</li></ul>
<b>Impairment Allowance for Investments in Subsidiaries</b>	<ul style="list-style-type: none"><li>▪ Investments in a subsidiary at ECW REIT level: S\$39.6 mil</li><li>▪ Assumptions regarding the restructuring of group entities to recover the carrying value</li><li>▪ No impairment at ECW REIT's Group as a whole</li></ul>



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**Thank You**

