EC World
运通网城 REIT

NEWS RELEASE

EC World REIT reports Distribution Per Unit ("DPU") of 1.387 cents for 2QFY2022

- *Gross revenue and NPI benefited from organic rental escalations and new leases secured, offsetting the impact from the discontinuance of Fu Zhuo Industrial*
- *Distribute full amount of distributable income from 2QFY2022 with support from retained income*
- *Negotiations with financial institutions on refinancing in progress*

Summary of Results:

	2QFY2022 S$'000	**2QFY2021 S$'000**	**Change %**	**1HFY2022 S$'000**	**1HFY2021 S$'000**	**Change %**
Gross Revenue	31,173	31,187	(0.0)	63,324	61,989	2.2
Net Property Income ("NPI")	28,205	27,938	1.0	57,939	55,617	4.2
Distribution to Unitholders	11,233	12,375	(9.2)	22,433	24,736	(9.3)
DPU (Cents)	1.387	1.532	(9.5)	2.770	3.064	(9.6)

Singapore, 11 August 2022 – EC World Asset Management Pte. Ltd., as manager of EC World Real Estate Investment Trust ("**ECW**") (the "**Manager**") announced today that its mature portfolio of e-commerce and logistics assets contributed to the resilient performance amid the challenging environment in the second quarter of 2022. Gross revenue was stable at S$31.17 million, compared to S$31.19 million in the corresponding period a year ago, mainly due to the organic rental escalations and new leases secured, which offset the impact from the discontinuance of contribution from Fu

EC World Asset Management Pte Ltd
运通网城资产管理私人有限公司
(Reg. No. 201523015N)

6 Shenton Way #41-03 OUE Downtown 1
Singapore 068809
Tel: +65 6221 9018

Zhuo Industrial. About 77% of the gross revenue were income contributed by properties on master leases. Compared to the same period last year, Net Property Income ("**NPI**") increased marginally, attributable to lower operating expenses due to the compulsory expropriation of Fu Zhuo Industrial.

For first half of 2022, gross revenue and NPI registered growth of 2.2% and 4.2% respectively, driven mainly by the upward rental reversions.

Distribution per unit ("**DPU**") was 1.387 cents, comprising the full amount available for distribution from 2QFY2022, balance of the retained distribution from 2QFY2020 and partial income retained previously from 3QFY2020, translating to a distribution yield of 11.59%. The Manager continues to provide stable returns to Unitholders.

Following the Compulsory Expropriation of Fu Zhuo Industrial, ECW has recognized 70% of the Pre-termination Compensation for third party tenant accordingly for distribution purpose, upon receipt of 70% of the compensation package as of 30 June 2022. The balance of the provision for Pre-Termination Compensation will be recognized upon receipt of the remaining Compensation Package. Out of the compensation received, RMB60 million has been ear-marked for the repayment of the onshore and offshore facilities, with RMB5.75 million had been utilized as part of the compensation to the third party tenant.

Mr. Goh Toh Sim, Executive Director and CEO of the Manager, said, "Our quality of core businesses remain intact as shown in the latest performance despite the extraordinary environment in China in the second quarter. Although our fundamentals remain sound, we are mindful of the challenges ahead as economies cope with slowdown, inflation and credit tightening. This notwithstanding, ECW will continue to adapt to the evolving trends and optimize returns for our Unitholders."

The recent lockdowns in China which occurred in the second quarter, did not have materially impact on the ECW's portfolio of properties. The Manager will continue to be vigilant to monitor the developments and manage risks.

Asset Management

ECW's portfolio occupancy inched up to 99.1% as at 30 June 2022, underpinned by new leases secured during the quarter. In spite of the economic headwinds, ECW has

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a weighted average lease to expiry (“WALE”) of 2.1 years (by gross rental income) and 1.8 years (by net lettable area), of which 34.4% of net lettable area would be due for renewal in FY2023, representing an impetus for growth in gross revenue from its portfolio. The four master leases in our portfolio continue to provide a stable income base to the portfolio, and as a result, yielding consistent and stable returns to Unitholders.

Capital and Debt Structure

As at 30 June 2022, ECW’s aggregate leverage of 39.1%, was below the threshold set by Monetary Authority of Singapore. The blended running interest rate was 4.3% for 2QFY2022. ECW has borrowings of S$689.35 million due for repayment within the next 12 months. On 6 July 2022, the Manager announced that ECW had successfully extended the maturity date of the outstanding Onshore and Offshore Facilities (the “**Facilities**”) to 30 April 2023 and the Manager was exploring various fund-raising options including the potential divestments of non-core assets for the repayment of at least 25% of its outstanding facilities by 31 December 2022 (the “**Repayment**”). In addition, the Sponsor has provided assurance through an undertaking to the Onshore Lenders and Offshore Lenders (together the “**Lenders**”) that it will ensure that the Repayment will be completed by 31 December 2022.

As an update, the Manager is in the process of exploring various options for the Repayment and actively working with the lead lenders on the refinancing of the remaining amount of the Facilities (i.e. the amount of outstanding facilities post-Repayment) (the “**Remaining Facilities**”). For the discussions on refinancing of the Remaining Facilities, the lenders do not expect the refinancing process to last beyond 30 April 2023. This notwithstanding, due to the pandemic and macro-economic situation in China and globally, financial institutions have become more cautious in providing loans to real estate sector in China resulting in additional challenges to the REIT’s refinancing process. The Manager does note the various challenges in refinancing but expects the refinancing of these borrowings to be completed before these borrowings become due for repayment.

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Outlook

The effects of the April-May lockdowns of major cities in China on the economy began to show up in the second quarter of 2022, as GDP for the quarter grew at meagre 0.4% year-on-year, below consensus estimates. China's GDP growth for first half 2022 was 2.5%. Fortunately, June data signalled a broad-based recovery, after the disruptions to the growth momentum in the first two months of the second quarter. While the economic prognosis for the second half of 2022 is positive, China economy is expected to post low-to-moderate growth, below the official target of 5.5%. Challenges still lie ahead for China and its external demand due to the rising inflation pressures, monetary tightening policy and war in Ukraine.

The gradual resumption of the economic activities and the domestic stimulus policies firmly underpinned the China's total retail sales in June 2022, which expanded by 3.1% compared to a year ago[1]. Although businesses sentiments are gradually improving, uncertainties weigh on the strength of the recovery due to a pullback in discretionary spending from a confluence of factors from the slowing economy, rising unemployment and China's zero policy stance towards the pandemic[2]. Online retail is set to increase faster than offline retail in 2022, due to the movement restrictions, albeit at a lower growth rate than in 2020 at the onset of the pandemic[3].

China's Industrial output rose by 3.9% in June 2022, outpacing the 0.7% growth in May 2022, attributable to the resumption in factory production and the country's measures to buoy the flow of logistics[4]. ECW continues to align its e-commerce and the downstream logistics properties to capture the pent-up demand for logistics services and warehousing facilities from a more resilient domestic demand. At the same time, the Manager remains cognizant of the key trends that may reshape our operating environment, particularly the impact of COVID-19 pandemic on consumer patterns.

[1] http://english.www.gov.cn/news/topnews/202207/16/content_WS62d220b1c6d02e533532e115.html
[2] https://www.businesstimes.com.sg/consumer/chinas-no-2-online-mall-sees-slow-consumer-recovery
[3] https://www.fitchratings.com/research/corporate-finance/growth-in-chinas-online-retail-to-slow-still-taking-share-from-offline-15-06-2022
https://www.businesstimes.com.sg/government-economy/chinas-big-gdp-miss-in-q2-may-be-the-bad-news-needed-to-spur-more-policy-support

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In view of the geo-political situation in the Asia Pacific region and globally, as well as the changing macro-economy environment and on-going Covid-19 policy in China that has created a very difficult credit environment for many enterprises, ECW has to try to survive in these challenging conditions and the Board of the Manager will continue to explore and review all strategic options available in responding to various emerging market opportunities for the benefits of the Unitholders.

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ABOUT EC WORLD REIT

Listed on 28 July 2016, EC World REIT is the first Chinese specialised logistics and e-commerce logistics REIT listed on Singapore Exchange Securities Trading Limited (**"SGX-ST"**). With its portfolio of eight quality properties located predominantly in one of the largest e-commerce clusters in the Yangtze River Delta, EC World REIT offers investors unique exposure to the logistics and e-commerce sectors in Hangzhou and Wuhan, the People's Republic of China (**"PRC"**).

EC World REIT'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 logistics purposes, as well as real estate-related assets, with an initial geographical focus on the PRC.

EC World REIT is listed in several indices. These include the FTSE ASEAN All-Share Index, FTSE ST All-Share Index as well as FTSE ST China Index. For more information, please visit: http://www.ecwreit.com/.

EC World REIT is managed by EC World Asset Management Pte. Ltd., which is an indirect wholly-owned subsidiary of the Sponsor – Forchn Holdings Group Co., Ltd. Established in 1992 and headquartered in Shanghai, the Sponsor is a conglomerate with businesses in supply chain, intelligent manufacturing, medical care and healthcare, finance and other sectors.

For queries, please contact:

Ms Khoo Li Ching
Manager, Investor Relations
EC World Asset Management Pte. Ltd.
Tel: +65 6221 9018
Email: ir@ecwreit.com | khooliching@ecwreit.com

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Unitholders and potential investors are advised to exercise caution when dealing in units of EC World REIT. Unitholders and potential investors are advised to read this announcement and any further announcements to be released by EC World REIT carefully. Unitholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units.

This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of EC World REIT. The forecast financial performance of EC World REIT is not guaranteed. A potential investor is cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

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