NEWS RELEASE

EC World REIT Suspends Distribution for 2H2023 Due To Insufficient Funds

- *Commenced the novation process to take over underlying leases in relation to the master leases and other related party leases ("**Affected Leases**") due to long overdue rent receivables from the Sponsor and its subsidiaries*
- *Aggregate leverage increased to 58.3% as at end 2023 due to decline in valuations*
- *No distribution[1] in respect of 2H2023 due to insufficient funds*
- *Trading of Units continues to be suspended until the financial situation improves*

Summary of Results:

	4QFY2023 S$'000	4QFY2022 S$'000	Change YoY%	FY2023 S$'000	FY2022 S$'000	Change YoY%
Gross Revenue	25,055	28,414	(11.8)	107,770	121,568	(11.4)
Net Property Income ("**NPI**")	22,659	25,966	(12.7)	99,201	110,956	(10.6)
Calculated distribution to Unitholders[2]	5,592	5,085	10.0	29,631	38,564	(23.2)
Calculated DPU (**Cents**)[2]	0.690	0.628	9.9	3.659	4.762	(23.2)

Singapore, 27 February 2024 – EC World Asset Management Pte. Ltd., as manager of EC World Real Estate Investment Trust ("**ECW**") (the "**Manager**"), reported a full year 2023 ("**FY2023**") lower operating performance across its portfolio, mainly due to weakening of RMB against SGD, lower occupancy rate in Wuhan Meiluote, early

[1] Paragraph 7.3 of Appendix 6 to the code on Collective Investment Schemes ("**Property Funds Appendix**") states that if "the manager declares a distribution that is in excess of profits, the manager should certify, in consultation with the trustee, that it is satisfied on reasonable grounds that, immediately after making the distribution, the property fund will be able to fulfil, from the deposited property of the property fund, the liabilities of the property fund as they fall due"

[2] There will be no distribution for 2H2023 due to insufficient funds.

termination of China Tobacco leases in relation to Hengde Logistics Phase I and cessation of rental income contribution from Fu Zhuo Industrial from 1 April 2022, mitigated partly by organic rental escalations and higher late fee income. After straight-lining of step-up rental, security deposit accretion and other relevant distribution adjustments the gross revenue and NPI of ECW in FY2023, in RMB terms, were 1.6% and 0.5% lower respectively compared to FY2022.

The Sponsor and its subsidiaries (collectively, the "**Sponsor Group**") continue to be unable to pay its overdue rent receivables under the relevant master leases. As a result, ECW has to suspend distribution for 2H2023 due to insufficient funds. During 2023, more than 80% of the revenue of the ECW and its subsidiaries (collectively, the "**ECW Group**") came from rental income pursuant to related party leases with the Sponsor Group. As of 31 December 2023, the overdue rent receivables owing to the ECW Group by the Sponsor Group has exceeded RMB289.1 million (S$53.7 million). Of the outstanding rent receivables, RMB224.7 million represents the rent payable pursuant to master leases, while the balance RMB64.4 million represents the rent payable pursuant to other related party leases. Despite the security deposit from the master lessees amounting to RMB345.1 million (S$64.1 million), the Manager continued to engage the Sponsor Group to demand for payment of outstanding rental receivables from the related party lessees (including master lessees) although it has met with little success due to severe financial difficulties faced by the Sponsor Group.

Finance costs of S$48.6 million were S$4.8 million or 11.4% higher compared to FY2022 mainly due to higher interest rate and extension fee incurred during the year. ECW's blended all-in running interest rate for the quarter and 12 months ended 31 December 2023 was 6.7% and 6.3% respectively, from 5.4% and 4.9% in the corresponding period.

Calculated distribution to Unitholders of S$29.6 million represents S$8.9 million or 23.2% decrease compared to FY2022 mainly due to lower revenue, higher interest cost, and absence of pay out distribution previously retained in prior periods. However, no distribution will be made for 2H2023 due to insufficient funds.

Portfolio valuation declined materially by 43.0%

Based on the updated independent valuation as of 31 December 2023 for the properties of ECW (which were conducted by Knight Frank Petty Limited ("**Knight Frank**")). The portfolio valuation of ECW REIT as of 31 December 2023 has declined by 43% to RMB4,336 million compared to RMB7,604 million as at 31 December 2022. The decline in valuations is largely due to deteriorating market situation in the People's

Republic of China ("**PRC**") due to influx of new warehouse supply as well as global and local economy slowdown, slowdown of growth in local economy observed in Hangzhou, lower rental inherited from underlying leases as a result of the novation process, longer new tenant take up period of Beigang Logistics Stage 1 after the expiry of its Master Lease Agreement, and the vacancy due to discontinuation of lease with China Tobacco in Hengde Logistics Phase 1 being factored into the valuation assessment.

Mr Goh Toh Sim, Executive Director and CEO of the Manager, said, "For the FY 2023, the revenue in RMB terms was 1.6% lower as compared to FY2022. However, despite the Manager's continued efforts, there has been no repayment plan provided by the Sponsor Group for the accumulation of the outstanding rent receivables from the master lessees and other related parties to date. Furthermore, attempts to raise cash via the divestment of assets for the past few years were not successful. Hence the cash of ECW has been depleted and there will be no distribution for 2H2023. The ECW Group is faced with enormous challenges to maintain its operations and meet various financing obligations under the existing onshore and offshore facilities. As the current liabilities of the Group and ECW exceeded current assets, the Manager is working with the lenders to explore the possibility of restructuring the existing onshore and offshore facilities (the "**Restructuring**"), has appointed brokers to divest assets via market sales and has also appointed KPMG as financial adviser to explore viable strategic options for ECW."

Key Highlights:

Renewal of Lease at Hengde Logistics Phase 2 ("Hengde Phase 2")

As announced by Manager on 31 October 2023, in relation to Hengde Logistics, China Tobacco (as lessee) had decided to discontinue the lease with Hengde Phase 1. As announced by the Manager on 19 December 2023, China Tobacco (as lessee) had, through a tender process, selected Hengde Phase 2 for storage of raw materials for a new lease period of 1 January 2024 expiring on 31 December 2025. Due to the above-mentioned changes, the occupancy rate of Hengde Logistics had declined to 31.4% as at 31 Dec 2023.

The Imposition of unauthorised mortgages over Hengde Logistics, Fuzhou E-commerce and Fuheng Warehouse

As announced by the Manager on 2 January 2024, unauthorised mortgages had been imposed over Hengde Logistics, Fuzhou E-commerce and Fuheng Warehouse without the consent or knowledge of the Manager. Of the three unauthorised mortgages, the unauthorised mortgage over Hengde Logistics has been discharged as at 16 January 2024. The ECW group has filed a case with the relevant PRC court to initiate lawsuits to revoke the mortgages on the basis that these mortgages are unauthorised (the "**Lawsuits to Revoke Mortgages**"). The case application is now being reviewed by and is yet to be accepted by the relevant PRC court. The ECW Group may de-register the illegal mortgages with the mortgage registration authority if a favourable judgment on the Lawsuits to Revoke Mortgages is obtained.

Asset Management

As at 31 December 2023, the overall occupancy for ECW's portfolio had dropped to 79.9%. Of the seven properties of ECW, four properties achieved full occupancy, while Chongxian Port Logistics reported near full occupancy, at 99.3%. The occupancy rate of Hengde Logistics had declined to 31.4%.

Weighted average lease to expiry ("**WALE**") stood at 0.8 years for both gross rental income and net lettable area. The Manager has commenced the novation process to take over the underlying leases in relation to the Affected Leases and expects to achieve longer WALE post novation process.

Aggregate Leverage increased to 58.3%

As of 31 December 2023, the aggregate leverage for the Group was 58.3% (31 December 2022: 38.8%) due to aforementioned decline in valuations of the assets of ECW Group.

Paragraph 9.4(a) of the Property Funds Appendix states that the aggregate leverage limit is not considered to be breached if it is due to circumstances beyond the control of the Manager. Nevertheless, the increased leverage ratio breached the financial covenant under the existing offshore facility agreement, which requires ECW's leverage ratios to be no more than 40%. Manager is seeking to resolve this issue via the proposed restructuring of the ECW Group's loan facilities.

Capital and Debt Structure

As at 31 December 2023, ECW has onshore bank loans of RMB735.2 million and offshore bank loans of SGD344.2 million outstanding. ECW's capital position has exceeded the gearing limit imposed by the Monetary Authority of Singapore, with aggregate leverage increasing by 19.5 percentage points from 38.8% as at 31 December 2022 to 58.3% as at 31 December 2023.

The blended all-in running interest rate for the quarter and 12 months ended 31 December 2023 was 6.7% and 6.3% per annum respectively, as a result of rising interest rates. As at 31 December 2023, S$246.8 million and US$75.5 million (S$102.1 million) of the offshore facility were drawn down and 53% of the interest rate risk of the Offshore Facility was hedged using floating to fixed interest rate swaps and cross currency swaps. Due to the changing global economic conditions, ECW expects that the blended interest rates for the offshore facilities and Revolving Credit Facilities will increase further due to a portion of offshore loans being unhedged. The Manager will continue to actively manage interest rate and exchange rate risks through hedging to minimise adverse impact at an appropriate time.

Outlook

According to the National Bureau of Statistics of the PRC, the China's economy expanded by 5.2% y-o-y in 2023[3]. The growth rate for the fourth quarter was also 5.2% y-o-y and 1% q-o-q respectively[3]. This is supported by total retail sales of consumer goods of 47,149.5 billion yuan, rising 7.2% y-o-y[4], and industrial production which rose 4.6% y-o-y[5]. The World Bank, in its latest assessment of global economy on 9 January 2024, forecasted that China's growth will slow to 4.5% in 2024 on the back of weaker domestic demand and mounting geopolitical tensions[6].

[3] https://asia.nikkei.com/Economy/China-confirms-GDP-rose-5.2-in-2023-on-higher-government-spending
[4] https://www.stats.gov.cn/english/PressRelease/202402/t20240201_1947119.html
[5] https://www.stats.gov.cn/english/PressRelease/202401/t20240125_1946873.html
[6] https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024

The fixed asset investment (excluding rural households) nationwide was 50,303.6 billion yuan in 2023, which increased 3% y-o-y[7], was dependent on the increased investment in infrastructure and manufacturing which rose 5.9% and 6.5% in 2023 respectively[8]. The property sector remains a drag on the economy, with property investment tumbling downward by 9.6% in 2023[9]. Funds for investment for Real Estate Development Enterprises fell 13.6% from the previous year. Among them, the foreign investment was 4.7 billion yuan, down by 39.1%[9].

Global headline inflation is expected to fall from 6.8% in 2023 to 5.8% in 2024[10]. Adverse risks to global growth remain plausible. Global conflicts could escalate and adverse economic situations could cause commodity price spikes. The PRC's growth could experience a prolonged decline without a comprehensive policy for the troubled property sector, impacting real estate investment and unintentional fiscal tightening due to local government financing constraints[10].

To date, the unauthorised mortgages imposed over Fuzhou E-commerce and Fuheng Warehouse have not yet been discharged. ECW intends to pursue the Lawsuits to Revoke Mortgages to protect the unitholders' interest while concurrently negotiating with the Sponsor to discharge the unauthorised mortgages. Due to insufficient funds, ECW will suspend distribution to a future date when the REIT has sufficient free cash for distribution. The Manager has commenced the novation process to take the underlying leases in relation to the Affected Leases. The property valuation of the portfolio of ECW for the year ended in 2023 has declined materially by 43.0%, leading an increase in the aggregate leverage from 36.9% as of 30 September 2023 to 58.3% as of 31 December 2023. ECW will continue to face serious financial and cash flow stress in the short to medium term. The units trading will continue to be suspended until the financial situation has improved.

— End —

[7] https://www.stats.gov.cn/english/PressRelease/202402/t20240201_1947074.html
[8] http://english.scio.gov.cn/m/pressroom/2024-01/17/content_116946664.htm
[9] https://www.stats.gov.cn/english/PressRelease/202402/t20240201_1947107.html
[10] https://www.imf.org/-/media/Files/Publications/WEO/2024/Update/January/English/text.ashx

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 seven 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 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 Yu Wensu
Manager, Investor Relations
EC World Asset Management Pte. Ltd.
Tel: +65 6221 9018
Email: ir@ecwreit.com | wensu@ecwreit.com

IMPORTANT NOTICE

The value of the units in EC World REIT (the "**Units**") and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, the Manager, the Trustee or any of their affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

Unitholders and potential investors are advised to exercise caution when dealing in Units. 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.

The past performance of EC World REIT is not necessarily indicative of the future performance of EC World REIT.

This announcement may contain forward-looking statements that involve 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. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.