

EC WORLD REAL ESTATE INVESTMENT TRUST
(Constituted under a Trust Deed in the Republic of Singapore)

CONDENSED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2023

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INTRODUCTION

ECW is a Singapore-domiciled real estate investment trust which was listed on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 28 July 2016 (“**Listing Date**”). ECW was constituted by the trust deed dated 5 August 2015 (as amended and restated). EC World Asset Management Pte. Ltd. is the manager of ECW (the “**Manager**”) and DBS Trustee Limited is the trustee of ECW (the “**Trustee**”).

ECW was established with the investment strategy of investing 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 in the People’s Republic of China (“**PRC**”).

The Manager’s key financial objectives are to provide unitholders of ECW (“**Unitholders**”) with an attractive rate of return on their investment through regular and stable distributions to Unitholders and to achieve long-term sustainable growth in Distribution per Unit (“**DPU**”) and Net Asset Value (“**NAV**”) per Unit, while maintaining an appropriate capital structure for ECW.

ECW’s portfolio comprises seven properties (collectively known as the “**Properties**”) located in Hangzhou and Wuhan, the PRC, with an aggregate net lettable area (“**Net Lettable Area**” or “**NLA**”) of 954,299 square meters. The Properties are:

1. Fu Heng Warehouse (E-commerce logistics);
2. Stage 1 Properties of Bei Gang Logistics (E-commerce logistics) ⁽¹⁾;
3. Wuhan Meiluote (E-commerce logistics);
4. Hengde Logistics (Specialised logistics);
5. Chongxian Port Investment (Port logistics);
6. Chongxian Port Logistics (Port logistics) ⁽¹⁾;
7. Fuzhou E-Commerce (E-commerce logistics).

Note 1:

On 3 October 2022, the Manager announced that ECW, through its wholly-owned subsidiary, Richwin Investment Pte. Ltd. (“**Vendor**”), had on 30 September 2022 entered into an equity purchase agreement (the “**Equity Purchase Agreement**”) with Hangzhou Futou Beigang Enterprise Management Co., Ltd. (“**HFBE**”), Forchn International Pte. Ltd. (“**FIPL**”, and together with HFBE, the “**Purchasers**”) and the Forchn Holdings Group Co., Ltd., the sponsor of EC World REIT (the “**Sponsor**”) pursuant to which ECW will divest its indirect interests in Stage 1 Properties of Bei Gang Logistics (“**Beigang Logistics Stage 1**”) and Chongxian Port Logistics (“**Chongxian Port Logistics**”) (together the “**Divestment Properties**”) (the “**Proposed Divestment**”) (Please refer to Note 10 for details).

Both Divestment Properties are located in Hangzhou, the PRC. The NLA for the remaining five properties is 708,024 square meters.

Summary Results of ECW

	Group					
	1.4.23 to 30.6.23	1.4.22 to 30.6.22	Change	1.1.23 to 30.6.23	1.1.22 to 30.6.22	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gross revenue	(1) 27,580	31,173	(11.5)	55,714	63,324	(12.0)
Net property income	(1) 25,716	28,205	(8.8)	51,794	57,939	(10.6)
Calculated Distribution to Unitholders	7,495	11,233	(33.3)	16,623	22,433	(25.9)
Calculated Distribution per unit ("DPU") (cents)	(2) 0.926	1.387	(33.2)	2.053	2.770	(25.9)
Annualised distribution yield (%)	11.43	11.59	(1.4)	12.74	11.64	9.5

- Based on share price of S\$0.325 per unit as at 30 June 2023 (S\$0.480 per unit as at 30 June 2022)

Notes:

- (1) Gross revenue and net property income for 2Q2023 were S\$27.6 million and S\$25.7 million respectively. After adjusting for effective rent, security deposit accretion and other relevant distribution adjustments in the Condensed Consolidated Distribution Statement, gross revenue and net property income were S\$27.1 million and S\$25.2 million respectively in 2Q2023 (2Q2022: S\$30.3 million and S\$27.3 million respectively).
- (2) ECW's distribution policy is to distribute at least 90% of distributable income for each financial year on a semi-annual basis. However, ECW had been making distribution on a quarterly basis since its first distribution on 28 November 2016. On 27 December 2022, the Manager has announced that ECW will make distributions on a half-yearly basis, in respect of the periods commencing on or after 1 January 2023.

ECW planned to retain 10% of total amount available for distribution for general working capital purpose for the financial period with effective from 1 January 2023.

For 1H2023, the Manager has resolved to distribute 90% of the total amount available for distribution to Unitholders. Please refer to the Condensed Consolidated Distribution Statement. The next distribution to Unitholders for the half-year period from 1 January 2023 to 30 June 2023 will be made on or around 28 September 2023.

Distribution and Record Date

Distribution	1 January 2023 to 30 June 2023
Distribution type	Tax-exempt distribution
Distribution rate	2.053 cents
Record date	14 September 2023
Payment date (est)	28 September 2023

EC WORLD REAL ESTATE INVESTMENT TRUST
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CONSOLIDATED STATEMENT OF TOTAL RETURN

For the six months ended 30 June 2023

	Notes	6 months ended 30 June 2023 S\$'000	Group 6 months ended 30 June 2022 S\$'000	Change %	Remark
Gross revenue		55,714	63,324	(12.0)	(1)
Property expenses		(3,920)	(5,385)	(27.2)	(2)
Net property income		51,794	57,939	(10.6)	
Finance income		893	1,051	(15.0)	
Finance costs		(22,844)	(20,052)	13.9	(3)
Manager's base fees		(2,052)	(2,353)	(12.8)	(4)
Trustee's fees		(152)	(169)	(10.1)	
Exchange differences		(2,034)	(1,912)	6.4	(5)
Other trust expenses		(1,326)	(594)	>100	(6)
Net income		24,279	33,910	(28.4)	
Pre-termination compensation		-	(4,106)	N/M	(7)
Net change in fair value of investment properties		-	(54,442)	N/M	(8)
Net change in fair value of financial derivatives		(479)	6,578	N/M	(9)
Total return for the period before income tax		23,800	(18,060)	N/M	
Income tax expenses	7	(12,470)	(5,061)	>100	
Total return for the period after income tax before distribution		11,330	(23,121)	N/M	
Earnings per unit (cents)					
- Basic and diluted	8	1.40	(2.86)	N/M	(10)

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

EC WORLD REAL ESTATE INVESTMENT TRUST
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CONSOLIDATED STATEMENT OF TOTAL RETURN
For the six months ended 30 June 2023

Remarks:

- (1) Gross revenue comprises gross rental income and other income from the investment properties.
- (2) Property expenses comprise property management fee, reimbursable expenses payable to Property Manager and other property related expenses.
- (3) Finance costs comprise interest expenses on borrowings, amortisation of capitalised transaction costs and other financing fees.
- (4) Manager's management fees consist of:
 - (a) A base fee of 10% per annum of the Distributable Income (calculated before accounting for the base fee and the performance fee in each financial year); and
 - (b) A performance fee of 25% per annum 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 performance fee but after accounting for base fee in each financial year) multiplied by weighted average number of Units in issue for such financial year.

The Manager has elected to receive 100% of its base fee in the form of cash for the period from 1 January 2023 to 31 December 2023.

- (5) Foreign exchange gain/loss arises mainly from revaluation of loans in foreign currency.
- (6) Other trust expenses include professional fees and other non-property related expenses.
- (7) This relates to pre-termination compensation paid to third-party tenant resulting from the compulsory expropriation of Fu Zhuo Industrial in FY2022.
- (8) The fair values of the investment properties were based on the average of the two independent valuations as at 30 June 2022 provided by Knight Frank Petty Ltd ("**Knight Frank**") and Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**").
- (9) The net change in fair value of financial derivatives relates to various derivative financial instruments which were put in place by the Manager to hedge interest rate and exchange rate risks.

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CONSOLIDATED STATEMENT OF TOTAL RETURN
For the six months ended 30 June 2023

(10) EPU calculation uses the total return for the period after tax, and the weighted average number of units issued. The diluted EPU is the same as basic EPU as no dilutive instruments were in issue during the period.

	6 months ended 30 June 2023	6 months ended 30 June 2022
Weighted average number of units as at end of period	809,838,247	809,667,753
Earnings per unit ("EPU") – Basic and Diluted (cents)	1.40	(2.86)

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EC WORLD REAL ESTATE INVESTMENT TRUST
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STATEMENTS OF FINANCIAL POSITION - GROUP AND ECW
As at 30 June 2023

	Notes	Group			ECW			Remark
		30 June 2023	December 2022	Change %	30 June 2023	December 2022	Change %	
		S\$'000	S\$'000		S\$'000	S\$'000		
ASSETS								
Current assets								
Cash and bank balances		119,070	113,330	5.1	4,612	1,494	>100	(1)
Trade and other receivables		18,749	14,293	31.2	1,314	1,203	9.2	(2)
Derivative financial instruments		301	1,857	(83.8)	-	-	N/M	(3)
Loans to subsidiaries		-	-	N/M	241,556	241,556	0.0	
		<u>138,120</u>	<u>129,480</u>	6.7	<u>247,482</u>	<u>244,253</u>	1.3	
Assets of disposal group classified as held-for-sale	10	410,859	460,424	(10.8)	-	-	N/M	(4)
		<u>548,979</u>	<u>589,904</u>	(6.9)	<u>247,482</u>	<u>244,253</u>	1.3	
Non-current assets								
Investment properties	9	1,041,402	1,076,874	(3.3)	-	-	N/M	(5)
Investments in subsidiaries		-	-	N/M	39,588	39,588	-	
		<u>1,041,402</u>	<u>1,076,874</u>	(3.3)	<u>39,588</u>	<u>39,588</u>	-	
Total assets		<u>1,590,381</u>	<u>1,666,778</u>	(4.6)	<u>287,070</u>	<u>283,841</u>	1.1	
LIABILITIES								
Current liabilities								
Trade and other payables		83,550	55,258	51.2	2,665	2,820	(5.5)	
Loans from subsidiaries		-	-	N/M	362,720	372,420	(2.6)	
Borrowings	11	438,985	593,136	(26.0)	-	-	N/M	(6)
Derivative financial instruments		10	1,099	(99.1)	-	-	N/M	(3)
Current income tax liabilities		18,399	13,497	36.3	-	-	N/M	
		<u>540,944</u>	<u>662,990</u>	(18.4)	<u>365,385</u>	<u>375,240</u>	(2.6)	
Liabilities directly associated with disposal group classified as held-for-sale	10	141,223	161,053	(12.3)	-	-	N/M	(4)
		<u>682,167</u>	<u>824,043</u>	(17.2)	<u>365,385</u>	<u>375,240</u>	(2.6)	
Non-current liabilities								
Trade and other payables		39,676	40,929	(3.1)	-	-	N/M	
Borrowings	11	98,287	-	N/M	-	-	N/M	(6)
Deferred income tax liabilities		189,573	193,975	(2.3)	-	-	N/M	(7)
Government grant		783	837	(6.5)	-	-	N/M	
		<u>328,319</u>	<u>235,741</u>	39.3	<u>-</u>	<u>-</u>	N/M	
Total liabilities		<u>1,010,486</u>	<u>1,059,784</u>	(4.7)	<u>365,385</u>	<u>375,240</u>	(2.6)	

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STATEMENTS OF FINANCIAL POSITION - GROUP AND ECW
As at 30 June 2023

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		579,895	606,994	(4.5)	(78,315)	(91,399)	(14.3)
Represented by:							
UNITHOLDERS' FUNDS		579,895	606,994	(4.5)	(78,315)	(91,399)	(14.3) (8)
UNITS IN ISSUE ('000)	12	809,838	809,838	-	809,838	809,838	-
NET ASSET VALUE PER UNIT (\$)		0.72	0.75	(4.0)	(0.10)	(0.11)	(9.1)

Remarks:

- (1) Includes RMB71.6 million (S\$13.4 million) cash security deposits received from the master leases and cash deposits of RMB507.7 million (S\$94.9 million) placed as collateral for standby letter of credit ("**SBLC**") issuance. As at 30 June 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) Increase in trade and other receivables is mainly due to increase in rent receivables offset by collection from related party leases (including master lease agreements) during the period. The master lease agreements are secured by the cash security deposit of RMB221.6 million (S\$41.4 million). Under the master lease agreements, the overdue rent receivables are subjected to a late payment interest of 0.03% per day.
- (3) This relates to the fair values of the derivative financial instruments entered into to hedge the various risks of ECW. As at 30 June 2023, the derivative instruments entered into were:
 - (a) Plain vanilla interest rate swaps (to hedge the interest rate of the Offshore Facility); and
 - (b) Cross currency swaps (to hedge the interest rate and foreign exchange rate of the Offshore Facility)
- (4) This relates to the divestment properties. The entire assets and liabilities related to the Proposed Divestment are presented as a disposal group classified as held-for sale as at 30 June 2023.

Please refer to Note 10 for details.

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STATEMENTS OF FINANCIAL POSITION - GROUP AND ECW
As at 30 June 2023

- (5) Represents the carrying values of the investment properties, including asset enhancement initiatives, effective rental adjustments and translation differences. The investment properties were pledged as security for the borrowings of ECW and its subsidiaries (collectively, the “**Group**”). The decrease in carrying value of the investment properties was mainly due to the weakening of RMB against SGD.
- (6) Consists of revolving credit facilities and term loan facilities drawn down in 3Q2019 which have been refinanced in May 2023. The decrease of borrowings was mainly due to repayment of onshore loan of RMB102.8 million (S\$19.9 million), offshore SGD loan of S\$37.3 million, offshore USD loan of US\$ 6.9 million (S\$9.2 million). Please refer to Note 11 for details.
- (7) Relates mainly to the deferred tax liability arising from the fair valuation of investment properties. The decrease was mainly due to the weakening of RMB against SGD.
- (8) Please refer to Condensed Statements of Movements in Unitholders’ Funds for details.
- (9) As at 30 June 2023, the current liabilities of the Group and ECW exceeded the current assets by S\$133,188,000 and S\$117,903,000 respectively. The Group has borrowings of S\$443,233,000 (including amounts presented within liabilities directly associated with disposal group classified as held for sale) which are due for repayment within the next 12 months from the reporting date. Notwithstanding, the Manager has assessed that the Group and ECW are able to continue as going concerns, on the basis that, the Group has completed the refinancing in May 2023, the new offshore facility’s existing tenure is for 11 months ending on 30 April 2024 and, subject to the Lenders’ consent and certain conditions, be extended for a further period of 24 months, with such extended date not extending beyond 30 April 2026 (the “**2023 Offshore Facility Termination Date Extension**”). The Lenders have the sole discretion to decide whether or not to grant such extension and, the terms and conditions for the extension. In this regard, the Manager is confident of obtaining the Lenders’ consent to the 2023 Offshore Facility Termination Date Extension.

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EC WORLD REAL ESTATE INVESTMENT TRUST
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CONSOLIDATED DISTRIBUTION STATEMENT
For the six months ended 30 June 2023

	<u>Group</u>	
	6 months ended 30 June 2023 S\$'000	6 months ended 30 June 2022 S\$'000
Total return for the period	11,330	(23,121)
Adjustment for net effect of non-tax (chargeable)/deductible items and other adjustments		
- Straight lining of step-up rental	484	(210)
- Security deposits accretion	104	28
- Trustee's fees	151	169
- Net fair value loss on investment properties	-	53,171
- Net deferred tax credit	(121)	(8,215)
- Net change in fair value of financial derivatives	479	(6,578)
- Pre-termination compensation – FZSY expropriation	-	1,232
- Amortisation of upfront debt issuance costs	2,670	2,905
- Net foreign exchange loss	2,083	1,795
- Provision of withholding tax	1,290	-
- Others	-	1
	<u>7,140</u>	<u>44,298</u>
Amount available for distribution	18,470	21,177
Distribution to Unitholders	16,623	22,433
Number of units entitled to distribution	809,838,247	809,838,247
Distribution per Unit (cents)	2.053	2.770
Annualised Distribution per Unit (cents)	4.140	5.586

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EC WORLD REAL ESTATE INVESTMENT TRUST
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CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2023

		<u>Group</u>		
	Note	6 months ended 30 June 2023 S\$'000	6 months ended 30 June 2022 S\$'000	Remark
Cash flows from operating activities				
Total return for the period		11,330	(23,121)	
Adjustments for:				
- Income tax expenses	7	12,470	5,061	
- Finance income		(893)	(1,051)	
- Finance costs		22,844	20,052	
- Effect of straight lining of step-up rental		484	(210)	
- Effect of security deposits accretion		(1,462)	(1,598)	
- Fair value loss/(gain) on derivative financial instruments		479	(6,578)	
- Fair value loss on investment properties		-	54,442	
- Foreign exchange loss, net (unrealised)		214	1,688	
Operating cash flow before working capital change		45,466	48,685	
Change in working capital:				
Trade and other receivables		(9,650)	17,890	
Trade and other payables		2,118	15,082	
Cash generated from operating activities		37,934	81,657	
Interest received		893	1,051	
Income tax paid (net)		(5,080)	(10,709)	
Net cash generated from operating activities		33,747	71,999	
Cash flows from investing activities				
Additions to investment properties		(23)	-	
Receipt of partial consideration for disposal of assets		25,864	-	
Net cash generated from investing activities		25,841	-	
Cash flows from financing activities				
Repayment of borrowings		(66,409)	(39,811)	(1)
Distribution to Unitholders		(2,896)	(23,642)	
Proceeds from borrowings		-	15,500	(1)
Payment of fees for loan extension		(6,293)	(4,233)	(1)
Interest paid		(16,203)	(19,581)	
SBLC commission paid		(31)	(106)	
Release from/(deposit) to escrow account, net		36,913	(22,025)	(2)
(Placements)/release of deposits for SBLC facilities		(780)	8,567	(1)
Increase in interest reserves		(980)	-	
Net cash used in financing activities		(56,679)	(85,331)	
Net increase/(decrease) in cash and cash equivalents				
		2,909	(13,332)	
Cash and cash equivalents at beginning of the period		6,335	22,713	
Effects of exchange rate changes on cash and cash equivalents		(116)	(400)	
Cash and cash equivalents at the end of the period		9,128	8,981	(2)

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CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2023

Remarks:

- (1) Refer to Note 11 for details.
- (2) For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<u>Group</u>	
	30 June	30 June
	2023	2022
	S\$'000	S\$'000
Cash and bank balances (including disposal group)	123,366	167,636
Less:		
- Interest reserves [#]	(17,199)	(16,836)
- Escrow account*	(2,099)	(22,025)
- Cash collateral for SBLC facilities	(94,940)	(119,794)
Cash and cash equivalents per Consolidated Statement of Cash Flows	9,128	8,981

[#] Bank deposits maintained as interest reserves, as required by the Offshore Facility and Onshore Facility agreements.

* On 30 December 2022, the Sponsor placed a margin deposit of RMB200 million (S\$38.7 million) (the “**Margin Deposit**”) in an escrow account of the onshore facility agent (“**Escrow Account**”). On 10 February 2023, RMB140.2 million (S\$27.1 million) was used to repay S\$24.4 million and US\$2.9 million of the existing offshore bank loans, RMB58.6 million (S\$11.3 million) was used for partial repayment of the existing onshore bank loans.

On 28 February 2023, the Sponsor placed a margin deposit RMB58 million (S\$11.3 million) in the escrow account. In March 2023, RMB29.3 million (S\$5.7 million) was used for partial repayment of the existing onshore bank loans, RMB18.6 million (S\$3.6 million) was used to repay S\$2.8 million and US\$0.6 million of the existing offshore bank loans.

The margin deposits constituted prepayment in part by the Purchasers to the Vendor of the Equity Consideration pursuant to the Equity Purchase Agreement. As at 30 June 2023, the aggregated outstanding amount of the margin deposits is RMB11.2 million (S\$2.1 million), which continues to be held in escrow account.

- (3) In addition, between January 2023 to March 2023, the Sponsor’s Singapore subsidiary, Forchn International Pte. Ltd. had paid a sum of S\$4.4 million, and US\$7.6 million (S\$10.2 million) as partial consideration for Divestment Properties. All these prepayments have been utilised for the partial repayment of the existing offshore facility.

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

EC WORLD REAL ESTATE INVESTMENT TRUST
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STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS - GROUP AND ECW
For the six months ended 30 June 2023

	<u>Group</u>		<u>ECW</u>	
	6 months ended 30 June 2023	6 months ended 30 June 2022	6 months ended 30 June 2023	6 months ended 30 June 2022
	S\$'000	S\$'000	S\$'000	S\$'000
OPERATIONS				
Beginning of the period	777,277	818,988	(13,772)	(20,880)
Total return for the period	11,330	(23,121)	15,980	52,984
Distributions to unitholders	(2,896)	(23,642)	(2,896)	(23,642)
Transfer to general reserves	-	(3)	-	-
End of the period	785,711	772,222	(688)	8,462
GENERAL RESERVES*				
Beginning of the period	33,155	27,255	-	-
Transfer from operations	-	3	-	-
End of the period	33,155	27,258	-	-
UNITHOLDERS' CONTRIBUTION				
Beginning of the period	(77,627)	(77,893)	(77,627)	(77,893)
Movements during the period				
- Manager's performance fees paid in units	-	266	-	266
End of the period	(77,627)	(77,627)	(77,627)	(77,627)
FOREIGN CURRENCY TRANSLATION RESERVE				
Beginning of the period	(125,811)	(16,597)	-	-
Translation differences on consolidation of foreign subsidiaries	(35,533)	(26,547)	-	-
End of the period	(161,344)	(43,144)	-	-
Total Unitholders' funds at end of the period	579,895	678,709	(78,315)	(69,165)

* ECW's subsidiaries incorporated in the People Republic of China are required to transfer 10% of its profits after taxation, as determined under the accounting principles and relevant financial regulations of China, to the general reserve until the reserve balance reaches 50% of registered capital. The transfer to this reserve must be made before distribution of dividends to the shareholders. This general reserve can be used to make good previous years' losses, if any, and may be converted to registered capital in proportion to the existing interests of the shareholders, provided that the balance after such conversion is not less than 25% of the registered capital.

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EC WORLD REAL ESTATE INVESTMENT TRUST
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2023

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

1. General information

EC World Real Estate Investment Trust (“ECW”) is a Singapore-domiciled Real Estate Investment Trust constituted pursuant to the Trust Deed dated 5 August 2015 (as amended and restated) 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 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”).

2. Basis of preparation

This condensed consolidated interim financial statements for the period ended 30 June 2023 have been prepared in accordance with Singapore Financial Reporting Standards 34 Interim Financial Reporting (FRS 34). This condensed interim financial statements do not include all the disclosures included in the Group’s financial report. Accordingly, this report should be read in conjunction with the Group’s Annual Report for the financial year ended 31 December 2022 and any public announcements made by ECW during interim reporting period.

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

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2. Basis of preparation (continued)

New or amended financial reporting standards effective this period

On 1 January 2023, the Group has adopted 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 ECW and had no material effect on the amounts reported for the current and prior financial years.

Going concern

As at 30 June 2023, the current liabilities of the Group and ECW exceeded the current assets by S\$133,188,000 and S\$117,903,000 respectively. The Group has borrowings of S\$443,200,000 which are due for repayment within the next 12 months from the reporting date. Notwithstanding, the Manager has assessed that the Group and ECW are able to continue as going concerns, on the basis that, the Group has completed the refinancing in May 2023, the new offshore facility’s existing tenure is for 11 months ending on 30 April 2024 and, subject to the Lenders’ consent and certain conditions, be extended for a further period of 24 months, with such extended date not extending beyond 30 April. The Lenders have the sole discretion to decide whether or not to grant such extension and, the terms and conditions for the extension. In this regard, the Manager is confident of obtaining the Lenders’ consent to the 2023 Offshore Facility Termination Date Extension.

The favourable outcome of the 2023 Offshore Facility Termination Date Extension is heavily contingent on the Group’s successful completion of the Divestment Properties, either to the Sponsor (the “**Divestment to Sponsor**”) as set out in Note 10 or to third parties (the “**Divestment to Third Parties**” and collectively with the Divestment to Sponsor, the “Proposed Divestment”) and making certain mandatory repayments associated with the divestment (the “**2023 Mandatory Repayment**”).

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3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Fair value estimation of investment properties

The Group carries investment properties at fair value as at balance sheet date. Certain assumptions and estimates are made to determine the fair value of these investment properties. The details of the fair value and estimates used are set out in Note 13.

(b) Income tax

The Group has exposure to taxes mainly in Singapore and China. In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes may be due. Significant estimates and assumptions are required to determine the amount of current and deferred tax that can be recognised and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The carrying amounts of current income tax liabilities and deferred income taxes are as disclosed in the statement of financial position.

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4. 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 and Chief Financial Officer. 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.

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4. Segment information (continued)

Property income and expenses

	<u>Port Logistics</u>		<u>Specialised Logistics</u>		<u>E-commerce Logistics</u>		<u>Total</u>	
	6 months ended 30 June 2023 S\$'000	6 months ended 30 June 2022 S\$'000	6 months ended 30 June 2023 S\$'000	6 months ended 30 June 2022 S\$'000	6 months ended 30 June 2023 S\$'000	6 months ended 30 June 2022 S\$'000	6 months ended 30 June 2023 S\$'000	6 months ended 30 June 2022 S\$'000
<u>Group</u>								
Gross revenue	23,197	26,475	5,841	6,440	26,676	30,409	55,714	63,324
Property expenses	(1,269)	(1,497)	(511)	(683)	(2,140)	(3,205)	(3,920)	(5,385)
Net property income	21,928	24,978	5,330	5,757	24,536	27,204	51,794	57,939
Net change in fair value of investment properties	-	(19,981)	-	(13,858)	-	(20,603)	-	(54,442)
Finance income							893	1,051
Finance costs							(22,844)	(20,052)
Other trust expenses*							(3,530)	(3,116)
Pre-termination compensation	-	(4,106)	-	-	-	-	-	(4,106)
Exchange differences							(2,034)	(1,912)
Net change in fair value of financial derivatives							(479)	6,578
Total return for the financial period before income tax							23,800	(18,060)
Income tax expenses							(12,470)	(5,061)
Total return for the financial period after income tax before distribution							11,330	(23,121)

* Other trust expenses include Manager's fees and Trustee's fees.

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4. Segment information (continued)

Assets and liabilities

	Port Logistics		Specialised Logistics		E-commerce Logistics		Total	
	30 June 2023 S\$'000	31 December 2022 S\$'000	30 June 2023 S\$'000	31 December 2022 S\$'000	30 June 2023 S\$'000	31 December 2022 S\$'000	30 June 2023 S\$'000	31 December 2022 S\$'000
<u>Group</u>								
Segment assets								
- Investment properties	408,837	422,746	257,125	265,788	375,440	388,340	1,041,402	1,076,874
- Trade and other receivables	10,868	9,296	3,462	3,256	3,102	801	17,432	13,353
- Assets of disposal group class as held-for-sale	158,040	158,893	-	-	252,819	301,531	410,859	460,424
Unallocated assets							120,688	116,127
Total assets							1,590,381	1,666,778
Segment liabilities	132,677	147,578	60,645	67,261	68,246	69,387	261,568	284,226
Liabilities associated with disposal group	34,817	41,545	-	-	106,406	119,508	141,223	161,053
Unallocated liabilities							537,272	593,136
- Borrowings							70,423	21,369
- Others								
Total liabilities							1,010,486	1,059,784

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5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and ECW as at 30 June 2023 and 31 December 2022:

	<u>Group</u>		<u>ECW</u>	
	30 June 2023 S\$'000	31 December 2022 S\$'000	30 June 2023 S\$'000	31 December 2022 S\$'000
Financial Assets				
Cash and bank balances	119,070	113,330	4,612	1,494
Trade and other receivables	18,093	13,892	1,008	996
Derivative financial instruments	301	1,857	-	-
Loans to subsidiaries	-	-	241,556	241,556
	137,464	129,079	247,176	244,046
Financial Liabilities				
Trade and other payables	87,551	44,250	2,665	2,820
Borrowings	537,272	593,136	-	-
Derivative financial instruments	10	1,099	-	-
Loans from a subsidiary	-	-	362,720	372,420
	624,833	638,485	365,385	375,240

6. Profit before taxation

6.1 Significant items

	<u>Group</u>	
	6 months ended 30 June 2023 S\$'000	6 months ended 30 June 2022 S\$'000
Income		
Interest income	893	1,051
Expenses		
Interest on borrowings	17,159	14,787

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6. Profit before taxation (continued)

6.2 Related party transactions

For the purpose of these condensed interim 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 the Sponsor.

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

	<u>Group</u>	
	30 June	31 December
	2023	2022
	S\$'000	S\$'000
Property management fees paid/payable	928	1,990
Trustee's fees paid/payable	152	327
Manager's base fees paid/payable	2,052	4,606
Rental and other related income received/receivable from related parties	(47,270)	(97,817)
Operating lease commitment where the Group is a lessor	(119,510)	(165,278)

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7. Taxation

	<u>Group</u>	
	6 months ended 30 June 2023 S\$'000	6 months ended 30 June 2022 S\$'000
Tax expense attributable to profit is made up of:		
- Profit for the financial period:		
Current income tax		
- Foreign	9,624	10,743
	9,624	10,743
Withholding tax	1,043	5,994
Deferred income tax	1,803	(11,648)
	12,470	5,089
- Over provision in prior financial year:		
Current income tax		
- Foreign	-	(28)
	12,470	5,061

8. Earnings per unit

The calculation of basic earnings per Unit is based on:

	<u>Group</u>	
	6 months ended 30 June 2023 S\$'000	6 months ended 30 June 2022 S\$'000
Total return attributable to Unitholders of ECW	11,330	(23,121)
Weighted average number of Units outstanding during the period ('000)	809,838	809,668
Basic and diluted earnings per Unit (cents per share)	1.40	(2.86)

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

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9. Investment properties

	30 June	<u>Group</u>
	2023	31 December
	S\$'000	2022
		S\$'000
Beginning of the period	1,076,874	1,673,893
Asset enhancements during the year	22	351
Effect of straight lining of step-up rental	(409)	229
Net fair value changes	-	(38,859)
Disposal – compulsory expropriation	-	(21,878)
Transfer to disposal group	-	(392,930)
Currency translation differences	(35,085)	(143,932)
End of the period	1,041,402	1,076,874

All investment properties are mortgaged to secure bank loans (Note 11).

For the unaudited half year results for the period ended 30 June 2023, the carrying values of the Group's investment properties were based on the independent valuations as at 31 December 2022 conducted by JLL. The valuation methods used by the independent valuers involve certain estimates. The independent valuers are of the view that the valuation techniques and estimates they have employed are reflective of the current market conditions as at 31 December 2022. The Manager has reviewed the appropriateness of the valuation techniques, and assumptions applied by the independent valuers.

As at 30 June 2023, management conducted an internal assessment of the valuation of the investment properties, including considering any significant changes in operating performance of the properties, and movement in market data such as discount rates and capitalisation rates. Based on the assessment, management is of the view that the fair value of the investment properties has not materially changed from 31 December 2022.

10. Disposal group classified as held for sale

On 3 October 2022, the Manager announced that ECW, has on 30 September 2022 entered into an Equity Purchase Agreement with the Purchasers and the Sponsor pursuant to which the ECW will divest its indirect interests in the Divestment Properties.

The Divestment to Sponsor was approved by ECW's unitholders on 16 December 2022. As at 30 June 2023, the Group received RMB333 million (S\$64.5 million) advance payment from the Purchasers.

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10. Disposal group classified as held for sale (continued)

The entire assets and liabilities related to the Proposed Divestment are presented as a disposal group classified as held-for sale as at 30 June 2023. Details of the assets of disposal group classified as held-for sale and liabilities directly associated with disposal group classified as held-for sale were as follows:

	Disposal Group As at 30 June 2023 S\$'000
<i>Details of the assets of disposal group reclassified as held-for-sale were as follows:</i>	
Cash and bank balances ⁽¹⁾	4,296
Trade and other receivables	26,511
Investment properties	380,052
	<u>410,859</u>

Details of the liabilities directly associated with disposal group reclassified as held-for-sale were as follows:

Trade and other payables ⁽²⁾	36,421
Borrowings	33,143
Current income tax liabilities	4,589
Deferred income tax liabilities	67,070
	<u>141,223</u>

Notes:

(1) Cash and cash equivalents for the disposal group comprises the following:

	S\$'000
Cash at bank and on hand	1,060
Interest reserves	3,236
Cash and cash equivalents	<u>4,296</u>

(2) Included in the trade and other payables is the security deposit for the master lease of Beigang amounted to RMB113.9 million (S\$21.3 million).

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10. Disposal group classified as held for sale (continued)

- (3) On 30 January 2023, Purchasers and the Vendor have entered into a supplementary agreement (the “**First Supplemental Agreement**”) to the Equity Purchase Agreement to extend the Long-Stop Date from 31 January 2023 to 28 February 2023 (or such other date as may be determined by the Vendor).

As announced by the Manager on 28 February 2023, the Long-Stop Date of the Proposed Divestment has been extended to (i) the earlier of (a) the new Mandatory Repayment deadline stipulated by the Lenders pursuant to the New Repayment Plan (if any) and (b) 30 April 2023; or (ii) such other later date as may be determined by the Vendor.

As announced by the Manager on 1 May 2023, the Vendor has on 28 April 2023 issued a written notice to the Sponsor and the Purchasers to extend the Long-Stop Date of the Proposed Divestment to (i) the earlier of (a) the new Mandatory Repayment deadline stipulated by the Lenders pursuant to the Extension and (b) 31 May 2023; or (ii) such other later date as may be determined by the Vendor.

As announced by the Manager on 10 July 2023, Purchasers and the Vendor have on 9 July 2023, entered into a second supplementary agreement (the “**Second Supplemental Agreement**”). The Second Supplementary Agreement states that it shall take effect only upon the approval by independent Unitholders of ECW for the Second Supplementary Agreement (including the Long-Stop Date) being obtained at an extraordinary general meeting. The Second Supplementary Agreement provides for, among others, (i) the Long-Stop Date to be amended to 31 October 2023 or such other date as may be determined by the Vendor with the approval of the Monetary Authority of Singapore (“**MAS**”) and the independent Unitholders; (ii) the flexibility of a two-stage completion process (“**Two-Stage Completion**”) if the Vendor and the Purchasers provide their respective mutual consent in accordance with the Supplementary Agreement; (iii) the revised agreed property values of the Divestment Properties (the “**Revised Agreed Property Values**”), which have increased from their agreed property values under the Equity Purchase Agreement dated 30 September 2022; and (iv) the revised Relevant Mandatory Prepayment Amount. For the avoidance of doubt, the Equity Consideration remains fixed at RMB 1,370,000,000.

In accordance with the Trust Deed, the Manager is entitled to receive a divestment fee at the rate of 0.5% of the aggregate agreed property value only upon successful completion of the divestment. The Manager also incurred an estimated S\$2.2 million of transaction related expenses which can only be claimed from the Group upon successful completion of the divestment. Accordingly, these contingent liabilities will be recognised in the Group’s profit or loss only upon the successful completion of the divestment. As announced by the Manager on 21 July 2023, the Manager will consider the request from the Securities Investors Association (the “**SIAS**”) to waive the divestment fee. The Manager has been making fortnightly announcement since 15 May 2023.

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11. Borrowings

	<u>Group</u>	
	30 June	31 December
	2023	2022
	S\$'000	S\$'000
<i>Current</i>		
Secured bank borrowings		
- Onshore facility	2,954	109,994
- Offshore facility	346,531	393,642
- Revolving credit facilities	89,500	89,500
	438,985	593,136
<i>Non-current</i>		
Secured bank borrowings		
- Onshore facility	98,287	-
	98,287	-
Total borrowings	537,272	593,136

The maturity of the borrowings are as follows:

	<u>Group</u>	
	30 June	31 December
	2023	2022
	S\$'000	S\$'000
Within 1 year	438,985	593,136
After 1 year but within 3 years	94,382	-
Over 3 years	3,905	-
	537,272	593,136

Measurement of fair value

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

Onshore facility

In 2019, ECW had put in place 3-year (originally expiring in end July 2022) RMB1,018.0 million (S\$190.4 million) and 10-year RMB77.0 million (S\$14.4 million) secured term loan facility. The onshore Borrowers are the Group's subsidiaries namely, Hangzhou Chongxian Port Investment Co., Ltd., Hangzhou Bei Gang Logistics Co., Ltd., Zhejiang Hengde Sangpu Logistics Co., Ltd. And Zhejiang Fuzhou E-Commerce Co., Ltd..

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11. Borrowings (continued)

Onshore facility (continued)

On 28 June 2022, the Onshore Borrowers entered into an amendment and restatement agreement relating to the Original Onshore Facility Agreement to, *inter alia*, extend the maturity date of the Onshore Facilities (save for a RMB 63,749,144 (S\$11.9 million) portion of the Onshore Facility which will expire in July 2029) to 30 April 2023. Based on the Restated Onshore Facility Agreement, at least 25% of the loans outstanding shall be repaid by 31 December 2022 (the “**Mandatory Onshore Repayment**”). The Mandatory Onshore Repayment deadline has been extended from 31 December 2022 to 28 February 2023 in January 2023 and further extended to 31 May 2023 in Apr 2023.

As announced by the Manager on 5 June 2023, the existing onshore bank loans have been refinanced in full with an onshore facility for an aggregate principal amount of up to RMB745.5 million (the “**2023 Onshore Facility**”).

As at 30 June 2023, the onshore facility is secured by:

- i) a first ranking pledge over the entire issued equity interest of three of the Group’s subsidiaries, Hangzhou Chongxian Port Logistics Co., Ltd., Wuqiao Zhonggong Merlot (Hubei) Logistics Co., Ltd. and Zhejiang Fuzhou E-Commerce Co., Ltd. Held by Wuhan Fute Logistics Co., Ltd.;
- 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 Heng Warehouse Co., Ltd., Hangzhou Chongxian Port Logistics Co., Ltd., Wuqiao Zhonggong Merlot (Hubei) Logistics Co., Ltd., Hangzhou Chongxian Port Investment Co., Ltd., Hangzhou Beigang Logistics Co., Ltd., Zhejiang Hengde Sangpu Logistics Co., Ltd, Zhejiang Fuzhou E-Commerce Co., Ltd., Wuhan Fute Logistics Co., Ltd. And Jiayaoyingkai (Shanghai) Supply Chain Management Co., Ltd., and an unconditional and irrevocable guarantee from DBS Trustee Limited in its capacity as the Trustee;
- iii) a first ranking mortgage over the Properties;
- iv) a pledge of all sales proceeds, rental income and all other revenue derived from the Properties;
- v) an assignment of all material agreements in relation to the Properties;
- vi) an assignment of all insurance policies in relation to the Properties with the onshore security agent (being DBS Bank (China) Limited, Hangzhou Branch) named as the first beneficiary;

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11. Borrowings (continued)

Onshore facility (continued)

As at 30 June 2023, the onshore facility is secured by: (continued)

- vii) an assignment of all present and future rights and interests of the Onshore Borrowers, Hangzhou Fu Heng Warehouse Co., Ltd., Hangzhou Chongxian Port Logistics Co., Ltd. and Wuqiao Zhonggong Merlot (Hubei) Logistics Co., Ltd. in relation to inter-company debts and shareholder's loans;
- viii) a subordination deed in relation to the inter-company debts and shareholder's loans made to the Onshore Borrowers; and
- ix) any other security as may be reasonably required by the lenders.

The blended all-in interest rate for the quarter and 6 months ended 30 June 2023 was 7.8% and 7.2% respectively. The blended all-in running interest rate for the quarter and 6 months ended 30 June 2023 was 5.9% and 5.7% respectively.

Offshore facility

In 2019, ECW had put in place 3-year (originally expiring in May 2022) S\$305.6 million and US\$86.8 million (S\$117.7 million) secured term loan facility. The offshore borrowers are ECW Treasure Pte. Ltd. ("ECWT") and Zhejiang Fuzhou E-commerce Co., Ltd..

On 31 May 2022 the Offshore Borrowers entered into an amendment and restatement agreement relating to the Original Facility Agreement to, *inter alia*, extend the maturity date of the Offshore Facilities to the earlier of (i) the earliest maturity date of the Onshore Facilities and (ii) 30 April 2023. Based on the Restated Offshore Facility Agreement, at least 25% of the loans outstanding shall be repaid by 31 December 2022 (the "**Mandatory Offshore Repayment**", and together with the "**Mandatory Onshore Repayment**", the "**Mandatory Repayment**"). The Mandatory Repayment deadline has been extended from 31 December 2022 to 28 February 2023 in January 2023, and further extended to 31 May 2023 in Apr 2023.

As announced by the Manager on 6 June 2023, the existing offshore bank loans have been refinanced in full with an offshore facility for an aggregate principal amount of up to SGD348.9 million (the "**2023 Offshore Facility**", together with the "**2023 Onshore Facility**", the "**2023 Facilities**").

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11. Borrowings (continued)

Offshore facility (continued)

The Offshore facility is secured by:

- (i) An unconditional and irrevocable guarantee from the Singapore Holding Companies, Flutric Investments Limited (the “BVI Holding Company”) and the Trustee (in its capacity as trustee of ECW) on a joint and several basis;
- (ii) A charge over the entire issued share capital of each of the Singapore Holding Companies, the BVI Holding Company and ECW Treasure Pte. Ltd. (“**ECWT**”);
- (iii) A pledge over the entire issued equity interest of each of Hangzhou Chongxian Port Investment Co., Ltd., Hangzhou Bei Gang Logistics Co., Ltd., Hangzhou Fu Heng Warehouse Co., Ltd., Zhejiang Hengde Sangpu Logistics Co., Ltd., Wuhan Fute Logistics Co., Ltd. and Zhejiang Fuzhou E-commerce Co., Ltd.;
- (iv) A mortgage over each of the Properties and a floating mortgage over the assets of Zhejiang Fuzhou E-commerce Co., Ltd., in each case, securing the term loan facility of S\$9,778,333.56 and US\$2,017,518.86; and
- (v) A debenture over all the assets of the Trustee (in its capacity as trustee of ECW) relating to and/or in connection with the Properties, and debentures over all of the assets of each of the Singapore Holding Companies and ECWT.

The blended all-in interest rate for the quarter and 6 months ended 30 June 2023 was 7.3% and 6.7% respectively. The blended all-in running interest rate for the quarter and 6 months ended 30 June 2023 was 6.6% and 5.8% respectively.

As at 30 June 2023, S\$246.8 million and US\$75.5 (S\$102.1 million) of the above facility were drawn down and 31% of the interest rate risk of the Offshore Facility was hedged using floating to fixed interest rate swaps and cross currency swaps.

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

Mr. Zhang Guobiao, the chairman and controlling shareholder of the Sponsor, has provided personal guarantees for an amount of S\$75.7 million in respect of the 2023 Facilities.

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11. Borrowings (continued)

Revolving Credit Facilities

As at 30 June 2023, ECW has uncommitted revolving credit facilities of S\$90,000,000 with United Overseas Bank Ltd (“**UOB**”) and Bank of East Asia Limited, Singapore Branch (“**BEA**”). ECW had drawn down a total of S\$89.5 million short-term loan backed by SBLC issued by United Overseas Bank (China) Ltd and Bank of East Asia (China) Limited. SBLC is collateralised against a cash deposit of RMB507.7 million (S\$94.9 million). The interest rates ranged from 5.03% to 5.55% per annum for the quarter and 4.19% to 5.55% for 6 months ended 30 June 2023.

The blended all-in interest rate of the aggregate facilities for the quarter and 6 months ended 30 June 2023 was 7.1% and 6.6% respectively. The blended all-in running interest rate for the quarter and 6 months ended 30 June 2023 was 6.2% and 5.7% per annum respectively. At the end of the period, the aggregate leverage for the Group was 36.2% (31 December 2022: 38.8%) and the interest coverage ratio was 2.41 times (31 December 2022: 2.68 times). Due to the changing global economic conditions, ECW expects the blended interest rates for the Offshore Facilities and Revolving Credit Facilities will increase further due to a portion of offshore loans unhedged.

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11. Borrowings (continued)

Mandatory Repayment during the year

On 9 January 2023, the Group's lenders agreed to extend the Mandatory Repayment due date from 31 December 2022 to 28 February 2023. Subsequently on 28 April 2023, lenders have consented to the extension of the termination date of the Existing Bank Loans to 31 May 2023.

Between January 2023 and March 2023, the Group made a partial settlement of the Mandatory Repayment totalling RMB87.9 million (S\$17.0 million) towards Onshore Facilities, SGD37.3 million and USD6.9 million (S\$9.2 million) for the Offshore Facility. The proceeds for the partial settlements were from the prepayments received from the Purchasers of the Proposed Divestment. Net of the partial prepayment of S\$63.5 million disclosed above, the remaining mandatory repayment as per the 2023 Facilities agreement, is estimated to be S\$84.3 million.

2023 Facilities financial covenants

The Group shall, at all times meet the following financial covenants:

	Before Proposed Divestment	After Proposed Divestment
Unitholders' funds being no less than	S\$500 million	S\$450 million
Loan-to-value ratio being no more than	0.45 to 1	0.45 to 1
Interest coverage ratio being no less than	2 to 1	1.75 to 1
Ratio of the total liabilities to the Deposited Property being no less than	0.40 to 1	0.40 to 1

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12. Units in issue

	<u>Group and ECW</u>	
	30 June 2023	30 June 2022
	No. of Units '000	No. of Units '000
<i>Units in issue</i>		
Beginning of the period	809,838	809,492
Issue of Units:		
- Manager's performance fees paid in units	-	346
End of the period	809,838	809,838
<i>Units to be issued</i>		
- Manager's base fees payable in Units for 1 April 2022 to 30 June 2022	-	-
Total issued and to be issued Units	809,838	809,838

During the period, no new Units was issued (30 June 2022: 346,763 new Units), in respect of the payment of management fees in Units. The issue price was determined based on the volume-weighted average 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.

13. Fair value measurement

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction other than in a forced or liquidation sale.

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- (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).

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

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13. Fair value measurement (continued)

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 balance sheet 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 and cross currency interest rate swaps are calculated as the present value of the estimated future cash flows based on observable yield curves. These investments are classified as Level 2 which comprise derivative financial instruments. In frequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

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

	<u>Fair value</u>			<u>Total</u> S\$'000
	<u>Level 1</u> S\$'000	<u>Level 2</u> S\$'000	<u>Level 3</u> S\$'000	
<u>Group</u>				
30 June 2023				
Financial assets				
Derivative financial instruments	-	301	-	301
Financial liabilities				
Derivative financial instruments	-	(10)	-	(10)
Non-financial assets				
Investment properties	-	-	1,041,402	1,041,402
Investment properties (held-for-sale)	-	-	380,052	380,052
31 December 2022				
Financial assets				
Derivative financial instruments	-	1,857	-	1,857
Financial liabilities				
Derivative financial instruments	-	(1,099)	-	(1,099)
Non-financial assets				
Investment properties	-	-	1,076,874	1,076,874
Investment properties (held-for-sale)	-	-	392,930	392,930

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14. Events occurring after reporting date

On 11 August 2023, the Manager announced a distribution of 2.053 cents per unit for the period from 1 January 2023 to 30 June 2023.

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The condensed consolidated statement of financial position of ECW and its subsidiaries as at 30 June 2023 and the related condensed consolidated statement of total return and other comprehensive income, condensed interim distribution statement, condensed interim statement of cash flows and condensed interim statement of movements in Unitholder's funds for the six months then ended and certain explanatory notes have not been audited or reviewed.

1. Review of the Performance

(i) Review of performance for the quarter ended 30 June 2023

Gross revenue of S\$27.6 million was 3.6 million or 11.5% lower compared to 2Q2022. Net property income ("NPI") of S\$25.7 million was S\$2.5 million or 8.8% lower compared to 2Q2022, mainly due to the weakening of RMB against SGD, lower late fee income, lower other operating income, and mitigated partly by organic rental escalations. In RMB terms, the gross revenue was 3.4% lower and NPI was 0.6% lower compared to 2Q2022. After straight-lining of step-up rental, security deposit accretion and other relevant distribution adjustments, gross revenue in RMB terms was 2.3% lower compared to 2Q2022, mainly due to lower late fee income offset by organic rental escalations. NPI in RMB terms was 0.7% higher, mainly benefited from lower operating expenses at the Properties and refund of land use taxes in Apr'23, offset the effect of lower gross revenue.

Finance costs of S\$11.7 million were S\$1.5 million or 15.1% higher compared to 2Q2022 mainly driven by higher interest rate and extension fee incurred in the quarter compared to 2Q2022 which fully absorbed the impact of reduction in borrowings.

Distribution to Unitholders of S\$7.5 million represents S\$3.7 million or 33.3% decrease compared to 2Q2022 mainly due to lower revenue, higher finance cost, 10% retention of distributable income in 2Q2023 as compared to 100% distribution in 2Q2022 and absence of pay out distribution previously retained in prior periods.

(ii) Review of performance for the 6 months ended 30 June 2023

Gross revenue of S\$55.7 million was S\$7.6 million or 12.0% lower compared to 1H2022. Net property income ("NPI") of S\$51.8 million was S\$6.1 million or 10.6% lower compared to 1H2022 which mainly caused by the weakening of RMB against SGD, lower late fee income and the cessation of income contribution from Fu Zhuo Industrial from 1 Apr 2022, offset by the impact of organic rental escalations. In RMB terms, the gross revenue was 3.9% lower and NPI was 2.4% lower compared to 1H2022. After straight-lining of step-up rental, security deposit accretion and other relevant distribution adjustments, the gross revenue in RMB terms was 2.8% lower compared to 1H2022, mainly due to absence of rental income from Fu Zhuo Industrial as a result of compulsory expropriation and lower late fee income offset by organic rental escalations. NPI in RMB terms was 1.2% lower compared to 1H2022, mainly due to lower gross revenue, offset by lower operating expenses at the Properties and refund of land use taxes in Apr'23.

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Finance costs of S\$22.8 million were S\$2.8 million or 13.9% higher compared to 1H2022 mainly due to higher interest rate and extension fee incurred during the period.

Distribution to Unitholders of S\$16.6 million represents S\$5.8 million or 25.9% decrease compared to 1H2022 mainly due to lower revenue, higher interest cost, 10% retention of the distributable income for 1H2023 for general working capital purpose, and absence of pay out distribution previously retained in prior periods.

2. Variance between the forecast

ECW did not disclose any financial forecast to the market.

3. Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting and the next 12 months

China's economy expanded by 5.5% y-o-y in the first half of 2023, and alongside resurgence in consumer spending following the end of pandemic restrictions¹. Retail sales during 1H2023 continue to grow however with slower pace at 2Q2023, rising by 8.2% in the first half year¹. Amongst which, online retail grew by 13.1%¹. Despite the unexpectedly strong 4.5% expansion in the first quarter performance, real GDP growth in 2Q2023 was below market expectation at 6.3% y-o-y and pointed to a swiftly fading rebound in China from the reopening at end-2022².

Based on the statistics of National Bureau of Statistics of China, in the first half year, the investment in real estate development dropped by 7.9 percent¹. Despite the urban surveyed unemployment rate averaged 5.3 percent, down by 0.2 percentage points over that of the first quarter, the surveyed unemployment rates of population aged from 16 to 24 was 21.3 percent¹.

With few signs of a recovery in the property sector and an uncertain job outlook, the accumulation of household deposits suggests widespread pessimism among households³. In addition, weak export demand, low consumer confidence and the depressed business investment within China continues to be core issues affecting China's recovery⁴. The various policies implemented by Chinese government to spur domestic demand has yet to show clear results and China's top leadership pledged to step up stimulus as the economy faces new difficulties and a tortuous recovery⁵.

¹ http://www.stats.gov.cn/english/PressRelease/202307/t20230715_1941276.html

² <https://www.fitchratings.com/research/sovereigns/chinas-growth-to-remain-above-target-as-recovery-momentum-fades-18-07-2023>

³ <https://www.theguardian.com/business/2023/jul/17/china-gdp-growth-down-economy-june-quarter-gross-domestic-profit>

⁴ <https://www.ft.com/content/d7528b7f-d879-4b47-a45b-cbb58545e7be>

⁵ <https://www.reuters.com/world/china/key-takeaways-chinas-politburo-meeting-economy-2023-07-26/>

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Based on the latest world economic outlook update provided by IMF, global growth is projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024 and remains weak by historical standards⁶. Globally, inflation could remain high and even rise if further shocks occur, including those from an intensification of the war in Ukraine and extreme weather-related events, triggering more restrictive monetary policy⁶. Financial sector turbulence could resume as markets adjust to further policy tightening by central banks. Per IMF, as a result of unresolved real estate problems, with negative cross-border spillovers, China's recovery could slow down⁶.

Against this backdrop, the requirements to complete the Proposed Divestment and repay the outstanding Relevant Mandatory Prepayment Amount by the deadline set by the Lenders remains to be the top priority of ECW. ECW has to remain focus to resolve these issues while continuing to face financial stress arising from the current harsh currency and interest rates conditions in the foreseeable future.

⁶ <https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023>

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4. Distribution

(a) Current financial period

Any distributions declared for the current financial period? Yes

Name of distribution: Distribution for the period from 1 January 2023 to 30 June 2023

Distribution types: Tax-exempt distribution

Distribution rate: 2.053 cents per unit

Tax rate: Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders. No tax will be deducted from such distribution.

Remarks: The distribution to Unitholders is based on 90% of the distributable income for the period from 1 January 2023 to 30 June 2023.

(b) Corresponding period of the preceding financial period

Any distributions declared for the corresponding period of the immediate preceding financial period?

Yes. A tax-exempt distribution of 2.770 cents per unit was declared for the period from 1 January 2022 to 30 June 2022.

(c) Date Payable (est.) 28 September 2023

(d) Record Date 14 September 2023

5. If no distribution has been declared/(recommended), a statement to that effect and the reason(s) for the decision.

A distribution has been declared for the period from 1 January 2023 to 30 June 2023.

6. If the Group has obtained a general mandate from Unitholders for Interested Person Transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If not IPT mandate has been obtained, a statement to that effect.

ECW does not have a general mandate from Unitholders for interested person transactions.

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7. Confirmation pursuant to Rule 720(1) of the Listing Manual

The Board of Directors of the Manager hereby confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

8. Certificate pursuant to Paragraph 7.3 of the Property Funds Appendix

The Manager hereby certifies that in relation to the distribution to the Unitholders for the half year ended 30 June 2023:

- (a) ECW will declare a distribution which is classified as tax-exempt from a tax perspective, being derived from the consolidated net profit after tax of ECW and its subsidiaries for the financial period, as adjusted to eliminate the effects of adjustments as listed in the Condensed Interim Consolidated Distribution Statement.

ECW's distribution policy is to distribute 100% 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 for each financial year. The actual distribution will be determined at the Manager's discretion. For 1H2023, the Manager has resolved to distribute 90% of the total amount available for distribution to Unitholders.

- (b) The Manager is satisfied on reasonable ground that, immediate after making the distributions, ECW will be able to fulfil, from its deposited properties, its liabilities as they fall due.

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9. Confirmation pursuant to Rule 705(5) of Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Manager which may render these unaudited condensed interim financial statements of the Group and ECW (comprising the condensed interim statement of financial position as at 30 June 2023, condensed interim statement of total return & condensed interim distribution statement, condensed interim statement of cash flows and condensed interim statement of movements in Unitholder's funds for the period ended on that date), together with their accompanying notes, to be false or misleading, in any material aspect.

On behalf of the Board of Directors of
EC World Asset Management Pte. Ltd.
(as Manager of EC World Real Estate Investment Trust)

Zhang Guobiao
Chairman and Non-Executive Director

Goh Toh Sim
Executive Director and Chief Executive
Officer

IMPORTANT NOTICE

The value of 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, DBS Trustee Limited (as trustee of ECW), or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Unitholders have no right to request that the Manager redeem or purchase 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.

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 ECW. The forecast financial performance of ECW 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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FOR AND ON BEHALF OF THE BOARD OF
EC WORLD ASSET MANAGEMENT PTE. LTD.
AS MANAGER OF EC WORLD REAL ESTATE INVESTMENT TRUST
(Company Registration No. 201523015N)

Goh Toh Sim
Executive Director and Chief Executive Officer
11 August 2023