EC World
运通网城 REIT

NEWS RELEASE

EC World REIT reports DPU of 0.926 cents for 2QFY2023

- *China's slow recovery amid unresolved real estate problems and other challenges*[1]
- *Weakening of RMB against SGD has material impact on the ECW's financial performance and financial position in SGD term*
- *Coupled with increase in finance costs due to hikes in offshore interest rates, distributable income on y-o-y basis lowered despite positive effect of the organic rental growth*
- *1HFY2023 DPU dropped by 25.9% on y-o-y basis*

Summary of Results:

	2QFY2023 S$'000	2QFY2022 S$'000	Change YoY%	1HFY2023 S$'000	1HFY2022 S$'000	Change YoY%
Gross Revenue	27,580	31,173	(11.5)	55,714	63,324	(12.0)
Net Property Income ("NPI")	25,716	28,205	(8.8)	51,794	57,939	(10.6)
Distribution to Unitholders[2]	7,495	11,233	(33.3)	16,623	22,433	(25.9)
DPU (Cents)	0.926	1.387	(33.2)	2.053	2.770	(25.9)

Singapore, 11 August 2023 – EC World Asset Management Pte. Ltd., as manager of EC World Real Estate Investment Trust ("**ECW**") (the "**Manager**") reported for first half of 2023 ("**1HFY2023**") lower distributable income to Unitholders y-o-y. This is mainly due to increase in finance costs, lower gross revenue and NPI y-on-y in SGD term as a result of weakening of RMB against SGD, lower late fee and effect from the compulsory expropriation of Fu Zhuo Industrial, while the organic rental escalations which are built-in to the existing leases absorbed partial downward effects. In RMB terms, and after relevant distribution adjustments, gross revenue and NPI contracted marginally by 2.8% and 1.2%.

1 https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023
2 For period 1 January 2023 to 30 June 2023, assuming 10% of the total distributable income from 1HFY2023 to be retained.

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Finance costs increased 13.9% y-o-y, reflecting the progressive tightening of monetary policies by central banks since year 2022 and a rising interest rate environment. Consequently, ECW's blended running interest rate rose by 1.4 percentage points to 5.7% in 1HFY2023, from 4.3% in the corresponding period. On quarterly basis, finance costs remained at the similar level, benefiting from the partial settlement of Mandatory Repayment made, and a marginal 0.1 percentage points increase in blended running interest rate from previous quarter.

Distribution per unit ("DPU") of 2.053 cents for 1HFY2023 was 25.9% lower y-o-y, due to the above-mentioned factors and the retention for general working capital purpose.

Mr. Goh Toh Sim, Executive Director and CEO of the Manager, said, "on semi-annual basis, the revenue in RMB term remains stable for all properties. However, the increased borrowing costs due to global interest rates hikes and the weakening of RMB against SGD in 1HFY2023 created significant pressures over the distributable income in SGD term. In the short term, cost pressures will remain high under the current interest rate environment and the weakening RMB condition until a more favourable market condition returns."

Asset Management

Overall occupancy for ECW's portfolio remained at 96.3% as at 30 June 2023. Of the seven properties, four achieved full occupancy, while Hengde Logistics and Chongxian Port Logistics reported near full occupancy, at 99.9% and 99.3% respectively.

Weighted average lease to expiry ("WALE") by gross rental income and net lettable area stood at 1.2 years, and 1.0 years respectively. Management will commence negotiations with the Master Lessees to renew these relevant leases.

As announced by the Manager on 10 July 2023 regarding the divestment of the two assets, Purchasers and the Vendor have on 9 July 2023, entered into a second supplementary agreement which provides for, among others, (i) the Long-Stop Date of the Proposed Divestment 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 and the independent Unitholders via an EGM; (ii) provide the flexibility of a two-stage completion process; (iii) the increased agreed property values of the Divestment Properties; and (iv) the revised Relevant Mandatory Prepayment Amount based on the new facility agreements executed in May 2023.

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Capital and Debt Structure

As at 30 June 2023, ECW's capital position remained below the gearing limit required by the Monetary Authority of Singapore, with aggregate leverage improved by 2.6 percentage points from 38.8% as at 31 December 2022 to 36.2% as at 30 June 2023, attributable to the partial settlement of the Mandatory Repayment during the quarter, through prepayments received from the Purchasers of the Proposed Divestment.

As announced by the Manager on 6 June 2023, the refinancing comprising the onshore bank loans of RMB745.5 million and the offshore bank loans of SGD348.9 million has been fully completed.

The blended all-in running interest rate of the aggregate facilities for 1HFY2023 increased by 1.4 percentage points to 5.7% from 4.3% in the same period in the preceding year, as a result of rising interest rates. The partial settlement of Mandatory Repayment during the first quarter of 2023, enabled ECW to pare down its existing outstanding loans and thereby reduce its exposure to interest rate risks. As at 30 June 2023, 31% of Offshore Facilities were hedged using floating to fixed interest rate swaps and cross currency swaps. The Manager will continue to actively manage interest rate and exchange rate risks through hedges to minimize adverse impact at appropriate time.

ECW's capital is closely monitored and managed to ensure adequate capital to support business operation and opportunities.

Outlook

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 restrictions[3]. Retail sales during 1H2023 continue to grow however with slower pace at 2Q2023, rising by 8.2% in the first half year[3]. Amongst which, online retail grew by 13.1%[3]. 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-2022[4].

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[3] http://www.stats.gov.cn/english/PressRelease/202307/t20230715_1941276.html

[4] https://www.fitchratings.com/research/sovereigns/chinas-growth-to-remain-above-target-as-recovery-momentum-fades-18-07-2023

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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 percent[3]. 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 percent[3].

With few signs of a recovery in the property sector and an uncertain job outlook, the accumulation of household deposits suggests widespread pessimism among households[5]. In addition, weak export demand, low consumer confidence and the depressed business investment within China continues to be core issues affecting China's recovery[6]. The various policies implemented by Chinese government to spur domestic demand has yet to show clear results and China's leadership pledged to step up stimulus as the economy faces new difficulties and a tortuous recovery[7].

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 standards[8]. 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 policy[8]. 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 down[8].

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.

— End —

[5] https://www.theguardian.com/business/2023/jul/17/china-gdp-growth-down-economy-june-quarter-gross-domestic-profit
[6] https://www.ft.com/content/d7528b7f-d879-4b47-a45b-cbb58545e7be
[7] https://www.reuters.com/world/china/key-takeaways-chinas-politburo-meeting-economy-2023-07-26/
[8] https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023

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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 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.

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

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