

## NEWS RELEASE

# EC World REIT reports Calculated DPU of 0.916 cents for 3QFY2023

- *Outstanding rental receivables from related parties amounted to RMB 171m posing serious issue to meet REIT's obligations*
- *Weakening of RMB against SGD coupled with increase in finance costs resulted in lower distributable income on y-o-y basis*
- *Calculated DPU dropped by 32.8% and annualized yield increased to 12.98%<sup>1</sup> after 10% retention of the total distributable income for 3Q 2023.*

## Key Highlights:

### Overdue Rental Receivables

As at 30 September 2023, the overdue rent receivables (the “**Outstanding Rent Receivables**”) owing to EC World REIT and its subsidiaries (collectively, the “**ECW Group**”) by Forchn Holdings Group Co., Ltd. (being the sponsor of EC World REIT (the “**Sponsor**”) and its subsidiaries (collectively, the “**Sponsor Group**”) have exceeded RMB 171 million. Of the Outstanding Rent Receivables, RMB 126 million represents the rent payable pursuant to master leases between the Sponsor Group (as master lessee) and the ECW Group (as master lessor) (“**Master Leases**”), while the balance RMB 45 million represents rent payable by the other subsidiaries of the Sponsor Group. The ECW Group will monitor the collection status of the outstanding rent receivables and provide provision on a needed basis.

### Non-renewal of lease at Hengde Logistics Phase 1 (“**Hengde Phase 1**”)

Despite active negotiations with China Tobacco Zhejiang Industrial Co., Ltd. (“**China Tobacco**”), in relation to the renewal of the lease at Hengde Phase 1, China Tobacco has decided not to renew the lease for Hengde Phase 1 after the existing lease terminates on 31 December 2023. The manager is currently in discussions with China Tobacco in relation to the proposed renewal of its other lease at Hengde Phase 2.

### Potential Adverse Fluctuation on Valuation of Assets

In light of the receivable collection status of ECW's assets and latest market conditions in PRC, the valuation of the Group's investment properties would likely be adversely impacted from the current carrying values. Management is in the process of seeking advice on the valuations and

<sup>1</sup> Based on annualized 3QFY2023 DPU of 3.634 Singapore cents and closing price of S\$0.28 per unit as at 28 Aug 2023.

carrying out an updated valuation exercise and will provide further update on the valuations in due course.

### Potential Increase in Aggregate Leverage

While ECW's current aggregate leverage had decreased from 38.8% as of December 31, 2022, to 36.9% as of September 30, 2023, there is a risk that the gearing ratio will increase materially due to aforementioned change in the valuations of the assets of ECW Group.

### Summary of Results:

**Singapore, 7 November 2023** – EC World Asset Management Pte. Ltd., as manager of EC World Real Estate Investment Trust (“**ECW**”) (the “**Manager**”) reported for third quarter of 2023 (“**3QFY2023**”) lower distributable income to Unitholders y-o-y, mainly due to the impact from weakening of RMB against SGD, increase in finance costs due to hikes in interest rates, assumed retention for general working capital purpose, while the organic rental escalations built-in in existing leases absorbed partial downward effects. This is due to lower gross revenue and NPI y-o-y in SGD terms. While in RMB terms, and after relevant distribution adjustments, gross revenue and NPI increased marginally by 0.3% and 1.7% as compared to 3Q2022.

Mr Goh Toh Sim, Executive Director and CEO of the Manager, said, “While all efforts are concentrated towards the collection of rental receivables in order to fulfil the REIT’s various operating and financing obligations and to lift the unit trading suspension, other challenges derived from high interest rates and weak RMB against Singapore dollar and US dollar will continue to build up additional pressure for the business of ECW REIT. For the three quarters in 2023, due to accumulation of the outstanding rent receivables from the master lessees and other related parties within the Sponsor Group, and no repayment plan provided by the Sponsor Group to date, ECW Group faced challenges to maintain its operation and meet the financing obligations.”

	3QFY2023 S\$'000	3QFY2022 S\$'000	Change YoY%	9MFY2023 S\$'000	9MFY2022 S\$'000	Change YoY%
Gross Revenue	27,001	29,830	(9.5)	82,715	93,154	(11.2)
Net Property Income (“NPI”)	24,748	27,051	(8.5)	76,542	84,990	(9.9)
Calculated distribution to Unitholders <sup>2</sup>	7,416	11,046	(32.9)	24,039	33,479	(28.2)
Calculated DPU (Cents)	0.916	1.364	(32.8)	2.969	4.134	(28.2)

<sup>2</sup> For period 1 January 2023 to 30 September 2023, assuming 10% of the total distributable income from 9MFY2023 to be retained.

Finance costs increased 10.8% and 12.9% y-o-y for the quarter and 9-month ending 30 September 2023 respectively, reflecting the progressive tightening of monetary policies by central banks since 2022 and a rising interest rate environment. Consequently, ECW's blended running interest rate for the quarter and 9 months ending 30 September 2023 rose by 1.7% and 1.4% to 6.5% and 6.0% respectively, from 4.8% and 4.6% in the corresponding period.

Distribution per unit (“DPU”) of 2.969 cents for 9MFY2023 was 28.2% lower y-o-y, due to the above-mentioned factors and the planned retention for general working capital purpose. Calculated DPU would have been 3.297 cents excluding the 10% retention, representing a y-o-y decline of 20.2%.

## Asset Management

Overall occupancy for ECW's portfolio remained at 97.4% as at 30 September 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 1.0 year, and 0.8 year respectively. Management has commenced the review on all Master Leases and explored various options given the current difficulties in rental collection.

As announced by the Manager on 7 September 2023, the resolution as set out in the Notice of EGM dated 16 August 2024 was duly approved by the unitholders of EC World REIT. Subsequently as announced on 26 October 2023, the Sponsor and the Purchasers have informed ECW Group that they are unable to obtain sufficient financing for the Proposed Divestment and hence the Sponsor and the Purchasers will not be able to complete the Proposed Divestment by the Long-Stop Date by 31 October 2023. The Manager has undertaken steps to evaluate various options for EC World REIT including divestment of assets via market sales.

## Capital and Debt Structure

As at 30 September 2023, ECW has onshore bank loans of RMB735.2 million and offshore bank loans of SGD349.8 million outstanding. ECW's capital position remained below the gearing limit required by the Monetary Authority of Singapore, with aggregate leverage improved by 1.9 percentage points from 38.8% as at 31 December 2022 to 36.9% as at 30 September 2023, attributable to the partial settlement of the Mandatory Repayment during the 9-month period, through prepayments received from the Purchasers of the Proposed Divestment.

The blended all-in running interest rate for the quarter and 9 months ending 30 September 2023 was 6.5% and 6.0% respectively, as a result of rising interest rates.

As at 30 September 2023, 52% 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. The Manager will continue to actively manage interest rate and exchange rate risks through hedges to minimize adverse impact.

## Outlook

ECW and its subsidiaries are owed more than RMB 171 million in overdue receivables. The units trading has been suspended since 31 Aug 2023. Further, ECW deferred its first half FY2023 distribution payment to a future date when the REIT has sufficient free cash for the distribution. These may give rise to an event of default, amongst others, under group's existing onshore and offshore facilities. With the high finance costs regime, the general decline in real estate market performance in terms of rental rates and occupancy rate, coupled with the challenges posed by the Mandatory Repayment requirements and delay in collection of the rental receivables from related parties including master lessees, ECW will continue to face serious financial and cash flow stress in the short to medium term.

China's economy expanded by 4.9% y-on-y in the third quarter of 2023 and 1.3% quarter-on-quarter. According to NBS data<sup>3</sup>, consumer spending has improved markedly with retail sales and industrial production activity reporting 5.5% and 4.5% growth respectively in September. Amongst which, online retail sales jumped 11.6% y- on-y to RMB 10.82 trillion<sup>4</sup>.

Fixed asset investment increased 3.1% y-o-y in the first nine months of the year<sup>5</sup>. The property sector remains a drag on the economy, with property investment tumbling 9.1% y-on-y in the first nine months of 2023<sup>6</sup>.

Global economy is forecasted by IMF to grow 3% in 2023 and 2.9% in 2024<sup>7</sup>. The tight policy stances needed to bring down inflation and to face the fallout from the recent deterioration in financial conditions, the ongoing war in Ukraine, possible escalation of the Israel-Hamas war poses a major risk to the global economy, driving up energy prices and disrupting key trade routes. As interest rates will only likely reduce toward their pre-pandemic levels once inflation rates are back to targets, higher interest rates will continue to prevail in the short term<sup>8</sup>.

— End —

<sup>3</sup> <https://www.cnbc.com/2023/10/18/china-economy-q3-gdp.html>

<sup>4</sup> [http://www.stats.gov.cn/english/PressRelease/202310/t20231024\\_1943887.html](http://www.stats.gov.cn/english/PressRelease/202310/t20231024_1943887.html)

<sup>5</sup> <https://www.channelnewsasia.com/business/china-sept-industrial-output-rises-45-y-y-retail-sales-beat-forecasts-3854316>

<sup>6</sup> <https://www.straitstimes.com/business/china-q3-economic-growth-beats-market-forecast-headwinds-persist>

<sup>7</sup> <https://www.cnbc.com/2023/10/10/imf-raises-us-growth-forecast-leaves-global-outlook-unchanged.html>

<sup>8</sup> <https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023>

## 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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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 Singapore Exchange Securities Trading Limited (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 of EC World REIT. Unitholders and potential investors are advised to read this announcement and any further announcements to be released by EC World REIT carefully. Unitholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

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

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