

**NEWS RELEASE**

**EC World REIT Reported Lower Operation Performance in 1QFY2024**

- 100% of novation process for Chongxian Port Logistics, Fuheng Warehouse and 98% for Fuzhou E-Commerce have been completed
- Aggregate leverage is at 57.2% as at 1QFY2024
- No distribution for 1QFY2024 due to insufficient funds
- Trading of Units continues to be suspended until the financial situation improves

**Summary of Results:**

|  | 1QFY2024<br>S\$'000 | 1QFY2023<br>S\$'000 | Change<br>YoY% | 4QFY2023<br>S\$'000 | Change<br>QoQ% |
|--|---------------------|---------------------|----------------|---------------------|----------------|
| Gross Revenue  | 25,296              | 28,134              | (10.1)         | 25,055              | 1.0            |
| Net Property Income ("NPI")                          | 23,311              | 26,078              | (10.6)         | 22,659              | 2.9            |
| Calculated distribution to Unitholders <sup>12</sup> | 7,320               | 9,128               | (19.8)         | 5,592               | 30.9           |
| Calculated DPU (Cents)                               | 0.904               | 1.127               | (19.8)         | 0.690               | 31.0           |

**Singapore, 13 May 2024** – EC World Asset Management Pte. Ltd., as the manager of EC World Real Estate Investment Trust ("**ECW**") (the "**Manager**"), reported lower year-on-year first quarter 2024 ("**1QFY2024**") operating performance across its portfolio, mainly due to discontinuation of China Tobacco leases in relation to Hengde Logistics Phase I, lower rental income from Chongxian Port Logistics, weakening of RMB against SGD by 4.3% year-on-year, offset by higher late fee, organic rental escalations and lower operating expenses at the properties. After straight-line rental adjustment,

<sup>1</sup> Calculated assuming 10% of the total distributable income from 1QFY2024 to be retained.

<sup>2</sup> Subject to funding availability, the next distribution to Unitholders would be for the period from 1 January 2024 to 30 June 2024.



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rental security deposit accretion and other relevant distribution adjustments, gross revenue and NPI in RMB terms were 6.7% and 7.3% lower respectively as compared to 1QFY2023.

As of 31 March 2024, the overdue rent receivables owing to ECW and its subsidiaries (collectively, the “**ECW Group**”) from the related party lessees (including master lessees) (the “**Outstanding Rental Receivables**”) by the Sponsor and its subsidiaries (collectively, the “**Sponsor Group**”) has exceeded RMB395.5 million (S\$73.8 million). Of the Outstanding Rent Receivables, RMB325.5 million (S\$60.7 million) represents the rent payable pursuant to master leases, while the balance RMB70.0 million (S\$13.1 million) represents the rent payable pursuant to other related party leases. As at 31 March 2024, the Outstanding Rent Receivables pursuant to master leases can be fully covered by the security deposit amount paid by the master lessees, whereas the Outstanding Rent Receivables pursuant to other related party leases can be fully covered by the other payables owed to Sponsor Group, hence no provision for bad debts was made at this juncture.

Finance costs of S\$11.8 million were S\$0.7 million or 5.9% higher compared to 1QFY2023 mainly due to higher interest rate in the quarter. ECW’s blended all-in running interest rate for the quarter ended 31 March 2024 was 6.8%, from 5.6% in the corresponding period in 1QFY2023.

Calculated distribution to Unitholders of S\$7.3 million represents S\$1.8 million or 19.8% decrease compared to 1QFY2023 mainly due to lower revenue, higher finance cost.

Mr Goh Toh Sim, Executive Director and CEO of the Manager, said, “The revenue in RMB terms was 6.0% lower compared to 1QFY2023. Due to the delay in collection of related party rent receivables and the non-completion of the proposed divestment, ECW Group has insufficient funds to maintain its operations for the time being. To address the Outstanding Rental Receivables owing from the Sponsor Group, the Manager is actively demanding for repayment from the Sponsor Group for the Outstanding Rental Receivables. The manager had commenced the novation process to take over underlying leases from the master leases and other related party leases and appointed an independent consultant to evaluate and formulate a new leasing strategy for the assets being leased under master leases.

In addition, the Manager has escalated the urgency for the discharge of unauthorised mortgages imposed over Fuzhou E-Commerce and Fu Heng Warehouse through issuing more demand letters to the Sponsor and the Fuyang Finance Bureau. The



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Manager concurrently instituted legal actions against the Fuyang Financial Institutions and submitted lawsuits to the PRC court and the case applications are now pending acceptance by the PRC court.

The Manager has taken steps to lower the aggregate leverage ratio for the ECW Group through partial repayment of existing facilities include SBLC loans. Since 31 December 2023, the Manager has repaid approximately S\$62.2 million towards SBLC loans by 30 April 2024. As a result of the partial repayments, the aggregate leverage decreased to 55.6% as at 30 April 2024. The Manager is exploring more options to further reduce ECW's aggregate leverage.

The Lenders for the existing bank loans under the existing onshore and offshore facilities, have not indicated any intention to accelerate them while the Manager is actively working with the Lenders to explore the possibility of restructuring them. In the meantime, ECW Group continues to face challenges to maintain its operation and meet the financing obligations.”

## **Key Highlights:**

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

As at the date of this announcement, unauthorised mortgages imposed over Fuzhou E-Commerce and Fu Heng Warehouse have not yet been discharged. The Manager has issued several demand letters to the Sponsor to demand that the Sponsor discharge the imposed over Fuzhou E-Commerce and Fu Heng Warehouse (“**Relevant Mortgages**”) immediately. The Manager has also issued various letters to the Fuyang Finance Bureau to emphasise the urgency for the Relevant Mortgages to be discharged and requested the Fuyang Finance Bureau to follow up closely and to urge the Sponsor to discharge the Relevant Mortgages as soon as possible. The Sponsor is still in discussion with the Fuyang Government and Fuyang Financial institutions to reach a feasible solution to discharge the Relevant Mortgages. The ECW Group has submitted the relevant lawsuits to the relevant PRC court and the case applications are yet to be accepted by the said court. The maximum financial risk exposure arising out of the Relevant Mortgages on the ECW Group is estimated to be RMB268.6 million (S\$50.1 million).



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## **Asset Management**

As at 31 March 2024, the overall occupancy for ECW's portfolio had dropped to 71.3%. Weighted average lease to expiry ("**WALE**") stood at 1.0 year for gross rental income and 1.1 years for net lettable area. The Manager has commenced the novation process to take over the underlying leases from the master leases and other related party leases. As at the date of the announcement, 100% of novation process for Chongxian Port Logistics, Fuheng Warehouse and approximately 98% for Fuzhou E-Commerce have been completed.

## **Aggregate Leverage of ECW was 57.2% as of 1QFY2024**

As of 31 March 2024, the aggregate leverage for the Group was 57.2% (31 March 2023: 35.4%, 31 December 2023: 58.3%) as a result of the decline in the property valuation of ECW.

Paragraph 9.4(a) of the Property Funds Appendix states that the aggregate leverage limit is not considered to be breached if it is due to circumstances beyond the control of the Manager. Nevertheless, the increased leverage ratio breached the financial covenant under the existing offshore facility agreement, which requires ECW's leverage ratios to be no more than 40%. In such a scenario, the Manager shall not incur additional borrowings or enter into further deferred payment arrangements. The Manager intends to resolve this issue by restructuring the ECW Group's existing offshore facilities (the "**Offshore Facilities**"). The ECW Group is in the process of seeking various waivers from the lenders for the existing onshore and offshore facilities ("**ECW Facilities**") (and the lenders of ECW Facilities, the "**Lenders**") in relation to, among others, the foregoing.

### **Payment Obligations on Offshore Facilities**

Due to insufficient funds generated by the EC World REIT group following the novation of underlying leases in respect of Chongxian Port Logistics, Fuheng Warehouse and Fuzhou E-Commerce, the EC World REIT group is not able to pay the principal and interest expenses due on 30 April 2024 under the Offshore Facilities. The manager is still negotiating with the lenders of the Offshore Facilities to restructure them. The manager has not received any indication from the Lenders that they intend to accelerate the ECW Facilities at this juncture.

### **Capital and Debt Structure**

As at 31 March 2024, ECW has onshore bank loans of RMB735.2 million and offshore bank loans of SGD346.4 million outstanding. ECW's capital position has exceeded the gearing limit imposed by the Monetary Authority of Singapore, with aggregate leverage at 57.2% as at 31 March 2024 (31 December 2023: 58.3%).

The blended all-in running interest rate for the quarter ended 31 March 2024 was 6.8%. As at 31 March 2024, S\$244.7 million and US\$ 75.5 million (SG\$101.7 million) of Offshore Facilities were drawn down and 44.5% of the interest rate risk of the Offshore Facilities was hedged using floating to fixed interest rate swaps and cross currency swaps. 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 small portion of offshore loans unhedged. The Manager will continue to actively manage interest rate and exchange rate risks to minimise adverse impact at an appropriate time.



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## Outlook

According to the National Bureau of Statistics of the PRC, the China's economy in 1QFY2024 expanded by 5.3% year-on-year and 1.6% from the previous quarter<sup>3</sup>. This is supported by total retail sales of RMB 12,032.7 billion of the quarter, rising 4.7% year-on-year<sup>4</sup>. Industrial production in March rose 4.5% year-on-year<sup>5</sup>. IMF forecast that China's 2024 growth to fall to 4.6% from 5.2% in 2023 and with a further drop to 4.1% for 2025<sup>6</sup>.

Real estate sector continued to show weakness, with property investment tumbling 9.5% year on year in 1QFY2024<sup>7</sup>. Floor space of new commercial buildings sold was 226.68 million square meters, plunging 19.4% year-on-year<sup>8</sup>. Funds for investment for Real Estate Development Enterprises fell 26.0% from the previous year<sup>7</sup>. Among them, the foreign investment was RMB 700 million, down by 11.9%<sup>7</sup>.

The IMF forecast global real GDP growth of 3.2% for 2024 and 2025<sup>6</sup>. Global median headline inflation is expected to fall to 2.8% by the end of 2024 from 4.0% last year and to 2.4% in 2025<sup>9</sup>. Global conflicts may escalate out of the uncertainty in the Middle East and Central Europe and add to increase in oil prices and inflation, triggering tighter monetary policy from central banks.

To date of this announcement, the unauthorized mortgages imposed over Fuzhou E-commerce and Fuheng Warehouse have not yet been discharged. ECW will continue to face serious financial stress in the short to medium term while the trading of the units of ECW will continue to be suspended until the financial situation has improved.

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<sup>3</sup> [https://www.stats.gov.cn/english/PressRelease/202404/t20240416\\_1954583.html](https://www.stats.gov.cn/english/PressRelease/202404/t20240416_1954583.html)

<sup>4</sup> [https://www.stats.gov.cn/english/PressRelease/202404/t20240424\\_1955013.html](https://www.stats.gov.cn/english/PressRelease/202404/t20240424_1955013.html)

<sup>5</sup> [https://www.stats.gov.cn/english/PressRelease/202404/t20240423\\_1954863.html](https://www.stats.gov.cn/english/PressRelease/202404/t20240423_1954863.html)

<sup>6</sup> <https://www.imf.org/en/Publications/WEO/Issues/2024/04/16/world-economic-outlook-april-2024>

<sup>7</sup> [https://www.stats.gov.cn/english/PressRelease/202404/t20240424\\_1955015.html](https://www.stats.gov.cn/english/PressRelease/202404/t20240424_1955015.html)

<sup>8</sup> <https://www.cnbc.com/2024/04/16/chinas-q1-gdp-grew-5point3percent-in-the-first-quarter-beating-expectations.html>

<sup>9</sup> <https://www.imf.org/-/media/Files/Publications/WEO/2024/April/English/ch1.ashx>



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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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## IMPORTANT NOTICE

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

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

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

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

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

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