

## NEWS RELEASE

# EC WORLD REIT Achieved 2.2% Increase in DPU for 1QFY19; Proposes Acquisition of Fuzhou E-commerce

- 2.2% year-on-year (“y-o-y”) growth in DPU to 1.501 Singapore cents per unit for 1QFY19, translating to annualized distribution yield of 8.0%<sup>1</sup>
- Proposed acquisition of Fuzhou E-Commerce, a high-quality integrated e-commerce logistics asset for RMB1,112.5 million (S\$223.6 million<sup>2</sup>)
- Resilient operating performance delivering stable returns

### Summary of Results:

	1QFY19 S\$'000	1QFY18 S\$'000	Change %
Gross Revenue	23,857	23,939	(0.3)
Net Property Income	21,185	21,490	(1.4)
Distribution to Unitholders	11,923	11,562	3.1
DPU (Cents)	1.501	1.469	2.2

**Singapore, 10 May 2019** – EC World Asset Management Pte. Ltd., as manager of EC World Real Estate Investment Trust (“**ECW**”) (the “**Manager**”) is pleased to commence the year with a 2.2% year-on-year increase in DPU to 1.501 for 1QFY19. Annualized distribution yield remains attractive at 8.0%<sup>1</sup>.

On the investment front, the Manager is pleased to announce that it will be seeking unitholders’ approval for the proposed acquisition of Fuzhou E-Commerce (“**Fuzhou E-Commerce**”), a 214,284 sqm integrated e-commerce logistics asset in Hangzhou, PRC for a property purchase price of RMB1,112.5 million (S\$223.6 million<sup>2</sup>).

Mr. Goh Toh Sim, Executive Director and CEO of the Manager, said, “We are pleased to announce another quarter of resilient financial results, underpinned by our portfolio of stable assets. We are also excited to continue to execute our growth strategy with the proposed

<sup>1</sup> Computed based on annualized 1QFY19 DPU of 6.087 Singapore cents and closing price of S\$0.76 per unit on 31 March 2019

<sup>2</sup> Based on an illustrative renminbi rate of S\$1.00 to RMB 4.9751 as at 8 May 2019

acquisition of Fuzhou E-Commerce, an integrated e-commerce asset which will significantly increase the REIT's exposure to the fast-growing e-commerce logistics sector."

### **Proactive Asset Management**

In line with our strategy to actively manage our leases and expiries profile, the Manager announced the proposed entry into the New Master Lease Agreements ("**New MLAs**") on 22 February 2019, subject to regulatory and unitholders' approval. We are pleased to further update that all relevant approvals have been received with independent unitholders approving the New MLAs on 22 April 2019 at an Extraordinary General Meeting with a resounding 99.33% voting in favor. This will extend the portfolio weighted average lease to expiry from 1.8 years to 4.7 years (by Gross Revenue) as at 31 March 2019 and further enhance income predictability.

### **Resilient Portfolio Performance**

The operating performance of ECW's portfolio of assets remained resilient in 1Q2019. Committed portfolio occupancy was strong at 99.97% as at 31 March 2019.

Gross revenue and net property income in SGD terms were down 0.3% and 1.4% respectively in 1Q2019, primarily due to exchange rate differences. In RMB terms, gross revenue and net property income were 3.0% and 1.9% higher respectively compared to 1QFY18.

### **Prudent Capital Management**

As at 31 March 2019, the REIT's aggregate leverage remains healthy at 31.3%. The blended annualized running interest rate for the financial year was 4.1%.

The Manager exercise a prudent FX strategy to protect the unitholders from the fluctuations of currency movement. Majority of projected distributions are hedged every quarter using a put spread options structure on a 6-month rolling basis. Interest exposure of our offshore SGD loans continues to be fully hedged through an interest rate swap.

On the refinancing exercise, the Manager is pleased to inform that we have received commitment for the loans expiring in July 2019 and will make the necessary announcement when the legal documentation is executed.



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## Yield Accretive Acquisition

The Manager is pleased to announce the proposed acquisition of Fuzhou E-Commerce for a Property Purchase Price of RMB1,112.5 million (S\$223.6 million<sup>3</sup>). The Property Purchase Price represents a 7.5% discount to RMB1,203 million (average of the two independent valuations (with Master Leases)) and 6.3% discount to RMB1,187m (average of the two independent valuations (without Master Leases)).

This 100% occupied asset is a rare and sizable integrated e-commerce logistics asset strategically situated next to EC World REIT's existing asset, Fu Heng Warehouse. Both properties are located on the western side of Mingxing Road, Fuyang District, Hangzhou which is in close proximity to the Changshen Highway and easy access to Hangzhou city centre.

On a historical pro forma basis based on EC World REIT's audited FY2018 financial results, this acquisition is expected to be both DPU and NAV accretive, increasing the metrics by 1.6% and 1.4% respectively.

As this is an interested party transaction, the Manager will be seeking independent unitholders' approval for the acquisition.

## Outlook

In 1Q2019, the Chinese Gross Domestic Product ("GDP") expanded 6.4% year-on-year<sup>4</sup>. Total retail sales of consumer goods grew by 9.3% with online retail sales increasing by 15.3%. The GDP of Hangzhou and Wuhan, where EC World REIT's assets are located, outperformed the national GDP registering a 7.5%<sup>5</sup> and 8.1%<sup>6</sup> y-o-y growth respectively. In Hangzhou, consumption and e-commerce continue to thrive with total retail sales of consumer goods increasing 9.0% to RMB138.2 billion while online retail sales surged 48.4% y-o-y.

China's economic growth has also been supported by expansive monetary and fiscal measures implemented earlier in the year<sup>7</sup>. Aided by increased infrastructure spending, the

<sup>3</sup> Based on an illustrative renminbi rate of S\$1.00 to RMB 4.9751 as at 8 May 2019

<sup>4</sup> China's National Bureau of Statistics: <http://www.stats.gov.cn>

<sup>5</sup> Hangzhou Bureau of Statistics: <http://tjj.hangzhou.gov.cn>

<sup>6</sup> The Government of Wuhan website: [http://www.wh.gov.cn/2018wh/whyw/201904/t20190419\\_258203.html](http://www.wh.gov.cn/2018wh/whyw/201904/t20190419_258203.html)

<sup>7</sup> Bloomberg: China's Recovery Still Relies on Stimulus as Outlook Upgraded (<https://www.bloomberg.com/news/articles/2019-04-29/china-s-recovery-continues-on-policy-help-early-indicators-show?utm>)



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China's official manufacturing purchasing managers' index (PMI) rose to 50.5 in March 2019, the strongest growth since June 2018<sup>8</sup>. At the recent second Belt and Road Forum, the Chinese government stated that China would further open up, lower tariffs, increase imports, strengthen intellectual property protection<sup>9</sup>.

The Manager will continue its disciplined investment strategy approach to pursue attractive yield-accretive investments, in China and in fast growing markets in Southeast Asia.

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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 listed in several indices. These include the FTSE ASEAN All-Share Index, FTSE ST All-Share Index, FTSE ST China Index and FTSE ST Singapore Shariah Index. For more information, please visit: <http://www.ecwreit.com/>

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 diversified enterprise group specialising in the real estate sector, industrial sector, e-commerce, logistics and finance. For more information, please visit [www.forchn.com.cn](http://www.forchn.com.cn) or <https://forchn-intl.com/>

<sup>8</sup> Financial Times: China stimulus efforts show signs of stabilising economy (<https://www.ft.com/content/052bf5a-5526-11e9-a3db-1fe89bedc16e>)

<sup>9</sup> South China Morning Post: Belt and road delegates welcome Xi Jinping's pledges, but now they want action to back them up (<https://www.scmp.com/news/china/diplomacy/article/3007880/belt-and-road-delegates-welcome-xi-jinpings-pledges-now-they>)



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**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 EC World REIT), 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 EC World REIT. The forecast financial performance of EC World REIT 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.