

## NEWS RELEASE

# EC WORLD REIT Reports Resilient DPU, Executes Growth and Capital Management Strategies

- Resilient portfolio performance with strong 99% committed occupancy
- Stable quarterly DPU of 1.547 cents, translating into an attractive trading yield of 7.9%<sup>1</sup>
- Obtained overwhelming support from minority unitholders at Extraordinary General Meeting (“EGM”) for the proposed acquisition of Fuzhou E-Commerce, a high-quality integrated e-commerce logistics asset for RMB1,112.5 million (S\$222.1 million<sup>2</sup>)
- Successfully refinanced existing borrowings, significantly extending debt maturity

### Summary of Results:

	2QFY19 S\$'000	2QFY18 S\$'000	Change %	1HFY19 S\$'000	1HFY18 S\$'000	Change %
Gross Revenue	23,734	24,926	(4.8)	47,591	48,865	(2.6)
Net Property Income	21,157	22,807	(7.2)	42,342	44,297	(4.4)
Distribution to Unitholders	12,314	12,384	(0.6)	24,237	23,946	1.2
DPU (Cents)	1.547	1.570	(1.5)	3.048	3.039	0.3

**Singapore, 6 August 2019** – EC World Asset Management Pte. Ltd., as manager of EC World Real Estate Investment Trust (“**ECW**”) (the “**Manager**”) is pleased to report a 2QFY19 DPU of 1.547 cents, a 3.1% increase from 1QFY19. Comparing to 2QFY18, DPU was 1.5% lower, amid an uncertain macro environment.

Mr. Goh Toh Sim, Executive Director and CEO of the Manager, said, “We are pleased to continue to deliver stable DPU for our unitholders despite the heightened macroeconomic tensions. 2QFY19 was an eventful quarter for EC World REIT. In June, we received 100%

<sup>1</sup> Based on 1HFY2019 annualised DPU of 6.147 cents and Unit Price of S\$0.78 per Unit as at 30 June 2019

<sup>2</sup> Based on an illustrative renminbi rate of S\$1.00 to RMB 5.0100 as at 31 May 2019



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approval at the EGM to acquire Fuzhou E-Commerce, a sizable integrated e-commerce asset which will significantly increase the REIT's exposure to the fast-growing e-commerce logistics sector. Driven by the continued demand for quality logistics assets in China and its highly defensive lease structures, EC World REIT's portfolio remains well-positioned to deliver organic growth and stable performance.

On the capital management front, the Manager has refinanced the REIT's borrowings, providing the REIT with certainty in financing which will further propel our growth strategies."

### **Strength in Underlying Portfolio Performance**

Gross revenue and net property income for 2QFY19 in SGD terms was 4.8% and 7.2% lower year-on-year. In RMB terms, after straight-line, security deposit accretion and other relevant distribution adjustments<sup>3</sup>, the gross revenue and net property income in RMB terms were 3.6% and 3.4% higher at RMB118.9 million and RMB108.2 million compared to 2QFY18 respectively.

The existing portfolio occupancy remains strong at 99.1% with a Weighted Average Lease to Expiry ("WALE") of 4.5 years (by Gross Rental Income). Including the leases for Fuzhou E-Commerce, the WALE would be 4.6 years (by Gross Rental Income), signifying one of the longest WALE among industrial S-REITs. The Manager will continue to manage the lease expiries actively to ensure predictable and stable income.

### **Prudent Capital Management**

As at 30 June 2019, the REIT's aggregate leverage remains healthy at 32.4%. The blended annualized running interest rate for the quarter was 4.3%. The Manager continues to hedge majority of projected distributions every quarter using a put spread options structure on a 6-month rolling basis. The Manager is actively monitoring the current interest rate environment and will decide the optimal interest rate hedging strategy in 3QFY19 for the new loans.

On 29 July 2019, the Manager announced that it has refinanced its existing borrowings. The Manager will continue to manage its capital structure prudently and diversify its sources of funding and optimize its debt maturity profile.

<sup>3</sup> These adjustments have no impact on DPU

## Expanding Portfolio Through Yield Accretive Acquisition

On 19 June 2019, the Manager held an EGM to seek approval by independent unitholders for the acquisition of Fuzhou E-Commerce for a Property Purchase Price of RMB1,112.5 million. The resolution was passed with 100% approval at the EGM, a display to the recognition of the merits of this investment by unitholders.

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. Including Fuzhou E-Commerce, the portfolio occupancy would be 99.3%. On a historical pro forma basis based on EC World REIT's audited FY2018 financial results, the acquisition is both DPU and NAV accretive, increasing the metrics by 1.6% and 1.4% respectively. The acquisition is expected to complete in 3QFY19.

## Outlook

China's Gross Domestic Product ("GDP") expanded 6.2% year-on-year in 2Q2019. For 1H2019, Chinese GDP grew by 6.3% year-on-year, in line with the government's forecast. Total retail sales remained strong with 8.4% increased year-on-year. Online retail sales continued on its growth trajectory with 17.8% year-on-year increase in 1H2019, an increase of 2.5% compared to 1Q2019<sup>4</sup>.

From the first five months of 2019, Hangzhou retail sales increase 8.9% while its online retail sales increased 33.1%<sup>5</sup>. Wuhan's retail sales registered a growth of 8.6% year-on-year with online sales continued on its growth with 14.4% y-o-y increase<sup>6</sup>.

Since the start of 2019, the Chinese government announced several initiatives to ensure the sustainability of long-term growth in China. The government has indicated that it will increase the pace of monetary easing, with further Reserve Requirement Ratio cuts, tax reductions and fixed-asset investment expected in the coming months<sup>7</sup>. In June 2019, China's National Development and Reform Commission and the Ministry of Commerce jointly released a revised catalogue which list out sectors which are strongly encouraged by the government. Over 80% of the newly-added or revised items in nationwide catalogue

<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> Wuhan Bureau of Statistics: <http://tjj.wuhan.gov.cn/index.aspx>

<sup>7</sup> CBRE: Greater China MarketFlash (<https://cbreemail.com/rv/ff01048228e9df1efc34877fa3429b0a3fe5c0f2>)



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promotes the high specifications manufacturing industries such as intelligent manufacturing and green manufacturing. This move expects to spur internal growth and consumption within China and ultimately benefit the logistics sector.

The Manager will continue to pursue its multi-pronged strategies to ensure sustainable and predictable returns to EC World REIT's unitholders. It will also persist on its disciplined investment strategy to pursue attractive yield-accretive acquisitions in the logistics sector in China and selected high growth markets outside China.

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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/>



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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.