NEWS RELEASE

EC World REIT Reported Lower Operation Performance in 2QFY2024 and 1HFY2024

- *Property valuation of the portfolio dropped 9.5% subsequent to completion of novation process*
- *Onshore Facility restructuring completed while Offshore Facility agent issued Pre-enforcement Notice*
- *No distribution for 1HFY2024 due to insufficient funds*
- *Trading of Units continues to be suspended until the financial situation improves*

Summary of Results:

	2QFY2024 S$'000	2QFY2023 S$'000	Change YoY%	1HFY2024 S$'000	1HFY2023 S$'000	Change YoY%
Gross Revenue	25,937	27,580	(6.0)	51,233	55,714	(8.0)
Net Property Income ("**NPI**")	23,881	25,716	(7.1)	47,192	51,794	(8.9)
Calculated Distribution to Unitholders[1]	6,212	7,495	(17.1)	13,532	16,623	(18.6)
Calculated DPU (Cents)[1]	0.767	0.926	（17.2）	1.671	2.053	(18.6)

Singapore, 7 August 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 half of 2024 (**"1HFY2024"**) operating performance across its portfolio, mainly due to lower revenue from Hengde Logistics Phase 1 and Chongxian

[1] There will be no distribution for the half-year period from 1 January 2024 to 30 June 2024

Port Logistics, and higher operating expenses at the Properties, mitigated partly by higher late fee and organic rental escalations. After straight-line rental adjustment, rental security deposit accretion and other relevant distribution adjustments, gross revenue and NPI in RMB terms were 5.6% and 6.5% lower respectively as compared to 1HFY2023.

As of 30 June 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 RMB499.1 million (S$93.3 million). Of the Outstanding Rent Receivables, RMB424.6 million (S$79.4 million) represents the rent payable pursuant to master leases, while the balance RMB74.5 million (S$13.9 million) represents the rent payable by the Sponsor Group pursuant to other related party leases. Management has been in negotiation with the Sponsor for a master offset agreement (the "**Master Offset Agreement**") to offset all the receivables from the Sponsor Group against its payables to the Sponsor Group including the security deposit amount paid by the master lessees and the advance payments received from the Purchasers of the proposed divestment, hence no impairment allowance was made. In relation to the RMB32.6m (S$6.1 million) Fu Zhuo Industrial compensation, the Manager is exploring various options including divestment of the underlying subsidiary to recover the outstanding receivables.

Finance costs of S$22.9 million were S$0.1 million or 0.3% higher compared to 1HFY2023 mainly due to higher interest rate during the period, mitigated by reduction of borrowings and extension fee incurred in 2QFY2023. ECW's blended all-in running interest rate for the quarter and 6 months ended 30 June 2024 was 7.5% and 7.1% per annum respectively, from 6.2% and 5.7% in the corresponding period. On quarterly basis, finance costs were S$0.6 million or 5.0% lower compared to 2QFY2023, mainly due to reduction of borrowings and extension fee incurred in 2QFY2023, offset by higher interest rate in the quarter compared to 2QFY2023.

Calculated distribution to Unitholders of S$13.5 million represents S$3.1 million or 18.6% decrease compared to 1HFY2023 mainly due to lower revenue and higher operating expenses in 1HFY2024.

Mr Goh Toh Sim, Executive Director and CEO of the Manager, said, "on semi-annual basis, the revenue in RMB terms was 5.0% lower compared to 1HFY2023. ECW Group has insufficient funds to maintain operations due to delays in collecting related party rent receivables and the non-completion of the proposed divestment. The

Manager is negotiating a Master Offset Agreement to address outstanding rental receivables and payables between ECW Group and the Sponsor Group. This agreement will offset receivables against payables to the Sponsor Group. As of 30 June 2024, the Manager had completed the novation process to take over underlying leases from the master leases and other related party leases. The Group's operating cash flows has improved in 1HFY2024 in conjunction with the completion of novation process.

In addition, the Manager continues to work on discharging 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 to escalate the urgency of resolving the issue. The Manager concurrently instituted legal actions. The only unauthorised mortgages that has yet to be discharged is the mortgage imposed over Fuzhou E-Commerce.

The restructuring of the existing Onshore Facility has been completed on 16 July 2024. This allows the Group to defer part of the interest expense payments and principal instalment repayments to April 2026. The facility agent under Offshore Facility has issued a Pre-enforcement Notice to the Group and imposed certain conditions and milestones to be fulfilled within the time prescribed. The Manager is in active working with the lenders of the Offshore Facility to fulfil the conditions of the Pre-enforcement Notice and is optimistic to receive the lender's support. As the date of this announcement, the Group has not received any notice of enforcement action. In the meantime, ECW Group continues to face challenges to maintain its operation and meet the financing obligations.

Due to the challenging market conditions, the valuation of the assets was further reduced by 9.5%. The on-going Master Offset Agreement with the Sponsor may have impact on the valuation. The Manager continues to work on improving the occupancy while aiming to entice quality tenants in order to improve the overall situation in the long run."

Key Highlights:

The Imposition of unauthorised mortgages over Fuzhou E-commerce

As at the date of this announcement the only unauthorised mortgage that has yet to be discharged is the mortgage imposed over Fuzhou E-Commerce. The Manager has

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issued several demand letters to the Sponsor and Fuyang Finance Bureau to demand that the Sponsor discharge the Relevant as soon as possible. The Manager instituted legal actions against the Fuyang Financial Institutions and submitted lawsuits to the PRC court and the case applications are now pending pre-hearing mediation process ordred by the PRC Court. The group is also in the process of initiating separate legal proceedings against the relevant parties of the Sponsor Group to seek to recover the losses suffered by the REIT by obtaining indemnification from the relevant parties. 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 Sponsor responded that they would not be able to procure the discharge of the Outstanding Relevant Mortgages by 30 June 2024 and the process would require at least three to four more months.

Asset Management

As at 30 June 2024, the overall occupancy for ECW's portfolio had improved to 80.2%. Weighted average lease to expiry ("**WALE**") stood at 0.9 year for gross rental income and 1.5 years for net lettable area. The Manager continues to work closely with the Property Manager to optimize the occupancy rates of the properties. Existing and prospective tenants are engaged well in advance of lease expiry dates to mitigate the risk of non-renewals and vacancies. As a result, the team managed to secure a total of 15 new leases for Hengde Logistics Phase 1. Hengde Logistics achieved an overall committed occupancy of 76.2% as at 30 June 2024 (33.7% as at 31 March 2024).

Property Valuation Declined 9.5% as at 30 June 2024

The property valuation of the portfolio of ECW REIT as at 30 June 2024 was 9.5% lower at RMB3,922 million compared to the valuation of RMB4,336 million as at 31 December 2023. The decline in valuations was primarily driven by intense rental competition in 2024 due to an oversupply in the logistics markets of Hangzhou and Wuhan, resulting in increased vacancy rates and lower rental transactions. To address these challenges, the Manager implemented a competitive leasing strategy focused on increasing occupancy rate and maintaining cash flow, which involved securing new long leases with quality tenants at slightly lower-than-market rents to ensure long-term asset benefits. Despite these efforts, the logistics market in Wuhan continues to face difficulties, with continuing oversupply in the surrounding area leading to a vicious cycle of low-price competition and high vacancy rates, further depressing average market rents. Additionally, the valuer adopted a longer refurbishment period for Beigang Stage 1 assets, considering the incomplete asset enhancement project and the Sponsor's financial situation, which negatively impacted asset valuations.

Aggregate Leverage of ECW was 57.9% as of 30 June 2024

As of 30 June 2024, the aggregate leverage for the Group was 57.9% (31 December 2023: 57.9%).

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 these issues by restructuring the ECW Group's existing ECW Facility and divest some assets.

Capital and Debt Structure

As at 30 June 2024, ECW has onshore bank loans of RMB722.5 million and offshore bank loans of SGD347.3 million outstanding. ECW's capital position has exceeded the gearing limit imposed by the Monetary Authority of Singapore, with aggregate leverage at 57.9% as at 30 June 2024.

The restructuring of the existing Onshore Facility has been completed following the entry into Onshore Supplementary Agreement which will allow the Group to defer part of the interest expense payments and principal instalment repayments to April 2026. The EC World REIT group is not able to pay the full principal and interest expenses due on 30 April 2024 under the Offshore Facilities. On 10 June 2024, the Manager has received the Pre-enforcement Notice from the offshore facility agent and the Pre-enforcement Notice allows up to 31 May 2025 for the Group to divest its assets in such amount sufficient to repay the Offshore Facility.

On 30 April 2024, approximately S$52.4 million was repaid using the cash collaterals for the SBLC. In July 2024, the Manager received a notice from the remaining revolving credit facility lender stating that the lender will proceed to settle the outstanding sum using the cash collaterals for the SBLCs. On 1 August 2024, the outstanding sum of revolving credit facilities of S$20.1 million was paid using short term advance from an onshore SBLC issuer and subsequently will be settled using onshore cash collateral.

The blended all-in running interest rate for the quarter and 6 months ended 30 June 2024 was 7.5 and 7.1% per annum respectively. Due to the challenging global economic conditions, ECW expects the blended interest rates for the offshore facilities and Revolving Credit Facilities will increase further due to a 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.

Outlook

According to the National Bureau of Statistics of the PRC, China's economy slowed in 2QFY2024, with GDP expanding by 4.7% year-on-year and 0.7% from the previous quarter[2]. The GDP growth missed analysts' forecasts of 5.1% year on year and 1.1% quarter-on-quarter, and is the lowest growth since 1QFY2023[3]. Retail sales for June missed expectations with rising 2% year-on-year in June 2024, the weakest level since exiting pandemic restriction[2]. While industrial production figures beat with 5.3% growth in June 2024[4]. The GDP data shows that the road to hitting the Beijing's 5% growth target remains challenging.

The real estate sector remains tough and continues to drag down China's economic growth, with property investment down 10.1% year on year in 1HFY2024[5]. New home prices in June 2024 fell 4.5% from a year earlier, the fastest pace in nine years despite government support measures in late May[6]. The value of new home sales from the 100 biggest real estate companies dropped 17% from a year earlier to RMB439 billion, compared with a 34 % decline in May[7].

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[2] https://www.stats.gov.cn/english/PressRelease/202407/t20240730_1955894.html
[3] https://www.reuters.com/world/china/view-chinas-q2-economy-grows-slower-than-forecast-2024-07-15/
[4] https://www.businesstimes.com.sg/international/global/chinas-june-industrial-output-growth-slows-retail-sales-miss-expectations-large-margin
[5] https://www.reuters.com/markets/asia/chinas-economy-seen-slowing-q2-stimulus-calls-grow-2024-07-14/
[6] https://www.reuters.com/world/china/china-june-new-home-prices-fall-fastest-pace-9-years-2024-07-15/
[7] https://www.businesstimes.com.sg/property/chinas-slump-home-sales-slows-after-cities-ease-policy

The IMF forecasts global real GDP growth of 3.2% for 2024 and 3.3% in 2025[8]. Upside risks to inflation have thus increased, raising the prospect of higher interest rates for longer period of time, in the context of escalating trade tensions and increased policy uncertainty. An escalation of trade tensions could also raise near term inflation risks by lifting costs of imported goods. The IMF expects inflation to return to target by end of 2025[9]. US growth in 2024 was downgraded to 2.6%, 0.1 percentage points below April's forecast. The IMF forecasts China's growth to be 5% in 2024, slow to 4.5% in 2025, and continue decelerating to 3.3% by 2029 due to aging and slowing productivity growth[8].

As of the date of this announcement, the unauthorized mortgages imposed over Fuzhou E-Commerce has 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.

— End —

[8] https://www.imf.org/en/Publications/WEO/Issues/2024/07/16/world-economic-outlook-update-july-2024

[9] https://www.straitstimes.com/business/economy/imf-maintains-2024-global-growth-forecast-warns-of-inflation-risk

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.