



(a real estate investment trust constituted on 5 August 2015
under the laws of the Republic of Singapore)

ANNOUNCEMENT

UPDATE IN RELATION TO THE IMPOSITION OF MORTGAGES OVER FUZHOU E-COMMERCE, FUHENG WAREHOUSE AND HENGDE LOGISTICS

EC World Asset Management Pte. Ltd., in its capacity as manager of EC World Real Estate Investment Trust (“**EC World REIT**”, and as manager of EC World REIT, the “**Manager**”), refers to:

- (i) the announcement dated 2 January 2024 in relation to the imposition of mortgages over Fuzhou E-Commerce, Fuheng Warehouse and Hengde Logistics (collectively, the “**Relevant Properties**”);
- (ii) the update announcement dated 15 January 2024 in relation to the imposition of mortgages over the Relevant Properties (the “**15 January 2024 Announcement**”); and
- (iii) the update announcement dated 18 January 2024 in relation to the discharge of the illegal mortgage imposed over Hengde Logistics (the “**18 January 2024 Announcement**”),

(collectively, the “**Relevant Announcements**”).

Unless otherwise defined, all capitalised terms used in this announcement shall have the meaning ascribed to them in the 18 January 2024 Announcement.

Responses to Queries from the SGX-ST

The Manager wishes to make the following clarifications in response to the queries it has received from Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) dated 16 January 2024 in relation to the 15 January 2024 Announcement.

1. Please clarify EC World REIT’s existing control procedures in relation to the authorisation and use of the company seal and legal representative seal of the various holding companies. Please provide details.

Since the initial public offering of EC World REIT in July 2016 (“**IPO**”), an electronic internal approval process has been implemented to facilitate efficiency of decision making and administration processes for EC World REIT. Where the relevant company seal, legal representative seal, finance stamp and/or contract stamp (collectively, the “**Relevant Seals and Stamps**”) is required, an internal request for the authorisation and use of the Relevant Seals and Stamps shall be raised by a staff of the Yuntong Property Management Co., Ltd. (運通網城資產管理有限公司), being the

property manager of EC World REIT (the “**Property Manager**”). The request would need to go through an approval process whereby at least four rounds of review are conducted by different personnels within the Property Manager, followed by at least two rounds of review at the Manager level (including a review by the Chief Financial Officer of the Manager) and the final approval by the Executive Director cum Chief Executive Officer of the Manager.

The sequential approval process is as follows:

S/N	Personnel	Entity	Action
1.	Applicant	Property Manager	Request for the use of stamps
2.	Supervisor - Property Management Department	Property Manager	Review (Optional)
3.	Manager - Property Management Department	Property Manager	Review
4.	Internal Legal Advisor	Property Manager	Review
5.	Deputy General Manager	Property Manager	Review (Optional)
6.	General Manager	Property Manager	Review
7.	Finance Controller (for EC World REIT's assets in the People's Republic of China (the “ PRC ”))	Property Manager	Review
8.	General Manager (for EC World REIT's assets in the PRC)	Manager	Review
9.	Chief Financial Officer	Manager	Review
10.	Executive Director cum the Chief Executive Officer	Manager	Approve
11.	Record Department	Manager	Archive approval record

The above process likewise applies to the authorisation and use of the title deeds of EC World REIT's properties (the “**Title Deeds**”).

2. With the existing control procedures in place, please explain how was it possible for the Sponsor CEO to authorise the use of the seals to create the mortgages without going through the requisite approval processes.

Based on the responses from Forchn Holdings Group Co., Ltd. (the “**Sponsor**”), the Property Manager and relevant documents provided by the Sponsor via emails to the Manager:

- (i) the treasury department of the Sponsor had submitted two internal written requests to the Chief Executive Officer of the Sponsor, Mr Zhang Zhangsheng (the “**Sponsor CEO**”), to approve the usage of the Relevant Seals and Stamps of the three wholly-owned EC World REIT subsidiary companies which held Fuzhou E-Commerce, Fuheng Warehouse and Hengde Logistics (the “**Relevant Holding Companies**”) and the Title Deeds of the Relevant Properties (the “**Relevant Title Deeds**”), together with the relevant company seals, legal representative seals and title deeds of the Sponsor's subsidiaries, in connection with the execution of the various mortgages required for the Sponsor to receive relief funds; and

- (ii) the Property Manager relied on the approvals of the Sponsor CEO to lend the Relevant Seals and Stamps as well as the Relevant Title Deeds to the Sponsor's treasury department personnel in connection with the execution of the relevant mortgages, even though the Sponsor CEO did not have authority to grant such approval.

For the avoidance of doubt, the internal written request to the Sponsor CEO deviates from EC World REIT's existing control procedures – the treasury department of the Sponsor had by-passed EC World REIT's control procedures set out in the Manager's response in Response 1 above and instead relied on the approval of the Sponsor CEO to borrow the Relevant Seals and Stamps of the Relevant Holding Companies even though the Sponsor CEO does not have any authority to do so.

Response to the BT Article

The Manager refers to the article published on 17 January 2024 in *The Business Times* titled "*EC World Reit, AEM's explanations for shocking internal failings woefully inadequate*".¹ (the "**BT Article**"), wherein the BT Article stated the following:

"According to the prospectus, the Reit trustee – DBS Trustee – holds the assets of EC World REIT on trust for the benefit of unitholders. In fact, the trustee "must retain EC World REIT's assets or cause (the) assets to be retained, in safe custody", the document read."

The BT Article also posed the following question:

"However, one detail was still glaringly missing: why were the property management teams holding on to the seals and title deed when the property manager has no authority do so?"

DBS Trustee Limited, in its capacity as trustee of EC World REIT (the "**Trustee**"), owns the Relevant Properties through its ownership of special purpose vehicles (including the Relevant Holding Companies (as defined below)), and the Relevant Holding Companies are the legal owners of the Relevant Properties. This is a common holding structure among Singapore-listed real estate investment trusts that have properties located overseas.

In recognition of such asset holding arrangements, the deed of trust constituting EC World REIT dated 5 August 2015 (the "**Trust Deed**") sets out the roles and responsibilities of the Manager and the Trustee with reference to the operation of special purpose vehicles where the Manager is charged with the day-to-day management of the assets held by each Relevant Holding Company.

Various individual property management agreements were entered into by the Property Manager, the Trustee, Manager and the relevant asset holding company of EC World REIT (the "**Individual Property Management Agreements**"), pursuant to which Property Manager was appointed to manage the properties of EC World REIT².

1 Source: <https://www.businesstimes.com.sg/opinion-features/columns/ec-world-reit-aems-explanations-shocking-internal-control-failings>.

2 Pursuant to the Individual Property Management Agreements, the Property Manager is required to, among others, (i) provide property management services and lease management services faithfully and diligently; (ii) in the performance of its duties and exercising of its powers and authorities under the Individual Property Management Agreements, act in the best interests of the Trustee, the Manager and the relevant holding company; and (iii) to ensure that the books, accounts and records of the relevant holding company of EC World REIT are properly maintained.

For practical reasons and in order to enable the Property Manager to carry out its property management duties effectively in the PRC, where the properties of EC World REIT are located, it is necessary for the Property Manager to have access to, subject to the protocols and processes put in place by the Manager, the Relevant Seals and Stamps of the Relevant Holding Companies and the Title Deeds.

The Manager would like to clarify that the Title Deeds have to be retained in the PRC due to ad-hoc inspections on the Title Deeds from various stakeholders of EC World REIT from time to time, including, but not limited to, requests from insurers, valuers and government authorities. The Title Deeds also have to be retained in the PRC to deal with tenancy-related matters such as contracting with tenants³ and (when needed) undertaking litigation against tenants as well as financing-related registration requirements such as the registration of any securities.

For the avoidance of doubt, under PRC law, the Relevant Holding Companies are the registered owners of the Relevant Properties as reflected in the PRC real estate registration information system, and the fact that the Property Manager was safekeeping the Title Deeds does not affect the status or the rights of the Relevant Holding Companies as the registered owners of the Relevant Properties. Under PRC law, the mere possession of a title deed does not give the possessor any right in relation to the relevant property and does not entitle the possessor to register a mortgage over the relevant property – instead, the key documents required for mortgage registration generally include the mortgage agreement and other application materials affixed with the mortgagor's relevant company seal and submitted in the name of the mortgagor.

With regard to the Relevant Seals and Stamps of the Relevant Holding Companies, for the purposes of carrying out daily operations, it is necessary that the Relevant Seals and Stamps are kept in the PRC. The Relevant Seals and Stamps are used on a daily basis in relation to, for example, the approval and certification of company resolutions, finance and banking documents and other documents³, signing off on correspondences with tenants, contractors, service providers and government bodies, filing of documents with the relevant government authorities and auditors, making of regulatory applications or certifications and handling inspections required under the PRC laws as well as tendering of goods and services and related contracts or agreements. The keeping of the Relevant Seals and Stamps in the PRC therefore ensures efficiency at the operational level.

Additionally, the Manager would like to highlight that as part of EC World REIT's internal processes concerning the safekeeping and usage of the Relevant Seals and Stamps and the Title Deeds:

- (1) the Relevant Seals and Stamps and Title Deeds were safekept by different personnels of the Property Manager at different physical locations in the PRC to ensure proper segregation of duties; and
- (2) since EC World REIT's IPO, an electronic internal approval process has been implemented to facilitate efficiency of decision making and administration processes for EC World REIT. After an internal request for the use of the Relevant Seals and Stamps or the Title Deeds is raised by a staff of the Property Manager, the request would need to go through an approval process whereby at least four rounds of review are conducted by different personnels within the Property Manager, followed by at least two rounds of review at the

³ It is common practice for large corporate tenants in the PRC to, among others, request to sight certain documents relating to the relevant property, such as the title deed, or to request for certified true copies of certain documents, which would in turn require the relevant company seal to be used for such certification.

Manager level (including a review by the Chief Financial Officer of the Manager) and the final approval by the Executive Director cum Chief Executive Officer of the Manager.

Such measures have been designed and implemented since EC World REIT's IPO to ensure the proper safekeeping and usage of the Relevant Seals and Stamps and the Title Deeds and for the Relevant Seals and Stamps and the Title Deeds to be under the control of the Manager. The process has worked to ensure proper use of the Relevant Seals and Stamps and the Title Deeds since EC World REIT's IPO up until the breach of controls in November 2023 resulting in the illegal imposition of mortgages over Fuzhou E-Commerce, Fuheng Warehouse and Hengde Logistics.

In this regard, please note that as stated in the 18 January 2024 Announcement, the illegal mortgage imposed over Hengde Logistics has been discharged. The Sponsor has informed the Manager that the Sponsor is working on solutions to discharge the remaining two illegal mortgages over Fuzhou E-Commerce and Fuheng Warehouse.

The Manager further notes that the BT Article stated the following:

“Notably, the prospectus had set out measures to mitigate risks arising from possible unauthorised actions by a legal representative from the China-incorporated companies that own the Reit's properties. These include safeguarding the company seals so they may only be used with written approval by both the chief financial officer and one of the executive directors of the manager.

However, the measures do not appear to have been implemented.”

For the avoidance of doubt, the Manager would like to clarify that, as mentioned in the preceding paragraphs, the internal processes of EC World REIT concerning the usage of the Relevant Seals and Stamps have been implemented since EC World REIT's IPO and this includes, among others, obtaining the written approval from both the Chief Financial Officer of the Manager and the Executive Director cum Chief Executive Officer of the Manager. They have worked to ensure proper use of the Relevant Seals and Stamps until the above-mentioned breach of controls in November 2023.

Cautionary Statement

Unitholders are advised to read this announcement and any further announcements by the Manager carefully. The Manager wishes to highlight that there is no certainty or assurance as at the date of this announcement that any discussion or prospects will be successfully concluded or any definitive agreements in relation to any transactions will be entered into. Unitholders should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions that they should take.

The Manager will make further announcements on the SGXNET in the event there are any material developments which warrant disclosure, in compliance with its obligations under the Listing Manual. Unitholders and investors are advised to refrain from taking any action in respect of EC World REIT units (“Units”) which may be prejudicial to their interests, and to exercise caution when dealing in the Units. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

For and on behalf of the Board

EC WORLD ASSET MANAGEMENT PTE. LTD.
(as manager of EC World Real Estate Investment Trust)
(Company Registration No. 201523015N)

Goh Toh Sim
Executive Director and Chief Executive Officer
24 January 2024

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, 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.