



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

ANNOUNCEMENT

RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

EC World Asset Management Pte. Ltd., in its capacity as manager of EC World Real Estate Investment Trust (“**EC World REIT**” or “**ECW**”, 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 (“**FZDS**”), Fuheng Warehouse (“**FHCC**”) 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**”);
- (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**”);
- (iv) the announcement dated 24 January 2024 in relation to the responses to queries from Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the update in relation to the imposition of mortgages over the Relevant Properties;
- (v) the update announcement dated 25 January 2024 in relation to the appointment of advisers;
- (vi) the update announcement dated 25 January 2024 in relation to the imposition of mortgages over the Relevant Properties;
- (vii) the update announcement dated 1 February 2024 in relation to the imposition of mortgages over the Relevant Properties;
- (viii) the announcement dated 19 February 2024 in relation to the appointment of advisers;
- (ix) the announcement dated 27 February 2024 on asset valuation; and
- (x) the update announcement dated 27 February 2024 in relation to (I) master lease arrangements; (II) decline in valuations; (III) the ECW facilities; (IV) applications for extension of time in relation to ECW’s annual general meeting for the financial year ended 31 December

2023; (V) distributions of ECW; and (VI) mortgages over FZDS and FHCC (the “**27 February 2024 Announcement**”).

Unless otherwise defined, all capitalised terms used in this announcement shall have the meaning ascribed to them in the 27 February 2024 Announcement.

The Manager would like to respond to the following questions received from the Securities Investors Association (Singapore).

Question (1)

“Impact of Illegal Mortgages:

- a) ***Can the board clarify the potential impact of the illegal mortgages on the REIT's operations and financial situation? Has the REIT's operations been compromised in any way due to these mortgages?***
- b) ***Can the REIT manager confirm that it is in possession of all relevant certificates, company seals, finance stamps, legal representative stamps, security keys etc of all the assets belonging to the REIT? Can the manager confirm that there are no duplicates of such stamps and seals?”***

Manager's Responses

- (a) The board of directors of the Manager (“**Board**”) would like to clarify that while the 15 January 2024 Announcement noted that the impact of the illegal mortgages imposed over the Relevant Properties¹ (the “**Relevant Mortgages**”) on the total financial risk of EC World REIT and its subsidiaries (collectively, the “**ECW Group**”) may potentially be mitigated for the reasons set out therein, the total financial risk exposure arising out of the Relevant Mortgages on the ECW Group cannot be precisely ascertained at this juncture as the matter is still ongoing.

As stated in the 27 February 2024 Announcement, EC World REIT will not be declaring any distribution to its unitholders (“**Unitholders**”) in respect of the period from 1 July 2023 to 31 December 2023 due to insufficient funds. Additionally, the Manager has determined that it is in the best interest of EC World REIT and its Unitholders to suspend distributions to a future date until the ongoing challenges faced by EC World REIT have been resolved and EC World REIT has sufficient free cash for distribution.

- (b) As stated in the 15 January 2024 Announcement, the Manager confirms that it has taken control of all stamps, including the relevant company seals, legal representative seals, contract stamps and finance stamps (collectively, the “**Relevant Seals and Stamps**”) from EC World REIT’s property management teams in the People’s Republic of China (the “**PRC**”). The legal representative seal and the finance stamps are currently being safekept in the Manager’s registered office in Singapore while the relevant company seal and contract stamps are under the custody of the Manager’s PRC legal counsel in Shanghai. The Manager also confirms that there are no duplicates of such Relevant Seals and Stamps.

¹ Please note that as stated in the 18 January 2024 Announcement, the illegal mortgage imposed over Hengde Logistics has been discharged.

Question (2)

“Role of Sponsor in Day-to-Day Operations:

What specific role does the sponsor play in the management and day-to-day operations of the REIT?”

Manager’s Responses

Forchn Holdings Group Co., Ltd., the sponsor of EC World REIT (“**Sponsor**”), holds an aggregate interest of approximately 43.793% in EC World REIT as at the date of this announcement. The Sponsor and its subsidiaries (collectively, the “**Sponsor Group**”) had leased several properties of the ECW Group and entered into five master leases and various related-party leases with property-holding companies wholly-owned by EC World REIT in the PRC². In addition, Yuntong Property Management Co., Ltd. (a subsidiary of the Sponsor) has, as property manager, entered into various property management agreements with the ECW Group, and provides property management and related operation services to the ECW Group in the PRC.

Further, the chairman of the Sponsor, Mr. Zhang Guobiao, holds the position of chairman (“**Chairman**”) and non-executive director on Board of the Manager and is involved in strategic oversight and governance duties, contributing valuable insights and guidance during regular board meetings. Please refer to the Manager’s response to Question 3 below for further details.

Question (3)

“Involvement of Mr. Zhang Guobiao:

Specifically, what is the level of involvement of the chairman and non-executive director, Mr. Zhang Guobiao, in the affairs of the REIT manager?”

Manager’s Responses

Mr. Zhang Guobiao holds the position of Chairman and non-executive director on Board of the Manager. Mr. Zhang is responsible for leadership of the Board and for creating the conditions for overall effectiveness of the Board, the Board committees and individual directors of the Manager. This includes setting the agenda of the Board and promoting constructive engagement among the directors as well as between the Board and the Chief Executive Officer (“**CEO**”) on strategic issues. His responsibilities, as disclosed in the annual reports of EC World REIT, include, *inter alia*:

- (i) constructively determining and approving, with the full Board, the Manager’s strategy;
- (ii) ensuring that the Board is properly organised, functioning effectively and meeting its obligations and responsibilities;
- (iii) setting the agenda and ensuring adequate time is available for discussion of all agenda items, in particular, strategic issues;
- (iv) ensuring that directors receive complete, adequate and timely information;

² Please refer to the 27 February 2024 Announcement for further details on the master lease agreements.

- (v) fostering effective communication and constructive relations amongst the directors, within Board committees, between Unitholders, between the directors and management;
- (vi) encouraging the constructive exchange of views within the Board and between Board members and management;
- (vii) facilitating the effective contributions of non-executive directors and independent directors;
- (viii) promoting a culture of openness and debate at the Board level and promoting high standards of corporate governance; and
- (ix) establishing a relationship of trust with the CEO.

In accordance with the Code of Corporate Governance, the Board has a lead independent director to provide leadership in situations where the Chairman is conflicted. In view that the Chairman is not an independent director, Mr Chan Heng Wing was appointed as the lead independent director who will avail himself to Unitholders if they have concerns and for which contact through normal channels of Chairman, the CEO or the Chief Financial officer, has failed to resolve or is inappropriate.

Question (4)

“Nominating Committee Assessment:

- a) ***Has the nominating committee assessed whether the chairman has fulfilled his statutory duty to prioritise the interests of EC World REIT unitholders over those of the REIT manager and the sponsor?***
- b) ***Would the REIT benefit from having an independent director as the chairman to mitigate conflicts?”***

Manager’s Responses

- (a) The Board has put in place a formal system of evaluating Board performance and assessing the effectiveness of the Board, the Board committees and the individual directors through the use of performance evaluation forms. The Board has established a Nominating and Remuneration Committee (“**NRC**”) to assess the collective skills, knowledge and experience of directors represented on the Board to determine whether the Board, as a whole, has the skills, knowledge and experience required to achieve the Manager’s objectives for ECW. The NRC also reviews the performance and independence of Board members and whether a director is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by the Monetary Authority of Singapore (“**MAS**”) (which require the candidate to be, among other things, competent, honest, to have integrity and be financially sound).

The NRC noted that the Sponsor has made approximately RMB 333 million in prepayments (the “**Sponsor Prepayment Amount**”) towards EC World REIT’s proposed divestment of Stage 1 Properties of Bei Gang Logistics (“**BG**”) and Chongxian Port Logistics (the “**Proposed Divestment**”). The Sponsor Prepayment Amount has been utilised by the ECW Group for the

partial repayment of the ECW Group's loan facilities (the "**ECW Facilities**"). In this connection, it should be noted that as announced by the Manager on 26 October 2023, the long-stop date for the completion of the Proposed Divestment (31 October 2023) has lapsed. In addition, Mr. Zhang Guobiao, the Chairman of the Board, has also demonstrated commitment and support for EC World REIT and provided personal guarantees in respect of the ECW Facilities amounting to approximately S\$75.4 million³.

Based on the preliminary information relating to the unauthorised mortgages available to the Board, there is no evidence that the Chairman was involved in the imposition of the Relevant Mortgages. As such, the NRC has concluded that, at this juncture, there is no evidence of the Chairman's failure to fulfil his statutory duty to prioritise the interests of the Unitholders over those of the Manager and the Sponsor. The NRC will perform further review when there is more evidence available from the ongoing investigations.

- (b) The NRC reviews the size and composition of the Board from time to time with a view to ensuring that the size of the Board is appropriate in facilitating effective decision-making in the best interests of the ECW and its Unitholders, taking into account the scope and nature of the operations of ECW Group and that the Board has a strong independent element.

The Board comprises six directors: one executive director, one non-independent non-executive director and four independent non-executive directors. The independent directors make up a majority (66.7%) of the Board and this is compliant with the Code of Corporate Governance.

In view that the Chairman is not an independent director, Mr. Chan Heng Wing was appointed as the lead independent director who will avail himself to Unitholders if they have concerns and for which contact through normal channels of Chairman, the CEO or the chief financial officer, has failed to resolve or is inappropriate. The independent directors, led by the lead independent director, regularly meet and communicate (without the presence of management) both formally and informally, on diverse issues including business activities and transactions involving conflicts of interest and other complexities.

The independent directors contribute to the Board process by monitoring and reviewing management's performance against goals and objectives. Their views and opinions provide alternative perspectives to ECW's business and enable the Board to make informed and balanced decisions. The independent directors also enable the Board to interact and work with management to help shape the strategic process.

Therefore, the NRC does not consider it necessary to have an independent director as the Chairman in order to mitigate any conflict as the Board has a strong independent element.

Presently, the Board has decided that, for good corporate governance, all matters relating to the Sponsor Group that require the Board's determination, will be determined amongst independent directors only, with the Chairman abstaining from the discussion and determination process, until the Board decides otherwise.

³ Calculated based on the illustrative exchange rates of RMB1.00 = S\$0.1934 and US\$1.00 = S\$1.3270 which were the actual exchange rates as at 31 March 2023.

Question (5)

“Manager’s Assurance Amid Sponsor Distress:

Given the Sponsor’s distressed state, how can the REIT manager assure unitholders and regulators that it will discharge its duties efficiently, honestly, and fairly, in accordance with the relevant Acts and MAS guidelines (such as SFA04-G07: Criteria for licensing, General criteria 2.2)?”

Manager’s Responses

The Manager, as manager of EC World REIT, has a duty to act in the best interests of all the Unitholders as a whole, and give priority to the interests of all the Unitholders as a whole over the Manager’s own interests and the interests of the Sponsor (being the shareholder of the Manager) in the event of a conflict between the interests of all the Unitholders as a whole and the interests of the Manager or the interests of the Sponsor, pursuant to Section 286(10A) of the Securities and Futures Act 2001. The Manager will also ensure that it discharges its duties efficiently, honestly and fairly in accordance with paragraph 2.2 of SFA04-G07 (Guidelines to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management) issued by the MAS.

Given the Sponsor’s distressed state, the Manager has undertaken the following steps:

- (i) the Manager has appointed Deloitte & Touche Enterprise Risk Services Pte. Ltd. (“**Deloitte**”) as the external auditor to review the internal controls and processes of EC World REIT at the asset level, including the documents relating to the Relevant Mortgages;
- (ii) the Manager has sent demand letters to the Sponsor on 29 December 2023 (the contents of which are set out in the Manager’s announcement dated 2 January 2024), 4 January 2024 and 9 January 2024 (the contents of which are set out in the 15 January 2024 Announcement) and 24 January 2024 (the contents of which are set out in the Manager’s announcement dated 25 January 2024);
- (iii) as stated in the Manager’s announcement dated 2 January 2024, all the title deeds of EC World REIT’s properties have been handed over to EC World REIT’s onshore security agent and there is no record of the Relevant Mortgages on the title deeds of the Relevant Properties;
- (iv) the confirmations provided at the Manager’s response to Question 1(b) above; and
- (v) the steps as set out in the 27 February 2024 Announcement, including:
 - (1) commencement of the novation process to take over the underlying leases from certain master leases and other related-party leases, as a measure to tackle the rental arrears issue arising from the master leases and related-party leases with the Sponsor Group;
 - (2) potential divestment of certain properties of EC World REIT in order to pare down part of the loans under the ECW Facilities in order to ensure that the Relevant Prepayment Conditions⁴ will cease to be triggered. As announced by the Manager on 25 January

⁴ Please refer to the 27 February 2024 Announcement for details on the Relevant Prepayment Conditions under the relevant offshore facility.

2024, the Manager has appointed Savills Property Services (Shanghai) Co., Ltd. and Cushman & Wakefield (HK) Ltd. as its consultants in relation to the sourcing of potential purchaser(s) for the divestment of one or more properties of the ECW Group;

- (3) negotiations with the lenders of the ECW Facilities (“**Lenders**”) on the possibility of restructuring the ECW Facilities. As announced on 19 February 2024, the Manager has appointed KPMG Services Pte. Ltd. as its financial adviser (“**Financial Adviser**”) to explore various options available to EC World REIT to help address its ongoing challenges;
- (4) procuring the discharge of the Relevant Mortgages over FHCC and FZDS. As announced, the ECW Group has submitted pleadings to the relevant PRC court to initiate lawsuits to revoke the Relevant Mortgages on the basis that the Relevant Mortgages are unauthorised; and
- (5) suspending EC World REIT’s distributions to a future date until the ongoing challenges faced by EC World REIT have been resolved and EC World REIT has sufficient free cash for distribution.

Question (6)

“Independent Directors’ Oversight:

- a) ***Can the independent directors provide insights into their level of involvement in overseeing the REIT’s affairs since the trading suspension in August 2023?***
- b) ***Additionally, what is their familiarity with Chinese real estate and the property legal framework?***
- c) ***In addition, it is clear that the sponsor is in financial distress as it requires rescue funds from the Fuyang Government. The sponsor has also fallen behind its payment to the REIT for the master-leased properties. Due to the trading suspension, the offshore facilities can be declared due and payable immediately by the lenders. Distributions to unitholders have also been deferred. One of the REIT’s top tenants, Zhejiang China Tobacco Industrial Co., Ltd., which accounted for 9.9% of total gross rental income as at 31 December 2022, has also discontinued its lease at Hengde Phase 1. Please comment.”***

Manager’s Responses

- (a) The independent directors have been actively involved in overseeing the affairs of EC World REIT since the trading suspension in August 2023. They have consistently participated in regular Board meetings, attended many ad-hoc meetings (including those relating to the ongoing challenges faced by EC World REIT), and contributed to strategic decision-making processes. They adhere to corporate governance standards, regularly monitor risk management and internal control systems, and address legal and regulatory requirements. The independent directors have maintained close communication with the management team in navigating challenges and implementing necessary actions.

- (b) The independent directors have extensive experience in investments, business consultancy and corporate finance, across many industries and sectors including the real estate sector within the PRC and Southeast Asia. Further, they are also supported by EC World REIT's PRC legal counsels who advise the Board on legal matters relating to EC World REIT's investments in China.
- (c) The ECW Group is currently grappling with extreme difficulties, notably reflected in the substantial overdue rent receivables owing by the Sponsor Group and the non-renewal of the lease at Hengde Phase 1 by China Tobacco⁵, a major tenant which contributed significantly to gross rental income. Coupled with prevailing market conditions in the PRC, the current operating and financial conditions have led to a decrease in the property valuations of the ECW Group exacerbating the difficulties. The Manager acknowledges the enormous challenges which the ECW Group faces, and believes it is crucial to exercise transparency in its engagement with Unitholders and work collaboratively with stakeholders to navigate the challenges while preserving the long-term interests of Unitholders. The Board is in the process of evaluating various options for EC World REIT, with the support of the Financial Adviser and property consultants.

Question (7)

“Operational Performance and Rent Collection:

- a) ***Could the REIT manager update unitholders on the operational performance of the REIT's assets?***
- b) ***Has the manager been able to collect rent from the REIT's other tenants, other than from Forchn Holdings Group Co. Ltd. and its subsidiaries?”***

Manager's Responses

- (a) Please refer to the condensed interim financial statements of EC World REIT for the six months and 12 months ended 31 December 2023, dated 27 February 2024 and announced on SGXNET.
- (b) The Manager has been able to collect rent from third-party tenants.

⁵ Please refer to the Manager's announcement dated 31 October 2023 titled "Update in relation to the leases at Hengde Logistics" for further details.

Question (8)

“Outstanding Rent Receivables:

- a) **What is the outstanding rent receivable from the sponsor, and what is the aging of these receivables?**
- b) **How does the board intend to resolve the outstanding payments due from the sponsor?”**

Manager’s Responses

- (a) The rent receivables owing from the Sponsor Group to the ECW Group (the “**Outstanding Rent Receivables**”) have, as at 31 December 2023, exceeded RMB 289.1 million (S\$53.7 million), comprising RMB 224.7 million of rent payable pursuant to master leases and RMB 64.4 million of rent payable pursuant to other related-party leases.

The following table sets out the Outstanding Rent Receivables owing by the Sponsor Group in respect of each master-leased property of the ECW Group and the ageing of the rent receivables, in each case as at 31 December 2023.

Property	Outstanding Rent Receivables (RMB)	Ageing (Months)⁶
Chongxian Port Investment 崇贤港投资	83,040,597	5.8
Fuheng Warehouse 富恒仓储	28,728,720	6.6
Stage 1 Properties of Bei Gang Logistics 北港物流	62,197,847	5.6
Fuzhou E-Commerce 富洲电商 ⁷	50,706,581	6.47
Total	224,673,746	6.0

- (b) The Board intends to resolve the issue of the Outstanding Rent Receivables, through:
- (i) as stated in the 27 February 2024 Announcement, conducting a business review of the master lease arrangements in relation to BG and Chongxian Port Investment (“**CXI**”), with the support of its Financial Adviser, in order to ascertain the appropriate leasing and management strategies to adopt for BG and CXI moving forward. The Manager intends to procure the termination of the master lease arrangements in relation to BG and CXI upon the completion of the business reviews; and
- (ii) in relation FHCC and FZDS, commencing the novation process to take over underlying leases from the master leases and other related party leases. As at the date of this announcement, approximately 100% and 90% of the underlying leases in respect of FHCC and FZDS respectively have been novated.

⁶ Calculated based on the total amount of rent outstanding divided by the latest total monthly rent payable by the Sponsor Group under the master leases.

⁷ Please note that there are two master leases in respect of Fuzhou E-Commerce. This row reflects the consolidated numbers for both master leases.

The Manager notes that as at 31 December 2023, the total amount of the security deposit paid by the Sponsor Group pursuant to its leases with the ECW Group exceeds the Outstanding Rent Receivables, and hence no provision for bad debts was made by the ECW Group. The ECW Group is carefully monitoring the collection status of the Outstanding Rent Receivables and will make provision for bad debts where required.

Question (9)

“Recapitalisation Strategy:

- a) *What is the board’s strategy to recapitalise the REIT?***
- b) *Has the board deliberated on weaning itself from the sponsor who is in distress?”***

Manager’s Responses

- (a) The Board is in the process of evaluating various options for EC World REIT, with the support of the Financial Adviser and property consultants. Please refer to the response to Question 5 above on the steps being undertaken by the Manager, including negotiations with the Lenders on the possibility of restructuring the ECW Facilities.
- (b) The Board has initiated processes for the purpose of reducing the dependency of EC World REIT from the financially distressed Sponsor. This involves exploring options such as terminating the master lease agreements in relation to BG and CXI and commencing the novation process for the master lease agreements in relation to FHCC and FZDS as stated in the Manager’s response to Question 8(b) above. Additionally, the Board is actively engaged in marketing efforts to attract new tenants and exploring leasing opportunities beyond the current arrangement.

Question (10)

“Resumption of Trading Proposal:

Can the board provide unitholders with greater insights into the milestones required before it can submit a resumption of trading proposal to SGX?”

Manager’s Responses

The Board considers that the following milestones should be met before EC World REIT can submit a resumption of trading proposal to the SGX-ST:

- (a) achieving a favourable outcome from the restructuring negotiations with the Lenders;
- (b) completion of the novation process for the existing master leases referred to above; and
- (c) EC World REIT achieving the ability to generate positive cashflow to meet its operating and financing requirements.

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

20 March 2024

Important Notice

The value of 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.