



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

## UPDATE ON FINDINGS IN RELATION TO THE IMPOSITION OF THE UNAUTHORISED MORTGAGES

### 1. INTRODUCTION

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

- (i) the announcement dated 2 January 2024 in relation to the imposition of mortgages (the “**Relevant 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 the Relevant Mortgages;
- (iii) the update announcement dated 18 January 2024 in relation to the discharge of the illegal mortgage imposed over Hengde Logistics;
- (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 Relevant Mortgages;
- (v) the update announcement dated 25 January 2024 in relation to the imposition of mortgages over the Relevant Properties (the “**25 January 2024 Announcement**”);
- (vi) the update announcement dated 1 February 2024 in relation to Relevant Mortgages;
- (vii) the update announcement dated 27 February 2024 in relation to, among others, the mortgages over FZDS and FHCC (the “**27 February 2024 Announcement**”);
- (viii) the announcement dated 20 March 2024 in relation to the responses to questions from the Securities Investors Association (Singapore);
- (ix) the announcement dated 21 March 2024 in relation to the responses to questions from the SGX-ST;
- (x) the update announcement dated 26 March 2024 in relation to, among others, the mortgages over FZDS and FHCC and the Relevant Lawsuits (as defined herein);

- (xi) the update announcement dated 31 March 2024 in relation to, among others, the imposition of mortgages over FZDS and FHCC and the Relevant Lawsuits;
  - (xii) the update announcement dated 1 May 2024 in relation to, among others, the imposition of mortgages over FZDS and FHCC and the Relevant Lawsuits; and
  - (xiii) the update announcement dated 31 May 2024 in relation to, among others, the imposition of mortgages over FZDS and FHCC and the Relevant Lawsuits (the “**31 May 2024 Announcement**”);
  - (xiv) the update announcement dated 11 June 2024 in relation to the existing facilities of the ECW group; and
  - (xv) the update announcement dated 30 June 2024 in relation to, among others, the imposition of mortgages over FHCC and the Relevant Lawsuits (the “**30 June 2024 Announcement**”),
- (collectively, the “**Relevant ECW Announcements**”).

For the avoidance of doubt, as stated in the 31 May 2024 Announcement, the unauthorised mortgage over FHCC has been discharged. As such, the only unauthorised mortgage which remains outstanding (the “**Outstanding Relevant Mortgage**”) is the one over FZDS.

## 2. BACKGROUND INFORMATION

As set out in the Relevant ECW Announcements:

- (a) on 29 December 2023, the Manager was informed by ECW’s onshore security agent (the “**Onshore Security Agent**”) <sup>1</sup> that the Relevant Mortgages <sup>2</sup> were imposed on the Relevant Properties <sup>3</sup> owned by ECW without the consent or knowledge of the Manager. The Relevant Mortgages were created in favour of two entities <sup>4</sup> linked to the Fuyang Government (the “**Fuyang Financial Institutions**”) in the People’s Republic of China (“**PRC**”) between 20 and 24 November 2023 in connection with the Fuyang Government providing Forchn Holdings Group Co., Ltd., the sponsor of ECW (the “**Sponsor**”), with certain rescue funds amounting to approximately RMB 269 million (the “**Sponsor Rescue Funds**”) <sup>5</sup>;
- (b) on 29 December 2023, immediately after being notified of the Relevant Mortgages, the Manager issued the demand letter to the Sponsor, which stated, among others, that the Manager has initiated an investigation into the Relevant Mortgages and reserves the right to take legal action against the Sponsor and the relevant personnel <sup>6</sup>;

<sup>1</sup> The Onshore Security Agent, DBS Bank (China) Limited, Hangzhou Branch, holds the security interests of the ECW group’s onshore facilities on behalf of the onshore lenders thereunder.

<sup>2</sup> Most of the Relevant Mortgages are third ranking except the mortgages in favour of 浙江富月融资租赁有限公司 (Zhejiang Fuyue Finance Lease Co., Ltd) which are fourth ranking and fifth ranking.

<sup>3</sup> Please note that as stated in the Manager’s announcement dated 18 January 2024 and the 31 May 2024 Announcement, the illegal mortgages imposed over Hengde Logistics and FHCC have respectively been discharged.

<sup>4</sup> The two entities are 杭州富阳富投发振富股权投资合伙企业 (有限合伙) (Hangzhou Fuyang Futoufa Zhenfu Equity Investment LLP) and 浙江富月融资租赁有限公司 (Zhejiang Fuyue Finance Lease Co., Ltd).

<sup>5</sup> Please refer to the Manager’s announcements dated 2 January 2024 and 15 January 2024 for further details.

<sup>6</sup> Please refer to the Manager’s announcement dated 2 January 2024 for further details.

- (c) as stated in the Manager’s announcement dated 2 January 2024, all the title deeds for all of ECW’s properties (the “**Title Deeds**”) have been handed over to the Onshore Security Agent and there is no record of the Relevant Mortgages on the title deeds of the Relevant Properties<sup>7</sup>;
- (d) by 5 January 2024, the Manager had taken control of all stamps, including the relevant company seals, legal representative stamps, contract stamps and finance stamps (collectively, the “**Relevant Seals and Stamps**”) from ECW’s property management teams in the PRC. The legal representative stamps and the finance stamps are currently being safekept in the Manager’s registered office in Singapore while the relevant company seals and contract stamps are under the custody of the Manager’s PRC legal counsel (“**PRC Legal Counsel**”) in Shanghai<sup>8</sup>;
- (e) the Manager had sent further demand letters to the Sponsor on 4 January 2024 and 9 January 2024 (the contents of the demand letters and the Sponsor’s response to each of them are set out in the Manager’s announcement dated 15 January 2024);
- (f) as stated in the Manager’s announcement dated 18 January 2024, the illegal mortgage imposed over Hengde Logistics had been discharged;
- (g) as stated in the Manager’s announcement dated 24 January 2024, since the initial public offering of ECW in July 2016, an electronic internal approval process (the “**ECW OA Process**”) has been put in place to facilitate efficiency of decision making and administration processes for ECW. Where there is a need for the Relevant Seals and Stamps, 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 ECW (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 sequence of the ECW OA 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

<sup>7</sup> As mentioned in the Manager’s announcement dated 24 January 2024, 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.

<sup>8</sup> Please refer to the Manager’s announcements dated 2 January 2024 and 15 January 2024 and the 25 January 2024 Announcement. The Manager also confirmed that there are no duplicates of such Relevant Seals and Stamps in its announcement dated 20 March 2024.

S/N	Personnel	Entity	Action
5.	Deputy General Manager	Property Manager	Review (Optional)
6.	General Manager	Property Manager	Review
7.	Finance Controller (for ECW's assets in the PRC)	Property Manager	Review
8.	General Manager (for ECW'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 is likewise applicable to the authorisation and use of the Title Deeds;

- (h) the Manager had sent further demand letters to the Sponsor on 24 January 2024 (the contents of which are set out in the 25 January 2024 Announcement), 1 April 2024 (the “**1 April 2024 Demand Letter**”) and 17 April 2024 (the “**17 April 2024 Demand Letter**”) (the contents of which and the Sponsor’s response to the 1 April 2024 Demand Letter are set out in the Manager’s announcement dated 1 May 2024), 6 May 2024 (the “**6 May 2024 Demand Letter**”) (the contents of which and the Sponsor’s response to the 17 April 2024 Demand Letter and 6 May 2024 Demand Letter are set out in the 31 May 2024 Announcement), 19 June 2024 (the “**19 June 2024 Demand Letter**”) and 28 June 2024 (the contents of which and the Sponsor’s response to the 19 June Demand Letter are set out in the 30 June 2024 Announcement);
- (i) as stated in the 27 February 2024 Announcement, the ECW group had submitted the Relevant Lawsuits to the relevant PRC court to initiate lawsuits to revoke the mortgages imposed over FHCC and FZDS on the basis that the mortgages are unauthorised<sup>9</sup>;
- (j) as of 28 May 2024, the unauthorised mortgage imposed over FHCC has been discharged. As such, the only Outstanding Relevant Mortgage is the mortgage imposed over FZDS. If the ECW group can obtain a favourable judgment in the Relevant Lawsuits, the ECW group may de-register the Outstanding Relevant Mortgage with the mortgage registration authority based on the judgment<sup>10</sup>; and
- (k) as stated in the 30 June 2024 Announcement, the ECW group is in the process of initiating separate legal proceedings against the relevant parties to seek to recover the losses suffered by the ECW group.

### 3. FINDINGS FROM THE INVESTIGATIONS

The Manager wishes to update unitholders of ECW (“**Unitholders**”) of the following findings from the investigations which it commissioned its PRC Legal Counsel to carry out in connection with the Relevant Mortgages (“**Relevant Investigations**”):

<sup>9</sup> Please also refer the Manager’s announcements dated 26 March 2024, 31 March 2024 and 1 May 2024 for further details.

<sup>10</sup> Please refer to the 31 May 2024 Announcement for further details.

- (i) the negotiation between the Sponsor and the Fuyang Financial Institutions in respect of the Sponsor Rescue Funds and the Relevant Mortgages were led by the chief executive officer of the Sponsor (the “**Sponsor CEO**”) <sup>11</sup> and the director of the Treasury Department of the Sponsor (the “**Sponsor Treasury Director**”). During the negotiation, the Sponsor CEO instructed the Sponsor Treasury Director to prepare a list of assets eligible for mortgage, from which the Fuyang Financial Institutions selected certain assets (including the Relevant Properties). There was no inquiry from the Fuyang Financial Institutions regarding whether the Sponsor has authority to mortgage the Relevant Properties;
- (ii) the Sponsor CEO explained that, at that time, he had mistakenly believed that the Sponsor was entitled to mortgage the Relevant Properties. The Sponsor CEO had therefore instructed the Sponsor Treasury Director to arrange for the execution of the Relevant Mortgages in favour of the Fuyang Financial Institutions. The Sponsor Treasury Director thereafter delegated the matter to the manager of the Treasury Department of the Sponsor (the “**Sponsor Treasury Manager**”) <sup>12</sup>;
- (iii) according to the Sponsor CEO, the Sponsor Treasury Director and the Sponsor Treasury Manager, they did not follow the requisite ECW OA Process (as outlined in paragraph 2(g) above) in arranging for the execution of the Relevant Mortgages, as they mistakenly thought that the applicable approval process was the same as that for other matters handled by the Treasury Department of the Sponsor (whereby the final approver is the Sponsor CEO) (the “**Sponsor Approval Process**”);
- (iv) in adopting the Sponsor Approval Process, the Sponsor Treasury Manager submitted paper approval forms containing approvals from the Sponsor CEO in respect of the usage of the company seals and legal representative stamp and borrowing of the Title Deeds <sup>13</sup>, to obtain the company seals, legal representative stamp and Title Deeds in the following manner:
  - (a) the Sponsor Treasury Manager borrowed the company seals and legal representative stamp from the cashier of the finance department of the Property Manager (the “**Property Manager Cashier**”). According to the Property Manager Cashier, despite being aware that borrowing of the company seals and legal representative stamp should go through the ECW OA Process, the Property Manager Cashier lent the company seals and legal representative stamp to the Sponsor Treasury Manager because the Sponsor CEO’s signature was on the paper approval forms; and
  - (b) the Sponsor Treasury Manager had obtained the Title Deeds from the archive manager of the archive office located at Property Manager’s office (the “**Archive Manager**”) by presenting the paper approval forms. According to the Archive Manager, prior to this, the borrowing of the Title Deeds followed the ECW OA

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<sup>11</sup> The Sponsor CEO is also the president and holder of 20.0% of the equity interest of the Sponsor.

<sup>12</sup> The Sponsor Treasury Manager submitted the application for borrowing the company seals, legal representative stamp and Title Deeds and, after borrowing the company seals and legal representative stamp, affixed the company seals and legal representative stamp on the mortgage contracts.

<sup>13</sup> According to the Sponsor CEO and the Sponsor Treasury Director, it is common to use paper approval forms in the Sponsor’s daily operations, especially for urgent matters.

Process and this was the first time the Archive Manager received paper approval forms with the Sponsor CEO's signature requesting for the borrowing of the Title Deeds. However, according to the Archive Manager, in this case, the Archive Manager lent out the Title Deeds on the mistaken belief that as part of the Sponsor group, there was no issue to act on the instruction of the Sponsor CEO;

- (v) after obtaining the company seals, legal representative stamp and Title Deeds, the Sponsor Treasury Manager met with the staff of the Fuyang Financial Institutions to procure the registration of the Relevant Mortgages;
- (vi) the Sponsor CEO, the Sponsor Treasury Director, the Sponsor Treasury Manager, the Archive Manager and the Property Manager Cashier stated that they did not understand the REIT structure and did not have full awareness of the distinction between the assets owned by ECW and the assets owned by the Sponsor;
- (vii) the PRC Legal Counsel is of the view that the root causes of the Relevant Mortgages include the following:

- (A) Overlap in the personnel carrying out work for the Property Manager and the Sponsor

Some of the Property Manager's employees not only manage the assets of the ECW group, but also carry out work for the Sponsor (which is the parent company of the Property Manager). Some of the Property Manager's employees also previously had labour relationship with the Sponsor. As a result, some of the Property Manager's employees were under the impression that there was no issue with following the instructions of the Sponsor and the Sponsor CEO in carrying out their work;

- (B) Weak legal awareness of the employees of the Property Manager

The PRC Legal Adviser observed that the employees of the Property Manager lacked the awareness of (x) the overall structure of ECW; (y) the distinction between the assets of ECW and the assets of the Sponsor; and (z) the severity and potential legal consequences in relation to allowing the unauthorised mortgages to be imposed; and

- (C) Misconduct of the Sponsor CEO

The Sponsor CEO had given wrong instructions to the employees of the Sponsor and the Property Manager, which led to the creation of the unauthorised mortgages in favour of the Fuyang Financial Institutions. Although the Sponsor CEO denied the intentional nature of his conduct, the PRC Legal Adviser noted that it could be reasonably suspected that he and the Sponsor intentionally bypassed the ECW OA Process based on the facts it observed, including that paper forms were used instead of the ECW OA Process and that the incident took place secretly without informing the personnel in the ECW OA Process.

In relation to paragraph (vii)(A) above, the Manager would like to update that it has since instructed the Property Manager to perform an internal restructuring to ensure that the

Property Manager provides services in respect of the assets of ECW only, and that this has been implemented by the Property Manager.

Further to a review by the independent auditors of ECW ("**Independent Auditors**") in respect of the internal controls and processes of ECW at the asset level, the Manager has implemented the following:

- (A) the Manager has updated the policies and procedures of ECW relating to, among others, the usage of the Relevant Seals and Stamps and the borrowing of the Title Deeds ("**ECW SOP**"), to ensure alignment with the ECW OA Process described above, thus ensuring that the ECW SOP clearly sets out the electronic approval process in respect of the usage of the Relevant Seals and Stamps and the borrowing of the Title Deeds;
- (B) the Manager will ensure that the custodians for the Relevant Seals and Stamps and Title Deeds be segregated and held by the respective personnels authorised by the Manager, in the following manner:
  - (1) as mentioned in paragraph 2(c) above, the Title Deeds have been handed over to the Onshore Security Agent; and
  - (2) as mentioned in paragraph 2(d) above, the legal representative stamps and the finance stamps are currently being safekept in the Manager's registered office in Singapore while the relevant company seals and contract stamps are under the custody of PRC Legal Counsel in Shanghai;
- (C) the Manager, with the assistance of its PRC Legal Counsel, has implemented an onshore procedure to ensure that any request to use the relevant company seals is submitted through a request form, and that such usage will be recorded accordingly. The Manager is working on a similar recording system in respect of borrowing of the legal representative stamps. The Manager will also conduct periodic independent review of such records to ensure that all requests and approvals are properly documented; and
- (D) the Manager will conduct the necessary trainings, in order to ensure that the employees from the Property Manager understand and are properly kept informed of, among others, the overall structure of ECW, the ownership of the assets of ECW and requisite approvals to be obtained in relation to the usage of the Relevant Seals and Stamps and Title Deeds.

#### 4. LEGAL PROCEEDINGS

As announced in the 27 February 2024 Announcement, the ECW group submitted pleadings to the relevant court in the PRC to initiate lawsuits ("**Relevant Lawsuits**") to revoke the Outstanding Relevant Mortgage in respect of FZDS on the basis that it is unauthorised. The Manager wishes to update Unitholders that the case applications have been accepted by the relevant PRC court and parties have attended a pre-trial conference for evidence exchange. The Relevant Lawsuits are currently pending further developments. If the ECW group is able to obtain a favourable judgment

in the Relevant Lawsuits, the ECW group may de-register the Outstanding Relevant Mortgage over FZDS with the mortgage registration authority based on the judgment.

Taking into account the findings from the Relevant Investigations, the PRC Legal Counsel has advised that if the Outstanding Relevant Mortgage is invalidated and the Sponsor group is unable to repay the amount owing by the Sponsor group to the Fuyang Financial Institutions of approximately RMB 220 million and relevant interest expenses and charges (“**Sponsor Group Debt**”):

- (i) the PRC court is entitled to order Zhejiang Fuzhou E-Commerce Co., Ltd. (浙江富洲电子商务有限公司), being the holding company of FZDS (“**Zhejiang Fuzhou**”) to indemnify the Fuyang Financial Institutions if Zhejiang Fuzhou is found to be negligent in executing the Outstanding Relevant Mortgage (for instance, in failing to supervise its personnels), with such indemnity likely to be no more than half of such Sponsor Group Debt that the Sponsor group is unable to pay off; and
- (ii) if Zhejiang Fuzhou is required to indemnify the Fuyang Financial Institutions in the manner stated above, Zhejiang Fuzhou will be entitled to sue the Sponsor group to seek to recover the indemnity amount (if any) paid to the Fuyang Financial Institutions.

As stated in the 30 June 2024 Announcement, the ECW group is in the process of initiating separate legal proceedings against the relevant parties to seek to recover the losses suffered by the ECW group. The Manager wishes to update Unitholders that the ECW group has submitted pleadings to initiate these separate legal proceedings, The case applications have been accepted by, and are currently pending issuance of the formal notices of hearing from, the relevant PRC court.

The Board of Directors of the Manager will provide Unitholders with a further update as and when there are material developments.

### **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

1 September 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.

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