



(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

#### 1. Introduction

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 its announcement dated 2 January 2024 in relation to the imposition of mortgages over Fuzhou E-Commerce, Fuheng Warehouse and Hengde Logistics (the “**2 January 2024 Announcement**”) and wishes to update unitholders of EC World REIT (“**Unitholders**”) on the developments concerning the imposition of mortgages over Fuzhou E-Commerce, Fuheng Warehouse and Hengde Logistics (collectively, the “**Relevant Properties**”).

#### 2. Preliminary Investigations by the Manager

Since the 2 January 2024 Announcement, the Manager has conducted preliminary investigations on the matter and understands that:

- (i) in connection with the provision of certain rescue funds to Forchn Holdings Group Co., Ltd. (the “**Sponsor**”) from two entities<sup>1</sup> linked to the Fuyang Government (the “**Fuyang Financial Institutions**”) in the People’s Republic of China (the “**PRC**”), the Sponsor had provided a list of assets (including the Relevant Properties)<sup>2</sup> to the Fuyang Financial Institutions;
- (ii) the relief funds from the Fuyang Financial Institutions amounted to approximately RMB 120 million and RMB 100 million;
- (iii) in connection with the foregoing, the Fuyang Financial Institutions requested the 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> ranking mortgages (the “**Relevant Mortgages**”) to be imposed on the Relevant Properties for a value of RMB 268.6 million as well as other mortgages and/or securities imposed on the Sponsor’s other properties and other assets that are not related to EC World REIT;

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<sup>1</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>2</sup> Please refer to paragraph 3(2) below for further elaboration.

- (iv) subject to further inquiries and investigations currently being conducted by the Manager, no shareholders' resolution or directors' resolution from the three wholly-owned EC World REIT subsidiary companies' which held the Relevant Properties (the "**Relevant Holding Companies**") was passed for the purpose of obtaining the Relevant Mortgages;
- (v) in order to execute the Relevant Mortgages, the treasury department of the Sponsor submitted an internal application to the Chief Executive Officer of the Sponsor, Mr Zhang Zhangsheng (the "**Sponsor CEO**"), to approve the usage of the relevant company seal and legal representative seal of the Relevant Holding Companies to execute the Relevant Mortgages. The Manager understands that the above request was made within the same internal application to the Sponsor CEO to approve the usage of the relevant company seal and legal representative seal of all of the Sponsor's subsidiaries involved in providing a security over their assets to the Fuyang Financial Institutions.
- (vi) the Relevant Mortgages were registered by the treasury department of the Sponsor with the Hangzhou Bureau of Planning and Natural Resources, Fuyang branch (which is the relevant authority for mortgage registration) on 20 November 2023, 23 November 2023 and 24 November 2023; and
- (vii) to be clear, there are no similar instances of illegal mortgages on the remaining four properties of EC World REIT, namely Chongxian Port Investment, Chongxian Port Logistics, Stage 1 Properties of Bei Gang Logistics and Wuhan Meiluote, based on their respective title search reports generated on 29 December 2023 and 4 January 2024.

### 3. Demand Letters

As stated in the 2 January 2024 Announcement, the Manager had, immediately after being notified of the Relevant Mortgages, issued a letter to the Sponsor on 29 December 2023 to, among others, demand that the Sponsor immediately procure the discharge of the Relevant Mortgages within five (5) business days from 29 December 2023 (i.e. by 8 January 2024) (the "**Relevant Deadline**").

The Manager followed up with another demand letter to the Sponsor dated 4 January 2024 (the "**4 January 2024 Demand Letter**") to, among others:

- (i) state that the Relevant Mortgages have been illegally entered into;
- (ii) demand that the Sponsor return all property and assets owned by EC World REIT, including but not limited to, any certificates, relevant company seals, finance stamps, legal representative stamps, security keys and any other assets to EC World REIT. As at the date of this announcement, the Sponsor is not in possession or control of any of EC World REIT's property;
- (iii) demand that the Sponsor not set up any further mortgage, pledge or any other encumbrance over the properties of EC World REIT or make any commitment to any person in relation to the properties of EC World REIT;
- (iv) state that the Manager reserves all rights to commence legal proceedings against the Sponsor and the relevant personnel.

The Sponsor responded to the 4 January 2024 Demand Letter by issuing a response letter dated 8 January 2024 to the Manager (the “**Sponsor Response Letter**”) stating, among others, that:

- (1) in November 2023, representatives of the Sponsor had been negotiating with representatives from the Fuyang Financial Institutions to obtain relief funds for the Sponsor and, as part of the negotiation process, the Fuyang Financial Institutions required that the relief funds be secured by assets;
- (2) the Sponsor then provided the Fuyang Financial Institutions for their consideration a list of assets, which contained, among others, the Sponsor’s properties, the Sponsor’s shareholders’ personal assets and the Relevant Properties;
- (3) the Fuyang Financial Institutions eventually decided on the Relevant Mortgages being imposed on various assets which include, among others, the Relevant Properties;
- (4) on 17 November 2023 and 23 November 2023, the treasury department of the Sponsor did not go through the requisite approval processes of the EC World REIT group in order to execute the Relevant Mortgages. Instead a written request was made by the treasury department of the Sponsor to the Sponsor CEO to seek approval for the usage of the relevant company seal and legal representative seal of the various holding companies of the assets mentioned in paragraph 3(3) and, upon the approval of this request, led to the relevant company seal and legal representative seal of the various holding companies of the assets mentioned in paragraph 3(3) (including the Relevant Holdings Companies) being borrowed;
- (5) the Sponsor is seeking to review its internal processes and the training of its personnel; and
- (6) the Sponsor has been in negotiations with the Fuyang Financial Institutions to negotiate on the Relevant Mortgages and to find funds or provide other replacement assets or provide a credit enhancement proposal to release the Relevant Mortgages over the Relevant Properties.

On 9 January 2024, the Manager issued another demand letter to the Sponsor to, among others:

- (A) state that the Relevant Deadline had not been complied with and for the Sponsor to immediately provide a timeline and proposal that it intends to take in order to discharge the Relevant Mortgages; and
- (B) demand that the Sponsor provide all relevant documents related to the Relevant Mortgages, including, but not limited to, documents which were related to and/or led to the execution and registration of the Relevant Mortgages, the relevant loan documents, mortgage agreements, third party mortgage certificates as well as the breakdown of the Sponsor’s utilisation of the loans obtained from the Fuyang Financial Institutions (the “**9 January 2024 Demand**”).

Pursuant to the 9 January 2024 Demand, the Sponsor has provided the Manager with certain documents related to the Relevant Mortgages. The Manager is seeking advice from its PRC legal counsel on the documents and will provide an update to Unitholders if there are any material developments in relation thereto.

#### 4. Breaches of EC World REIT's Existing Facilities

The Relevant Mortgages will cause a breach in the existing onshore facilities of EC World REIT (the “**Onshore Facilities**”) in relation to:

- (i) the prohibition on the EC World REIT group from PRC subsidiaries of the EC World REIT group creating a mortgage over EC World REIT's properties;
- (ii) the prohibition on the EC World REIT group from PRC subsidiaries of the EC World REIT group from providing security to any other person; and
- (iii) the occurrence of a material adverse effect.

A breach of this requirement would result in an event of default pursuant to the Onshore Facilities and also triggers a cross-default under the existing offshore facilities of EC World REIT (the “**Offshore Facilities**”, and together with the Onshore Facilities, the “**ECW Facilities**”). An event of default would give the lenders under the Onshore Facilities the right to send a notice to accelerate the facilities under the Onshore Facilities.

Additionally, the Relevant Mortgages will also cause a breach in the Offshore Facilities in relation to:

- (1) the prohibition on the EC World REIT group from creating and permitting to subsist any security over EC World REIT's properties; and
- (2) a repeating representation from each borrower and each guarantor under the Offshore Facilities that each of the Relevant Properties are free from any security.

A breach of the above requirements under the Offshore Facilities, if not remedied within the agreed cure period<sup>3</sup>, will result in an event of default pursuant to the Offshore Facilities and also triggers a cross-default under the Onshore Facilities.

The Manager understands that the Sponsor has been notified on 11 January 2024 that the lenders under the ECW Facilities (the “**Lenders**”) have given the Sponsor up to **20 January 2024** to remove the Relevant Mortgages, failing which the Lenders may consider taking legal action.

#### 5. Steps Moving Forward

The following steps are being undertaken or have been undertaken in connection with the foregoing:

- (i) by 5 January 2024, the Manager had taken control of all stamps, including the relevant company seals, legal representative seals, contract stamps and finance stamps from EC World REIT's property management teams in the PRC. The legal representative seal and the finance stamps are currently being safekept in the Manager's registered office in

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<sup>3</sup> Pursuant to the terms of the Offshore Facilities, in the event that there is a breach of the stated requirements, the EC World REIT group would then have a cure period of 10 business days upon becoming aware of such default to remedy its breach.

Singapore while the relevant company seal and contract stamps are under the custody of the Manager's PRC legal counsel in Shanghai;

- (ii) the Manager understands from the Sponsor that the Sponsor has met with the Fuyang Financial Institutions to resolve the matter and that the Fuyang Financial Institutions have asked the Sponsor to provide other assets to secure the loan in exchange for the removal of the Relevant Properties from the Relevant Mortgages;
- (iii) the onshore security agent of the Onshore Facilities have engaged the Fuyang Finance Bureau, which oversees all financial institutions within the Fuyang district (including the Fuyang Financial Institutions), to inform them about the situation and through such engagement, understands that the Fuyang Financial Institutions were agreeable to remove the Relevant Mortgages on the basis that the loan provided by the Fuyang Financial Institutions can still be secured in other ways. The Manager understands from the onshore security agent of the Onshore Facilities that the Fuyang Financial Institutions are currently waiting for the Sponsor to provide an acceptable proposal for their consideration;
- (iv) the Manager is in the process of appointing an external auditor to review the internal controls and processes of EC World REIT at the asset level; and
- (v) the Manager is seeking legal advice from its legal counsels in order to ascertain the potential legal actions which may be taken against the Sponsor and the relevant personnel.

## 6. Manager's Assessment

Taking into account the foregoing circumstances, the Manager has assessed that the impact of the Relevant Mortgages on the total financial risk of the EC World REIT group may potentially be mitigated in view of the following:

- (i) assuming that the Lenders exercise their rights pursuant to the ECW Facilities and accelerate the ECW Facilities or require any mandatory prepayment to be made, the maximum contingent liabilities of the EC World REIT group resulting from the Relevant Mortgages would be RMB 268.6 million (the "**Contingent Liability Amount**");
- (ii) the Sponsor has made approximately RMB 330 million in prepayments (the "**Sponsor Prepayment Amount**") towards EC World REIT's proposed divestment of Stage 1 Properties of Bei Gang Logistics and Chongxian Port Logistics (the "**Proposed Divestment**"). However, as announced by the Manager on 26 October 2023, the long-stop date for the completion of the Proposed Divestment is 31 October 2023 which has since lapsed;
- (iii) to date, the EC World REIT group has not returned the Sponsor Prepayment Amount to the Sponsor and accordingly, the Sponsor Prepayment Amount is considered a financial liability in the accounts of the EC World REIT group that is owing to the Sponsor; and
- (iv) as the Contingent Liability Amount arising from the Relevant Mortgages are for the benefit of the Sponsor, the financial exposure resulting from the Contingent Liability Amount could possibly be set off against the Sponsor Prepayment Amount (i.e. the aggregated financial exposure arising out of the Contingent Liability Amount and the Sponsor Prepayment

Amount remains unchanged at RMB 330 million, which is the amount already recognised as financial liabilities in the account of the EC World REIT group).

The board of directors of the Manager is in the process of evaluating various options for EC World REIT and 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 Units which may be prejudicial to their interests, and to exercise caution when dealing in the units in EC World REIT (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  
15 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.