



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

ANNOUNCEMENT

RESPONSES TO QUERIES FROM THE SGX-ST

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 the Manager’s announcement dated 28 February 2024 in relation to EC World REIT’s condensed interim financial statements for the six months and twelve months ended 31 December 2023 (the “**FS2023**”) and wishes to make the following clarifications in response to the following queries from Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in relation to the FS2023.

Responses to Queries from the SGX-ST

1. It is stated on page 7 of the FS2023 that “the balance 30% of compensation of RMB32.6m for the compulsory expropriation (of) Fu Zhuo Industrial remains outstanding”, and that Management is exploring various options including divestment of Fu Zhuo Industrial to recover the outstanding receivables. In this regard, please:

a) Elaborate on the details of the ‘various options’ considered by the Management, which shall include but is not limited to, the factors of consideration, actions taken by management and timeline of execution (if any).

In respect of the outstanding compensation for the compulsory expropriation of Fu Zhuo Industrial (the “**FZSY Remaining Amount**”), the Manager is currently exploring the following options:

- (1) working with the property manager of EC World REIT and its subsidiaries (collectively, the “**ECW Group**”), Yuntong Property Management Co., Ltd, to continue following up on the collection of the FZSY Remaining Amount;
- (2) taking legal actions to recover the FZSY Remaining Amount (the timeline of which is uncertain as such recovery will be subject to the legal process in the People’s Republic of China (the “**PRC**”));
- (3) selling the receivable in respect of the FZSY Remaining Amount to local financial institutions potentially at a discount; and
- (4) divestment of the Hangzhou Fu Zhuo Industrial Co., Ltd. (being the holding company of Fu Zhuo Industrial) (the “**FZSY HoldCo**”) potentially at a purchase price which

assumes full recovery of the FZSY Remaining Amount, with such divestment effectively resulting in the transfer of the existing liabilities of the FZSY HoldCo (through the transfer of the shares in the FZSY HoldCo) to the buyer.

After careful consideration, the Manager is of the view that option (4) would be the most favourable from the perspective of the ECW Group, as it would offer the highest likelihood of enabling the ECW Group to recover the FZSY Remaining Amount in full within the next three to six months and at the same time result in the effective transfer of the existing liabilities of the FZSY HoldCo (including its outstanding payables to third-party tenants and its tax liabilities), through the transfer of the shares in the FZSY HoldCo, to the buyer.

b) Provide the board's assessment on the recoverability of the outstanding compensation of RMB32.6m, as well as the bases for its assessment.

The board of directors of the Manager ("**Board**") has assessed that the FZSY Remaining Amount, being the balance 30% of compensation of RMB 32.6 million (approximately S\$6.0 million¹) for the compulsory expropriation of Fu Zhuo Industrial, is recoverable on the basis of the following:

- (i) 70% of the compensation (amounting to RMB 75.9 million) has been collected by the ECW Group and only the balance 30% (amounting to RMB 32.6 million) remains outstanding; and
- (ii) there has been no disagreement at this juncture over the recoverability of the FZSY Remaining Amount owing by the local PRC government.

2. It was further stated on page 7 of the FS2023 that the Sponsor Group has overdue rent owing to the ECW Group of an amount exceeding RMB289.1 million, of which RMB224.7 million was rent payable pursuant to master leases between the Sponsor Group and the ECW Group while RMB64.4 million was rent payable pursuant to other related party leases. In this regard, please clarify:

a) whether the cash security deposit of RMB345.1m under the master lease agreements, can be applied to set off the RMB64.4m outstanding rent payable pursuant to other related party leases. If offset is not allowed, please explain why no provision for bad debt has been made for this amount.

Based on preliminary discussion with Forchn Holdings Group Co., Ltd. (being the sponsor of EC World REIT) (the "**Sponsor**") and its subsidiaries (collectively together with the Sponsor, the "**Sponsor Group**"), the Sponsor Group may be agreeable for the cash security deposit of RMB 345.1 million provided under the master lease agreements to be applied to set off the RMB 64.4 million outstanding rent payable from the Sponsor Group as at 31 December 2023 in relation to the other related-party leases. In light of the foregoing, no provision of bad debt has been made for this amount. The ECW Group is also carefully monitoring the collection status of the outstanding rent payable and will make provision for bad debts where required. Please note that any arrangement with the Sponsor Group for the application of the cash security deposit to set off the outstanding rent payable would be subject to compliance with all applicable legal and regulatory requirements.

¹ Calculated based on the illustrative exchange rate of RMB1.00 = S\$0.1858 which was the actual exchange rate as at 31 December 2023.

- b) **whether the future lease payments of the underlying property leases can be directly received by the ECW Group, pursuant to the default of the master lease(s) and other related party leases, notwithstanding that the novation of such underlying leases have not been completed.**

Pending the novation process, the underlying lessees are under no obligation to directly pay their rent to the ECW Group, as their payment obligations are owed to their lessors (being members of the Sponsor Group) and not to the ECW Group. This is notwithstanding that the Sponsor Group has defaulted on the master leases and related-party leases with the ECW Group.

As mentioned, the novation process is underway. As at the date of this announcement, approximately 100%, 100% and 90% of the underlying leases in respect of Chongxian Port Logistics (“CXPL”), Fuheng Warehouse (“FHCC”) and Fuzhou E-Commerce (“FZDS”) have respectively been completed.

- c) **why the value of cash security deposits is RMB195.1m under remark (1), while under remark (2), the value of cash security deposits is RMB345.1m?**

With respect to the “Cash and bank balances” line item in the FS2023, the value of cash security deposits thereunder is RMB 195.1 million because RMB 150 million out of the RMB 345.1 million of the cash security deposits has been utilised for the acquisition of Wuhan Meiluote in 2018 (please refer the announcement dated 28 February 2018 titled “Acquisition of Wuhan Meiluote” and the announcement dated 16 April 2018 titled “Completion of the Acquisition of Wuhan Meiluote” for further details). For the avoidance of doubt, such utilisation does not change the amount of security deposits provided by the Sponsor Group to the ECW Group under the master lease agreements, being RMB 345.1 million as stated in remark (2) on page 7 of the FS2023.

3. **It is stated on page 8 of the FY2023 that “As more than 80% of the revenue of the ECW Group comes from rental income pursuant to related party leases with the Sponsor Group, accordingly, if the Sponsor Group does not pay a sufficient amount of the rent receivables going forward, the ECW Group will be unable to maintain its operating and financing requirements.” Kindly disclose:**

- a) **The breakdown of the related party leases.**

The breakdown of the related-party leases based on the revenue for the financial year ended 31 December 2023 is set out in the table below.

Asset	Related Parties	FY2023 Rent Contribution (RMB)	% of Revenue for FY2023
Chongxian Port Investment	杭州富港供应链有限公司	169,313,211	30%
Chongxian Port Logistics	杭州富港供应链有限公司	56,842,809	10%
	浙江运通电子商务有限公司	6,049,886	1%
	富春控股集团有限公司	1,062,463	0%

Asset	Related Parties	FY2023 Rent Contribution (RMB)	% of Revenue for FY2023
Stage 1 Properties of Bei Gang Logistics	富春控股集团有限公司	125,481,630	22%
Fuheng E-commerce	杭州富阳运同电子商务有限公司	51,216,885	9%
Fuzhou E-commerce	浙江运通电子商务有限公司	16,675,541	3%
	杭州富阳运同电子商务有限公司	72,292,401	13%
Hengde Logistics	杭州富阳运同电子商务有限公司	2,843,311	1%
	网赢如意仓供应链有限公司	192,857	0%
Total Related-Party Rent		501,970,995	89%

b) If there are any guaranteed provisions on collectability.

Other than the provisions relating to the security deposits, there are no other guaranteed provisions on collectability.

c) Have any letters of demand been sent to the Sponsor and if so, were they any defaults

Letters of demand have been sent to the master lessees (being members of the Sponsor Group) on 18 October 2023 and rental arrear notices are sent to the master lessees and other related-party lessees on monthly basis.

d) The board's assessment of the collectability of the receivables going forward

The Board has assessed that receivables owing from the Sponsor Group are recoverable up to the amount of RMB 678.1 million, representing the aggregate of (i) the cash security deposits of RMB 345.1 million provided to the ECW Group in respect of the various master leases; and (ii) the prepayment of approximately RMB 333 million made by the Sponsor in cash towards EC World REIT's proposed divestment of Stage 1 Properties of Bei Gang Logistics ("BG") and CXPL (the "Proposed Divestment"). Please note that 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.

- 4. It was further stated on page 8 that "As at 31 December 2023, the current liabilities of the Group and ECW exceeded the current assets by S\$526,777,000 and S\$126,336,000 respectively. The Group has borrowings of S\$563,154,000 which are due for repayment within the next 12 months from the reporting date." Also, it was stated on page 9 that "the Board has decided to continue the suspension of the trading of the units on a voluntary basis in view of the above developments." Furthermore, "As the onshore facilities do not specify the deadline by which the onshore interest reserve must be topped up, this timing is currently subject to ongoing discussions between the onshore lenders under the onshore facilities and the ECW Group."**

Kindly disclose the board's assessment on:

- a) Whether the group has received any letters of demands from creditors and if yes, were there any default on these obligations?**

Save for the demand letter dated 24 January 2024 from the lenders (the “**Lenders**”) under the ECW Group’s existing facilities (the “**ECW Facilities**”) to EC World REIT and the Manager (as announced by the Manager on 25 January 2024²), the ECW Group has not received any letters of demand from the Lenders.

b) Whether the group’s current assets are adequate to meet its short-term liabilities including its bases of assessment; and

The Board has assessed that the ECW Group’s current assets will be adequate to meet its short-term liabilities on the basis that the Manager has undertaken the following steps³:

- (i) in relation to CXPL, 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%, 100% and 90% of the underlying leases in respect of CXPL, FHCC and FZDS respectively have been novated;
- (ii) conducting a business review of the master lease arrangements in relation to BG and Chongxian Port Investment (“**CXI**”), with the support of KPMG Services Pte. Ltd. as 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 review;
- (iii) considering the 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 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;
- (iv) negotiations with the 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 to explore various options available to EC World REIT to help address its ongoing challenges; and

² As stated in the Manager’s announcement dated 25 January 2024, the demand letter had stated, among others, that the Lenders, pursuant to the ECW Facilities, have a first right of mortgage over FZDS, FHCC and Hengde Logistics (collectively, the “**Relevant Properties**”) and no new mortgages may be created over the properties of EC World REIT without the consent of the Lenders, that the actions of the Sponsor in relation to the creation of the illegal mortgages over the Relevant Properties had been carried out without the knowledge of the Lenders and such actions constitute a breach of the terms of the ECW Facilities, that the Lenders may, depending on the circumstances, file a lawsuit, commence insolvency proceedings and take other measures to protect their rights, and that the Manager is to take immediate actions to, among others, remove the illegal mortgages. Please refer to the Manager’s announcement dated 25 January 2024 for further details.

³ Please refer to the Manager’s announcement dated 27 February 2024 titled “Updates in relation to (I) master lease arrangements; (II) decline in valuations; (III) the ECW facilities; (IV) applications for extension of time in relation to AGM; (V) distributions of ECW; and (VI) mortgages over Fuzhou E-Commerce and Fuheng Warehouse” (the “**27 February 2024 Announcement**”) for further details.

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

- (v) procuring the discharge of the unauthorised mortgages over FHCC and FZDS. As announced, the ECW Group has submitted pleadings to the relevant court in PRC to initiate lawsuits to revoke the unauthorised mortgages.
- c) How the group intends to fulfil its significant payment obligations in the next 12 months. Where the Group has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Group is on track to fulling these obligations.**

The ECW Group intends to fulfil its significant payment obligations in the next 12 months through the following:

- (i) as mentioned in the Manager's response to Question 4(b) above, the Manager has been negotiating with Lenders on the possibility of restructuring the ECW Facilities;
 - (ii) as mentioned in the Manager's response to Question 4(b) above, the Manager is considering the potential divestment of certain properties of EC World REIT in order to pare down part of the loans under the ECW Facilities; and
 - (iii) the Manager is also exploring other options in consultation with the appointed financial adviser, KPMG Services Pte. Ltd., in order to address the ongoing challenges of EC World REIT.
- d) The status of the discussion between the group and the lenders? What happens if the group is unable to replenish the reserves by the required date.**

Please refer to the Manager's response to Question 4(c)(i) above for the status of the discussions with the Lenders.

If the ECW Group is unable to restructure the ECW Facilities by 30 April 2024, this will result in the ECW Group's existing offshore facilities (the "**Offshore Facility**") maturing on 30 April 2024 and the ECW Group will have to repay the outstanding loans due under the Offshore Facility of approximately S\$344.2 million⁵.

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

⁵ Calculated based on the illustrative exchange rates of RMB1.00 = S\$0.1858 and US\$1.00 = S\$1.3186 which were the actual exchange rates as at 31 December 2023.

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

21 March 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.