

**RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION  
(SINGAPORE) ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE  
2020**

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The Board of Directors (the “**Board**”) of China Real Estate Grp Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s annual report for the financial year ended 30 June 2020 (the “**Annual Report**”) (such queries are available for download at SIAS’ website at [www.sias.org.sg](http://www.sias.org.sg)), and sets out below the Company’s responses as follows:

**QUESTION 1**

***As noted in the chairman’s statement, the group is once again keen to pursue opportunities to diversify its real estate portfolio outside of China and has proposed to change the name of the company back to “Asia-Pacific Strategic Investments Limited”. The company changed its name to the current name in April 2018. The group’s vision is to diversify and expand its real estate portfolio and geographic reach in China and Southeast Asia over the medium to long term to establish the group as a “significant and distinctive property developer and investor”.***

To clarify, the Company changed its name to the current name in August 2018 instead of April 2018 as stated in SIAS’s queries.

- (i) ***Would the company elaborate further on its planned diversification strategy? In particular, which are the key Southeast Asia cities identified by management?***

In the last few years, the political tension and trade wars between China and other countries has impacted the economy of China, including its property market. China is the only country in which the Company is currently operating in. The Company has reviewed its business operations and determined that the Company should diversify its business foothold to other countries. The Company has identified a few cities in Southeast Asia and will update shareholders whenever there are major developments in the diversification strategy.

- (ii) ***Similarly, which property segment(s) will the group be focusing on in Southeast Asia?***

Within Southeast Asia, the Group will be focusing on residential, commercial and industrial related property projects.

- (iii) ***What is management’s track record of successfully carrying out property development projects in Southeast Asia?***

At present, the management of the Company does not have a track record of carrying out property development projects in Southeast Asia.

- (iv) ***In approving the diversification strategy, has the board determined the targeted optimal capital allocation by geography and by asset class for the group?***

At present, the Board has not determined the targeted optimal capital allocation by geography and by asset class as the diversification strategy is still under development. The management of the Company will provide the Board with a business plan and the corresponding capital requirements when specific investment opportunities in property development projects in Southeast Asia have been identified.

## **QUESTION 2**

***The group owns and operates a 113-room luxury riverside boutique hotel, Cheery Hotel Huzhou (湖州祈悦酒店) which was fully operational in October 2019 before the temporary suspension of its operations for about two months to comply with a directive from the Huzhou Government as part of China's anti-coronavirus measures (page 6). The hotel fully re-opened in April 2020 and achieved a hotel room occupancy rate of above 80% the 7-day Golden Week holiday period (page 4).***

- (i) Can management provide shareholders with greater clarity on the profile of its hotel guests?***

The hotel guests primarily comprise corporate clients, business travellers, tour groups and walk-in guests.

- (ii) In addition, what proportion of its guests are corporate/business travelers?***

For the financial year ended 30 June 2020, corporate/business travellers accounted for approximately 63% of the aggregate number of hotel guests during this period.

- (iii) Will management consider disclosing the key operational metrics (such as occupancy rate, RevPAR etc) of the Cheery hotel so that shareholders can better understand the performance of the hotel?***

The management of the Company may consider disclosing the key operational metrics in the future, also taking into consideration the hotel's marketing strategy and the need to safeguard sensitive commercial information. The current key operational metrics, which were disrupted by the Covid-19 pandemic since its operations commenced in October 2019, do not reflect the performance of the hotel operations.

***The group is also developing a residential and commercial project in Huzhou that is adjacent to the Cheery Hotel. The company has stated that it will be "reviewing the development implementation and business plans in view of the economic fall-out from the COVID-19 pandemic" (page 5).***

- (iv) Can management confirm that the project has been halted indefinitely?***

The project has not been halted indefinitely. Regular forums are still being held with representatives from the local provincial government in respect of the Huzhou Project's development and implementation, as well as business plans. The local provincial government has suggested to the Company that the Huzhou Project should include healthcare facilities and high-tech learning institutions. The Group is considering including these suggestions in the development and business plans for the Huzhou Project.

- (v) Would management help shareholders understand the ground sentiments in Huzhou and the impact of the pandemic on the economy of Huzhou/Zhejiang province?***

The social activities within Huzhou/Zhejiang Province are back to pre-Covid-19 levels with safety management measures in place. However, the economy of Huzhou/Zhejiang Province is still at the recovery stage due mainly to lack of foreign tourists and foreign direct investments.

**(vi) What is the current state of the 320-hectare site in Huzhou?**

To date, an access road has been built on the 320-hectare site. Approximately 96 畝 (equivalent to 64,000m<sup>2</sup>) of land has been cleared and is ready for development.

**(vii) What are the indicators that management is monitoring which will determine the development trajectory of the residential and commercial project?**

The construction of the Shanghai-Hangzhou-Huzhou high-speed rail commenced in June 2020. The routes from Huzhou to Hangzhou and to Shanghai are expected to be completed by 2022 and 2024 respectively. With the completion of this high-speed rail, Huzhou will be just 18 minutes and 30 minutes away from Hangzhou and Shanghai respectively, and Huzhou will become a “satellite city” of Shanghai and Hangzhou.

The Group will be monitoring various factors, such as the gross domestic product, purchasing power, house ownership restrictions, population growth, government incentives etc in Shanghai, Hangzhou and in neighbouring cities to determine the development trajectory of the residential and commercial project.

### **QUESTION 3**

***As shown in the group’s balance sheets (page 59), the group has \$44.4 million in shareholders’ equity and \$(130.3) million in accumulated losses as at 30 June 2020. The group has gone into a net debt position of \$8.3 million. The group’s gearing ratio is 14.0% as at 30 June 2020.***

***The group has cash and cash equivalents of \$4.03 million as at 30 June 2020.***

**(i) How is the group going to fund the development in Huzhou and any other investment/development projects in Southeast Asia?**

The Group is exploring various funding options such as capital financing, debt financing, project financing and co-operation with strategic partners.

***In addition, as disclosed in Note 12 (page 88 – Financial assets, at FVPL), the group holds quoted equities listed in Malaysia with a carrying value of \$3.38 million (FY2019: \$7.811 million). The decrease was due to disposal (\$4.43 million – page 61), fair value loss of \$(444,000) and loss on disposal of \$(455,000) in FY2020.***

**(ii) Would the company help shareholders understand the underlying investments that are recognised as financial assets at FVPL? What is the role of the board in overseeing the group’s financial investments?**

The financial assets at FVPL are an investment in a company listed on the mainboard of Bursa Malaysia with businesses in property investment, hospitality, auto-components manufacturing and trading of duty free and non-dutiable merchandise. The investments are for long term purposes and provide the Company with the opportunity to gain returns through dividend income and fair value gains.

The Board reviews and monitors the risk profile of the investment portfolio, as well as the Company's investment objectives, the investment tenure and the rate of returns from the investment.

**(iii) How strategic is the group's investment in quoted Malaysian equities?**

The investments are for long term purposes and provide the Company with the opportunity to gain returns through dividend income and fair value gains.

**Other than the financial assets at FVPL, the group recognised \$2.0 million of financial assets at FVOCI that represent a 22.3% equity interest of a company that is engaged in mineral mining industry.**

**(iv) Similarly, would the company help shareholders understand the underlying mining assets?**

The underlying mining assets are gold mine assets located in Bolivia. Please refer to the Company's announcement dated 10 December 2014 for details of the underlying assets.

**(v) What progress has been made in the negotiation with the potential buyer in FY2020? As disclosed in Note 29 (page 122 – Financial risk management), the group has been in discussion with the potential buyer since 2017.**

In October 2017, the potential buyer offered to purchase the financial assets at FVOCI for a cash consideration of S\$2 million. Various discussions were held since then on the payment terms and it was finally agreed in October 2019 that the purchase consideration shall be paid in full on completion. However, due to the COVID-19 pandemic, the potential buyer has requested more time to complete the due diligence and site visits.

**(vi) Would the audit committee help shareholders understand if it is prudent to recognise the unquoted equity shares at a fair value of \$2.0 million (level 3 fair value hierarchy) based on a bid by a potential buyer made in 2017?**

The basis of the valuation is disclosed on pages 121 and 122 of the Annual Report. This basis of valuation, which is in accordance with the provisions of the SFRS(I), was reviewed by the audit committee with the concurrence of the external auditor.

**(vii) Would the board be overseeing the disposal of the group's non-core assets?**

Yes. The Board is regularly updated on the Group's business operations, including the disposal of the Group's non-core assets.

**(viii) In addition, has the board evaluated the group's financial position and capital allocation framework so that it has the financial resources to support its growth strategies?**

The Board evaluates the Group's financial position and capital allocation framework regularly to ensure that it has the financial resources to support its growth strategies.

**BY ORDER OF THE BOARD**

Dato' Dr Choo Yeow Ming  
Chairman and Chief Executive Officer  
29 December 2020

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*This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte Ltd (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr Ng Joo Khin.  
Telephone number: 6389 3000. Email: [jookhin.ng@morganlewis.com](mailto:jookhin.ng@morganlewis.com)*