Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: China Real Estate Grp Ltd.

Stock code: 5RA

Meeting details:
Date: 30 December 2020
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. 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".

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

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

(iii) **What is management's track record of successfully 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?**

Q2. 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?**

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

(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 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).

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

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

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

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

Q3. 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?**

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?**

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

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?**

(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.

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(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?**

(vii) **Would the board be overseeing 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?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)