

**RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) ON THE ANNUAL REPORT**

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 2018 (the “**Annual Report**”) (a copy of the queries is available for download at SIAS’ website) and appends its requisite replies as follows:

1. With respect to Question 1,

- (i) **With management devoting the majority of the group’s resources into the Huzhou project, shareholders would like to request the company to provide a more comprehensive overview of the development project to help shareholders understand the prospect and the risks.**

Please provide key details of the projects to show the:

- **Development plans (number of villas, townhouses, residential units, commercial towers, number of hotels rooms, other commercial/recreational facilities)**
- **Development timeline (development plans over the three phases, including targeted start dates and completion dates)**
- **Development costs for each phase**
- **Revenue model and projections**
- **Licenses, permits required**

Development Plans

The Detailed Control Plans of the Huzhou Project is currently being reviewed by relevant governmental authorities in the People’s Republic of China (the “**PRC**”). The Detailed Control Plans will determine, amongst others, the plot ratio, building density, building height, landscaping ratio, common infrastructure and public facilities of the Huzhou Project. Without the approval of the Detailed Control Plans by the relevant governmental authorities, the Group is not able to finalise the development plans of the Huzhou Project.

Development Timeline

Subject to the timing of the approval of the Detailed Control Plans by the relevant governmental authorities, the Group intends to launch Phase 1 of the Huzhou Project by June 2019 and with a targeted completion date of June 2021. The Group is currently not able to determine the timeline for Phase 2 and Phase 3 of the Huzhou Project as this is largely dependent on the progress of Phase 1.

Development Costs / Revenue Model and Projections

The Group is unable to provide the development costs for each phase of the Huzhou Project, as well as the revenue model and projections, as such

information is sensitive and confidential due to the competitive environment in which the Group is undertaking the Huzhou Project.

Licences / Permits

The Group will obtain the relevant licenses and permits, such as planning permits, construction permits, pre-sale permits and certificate of confirmation of completion and acceptance, from the relevant administrative authorities in the PRC at various stages of the development process.

- (ii) **In particular, can management help shareholders understand how the estimated price of more than RMB11,000 per sqm for the villas and townhouses was determined? How does this compare to townhouses and villas in comparable cities, such as Hangzhou, Suzhou etc?**

The Group is not able to provide information on how the estimated price of more than RMB11,000 per sqm for the villas and townhouses was determined as such information is sensitive and confidential due to the competitive environment in which the Group is undertaking the Huzhou Project. However, as a point of reference for shareholders, the average property price in Hangzhou, a first-tier city in the PRC, was approximately RMB22,000 per sqm in 2017 (Source: National Bureau of Statistics of China).

- (iii) **What is the track record and experience of management in launching and selling premier property development in China?**

Although this is the Group's initial foray into launching and selling premier property developments in the PRC, the Group has partnered with China Real Estate Group Union Co., Ltd. (中房联合置业集团有限公司) ("CREU"), which owns 28% equity interest in the Huzhou Project. CREU is a well-established real estate developer in the PRC, having built more than 400 million sqm of real estate in the PRC. Some of the premier real estate developments in CREU's portfolio include JinYiHePan in Shanghai (上海金谊河畔), XinJieXinFangJiaYuan in LuoYang (洛阳新街新房家园), LeChengAuJingHuaTing in Beijing (北京乐城澳景花庭), LiangChenMeiJing in Shanghai (上海良辰美景) and JinShaHaiTang in Chengdu (成都金沙海棠).

- (iv) **With \$4.1 million already invested into the building of hotel, will the group require more capital to complete the funding of the project?**

As disclosed on Page 9 of the Annual Report, the Huzhou Project will be partially funded by the net proceeds from the two 2-for-1 rights issues which were completed in January 2018 and July 2018. The aggregate net proceeds from the two rights issue was approximately S\$34.6 million. This amount is sufficient to complete the construction of the hotel. However, subject to the finalised Detailed Control Plans approved by the relevant governmental authorities in the PRC, the Group may require more capital to complete the funding of the Huzhou Project.

2. With respect to Question 2,

- (i) **Can the board help shareholders understand if it had evaluated (ex post) the low application rate for the rights issue? If so, what were the findings?**

As the decision whether or not to subscribe for a rights issue is highly subjective and depends on considerations and factors which are varied and specific to each shareholder, given that the Company has approximately 4,500 shareholders, the Board is of the view that it is not meaningful to evaluate and determine the reasons and factors for the application rate for the past rights issues.

- (ii) **Would the board, especially the independent directors, help shareholders understand if the board deliberated on the possible dilution to minority shareholders before the rights issue, and if it reviewed the dilutive impact on minorities after the completion of the first 2018 rights issue?**

Under the terms and conditions of the past rights issues, all entitled shareholders are entitled to participate in the rights issue. Therefore, there would not have been any dilutive impact on minority shareholders if such minority shareholders had accepted the rights shares provisionally allotted to them.

- (iii) **Given the low application rate by minority shareholders, has the board evaluated its options to raise capital to fund its growth plans?**

Yes. Various debt and equity financing options to raise capital are currently being contemplated. The Company will update its shareholders in accordance with the requirements under Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange and Securities Trading Limited.

- (iv) **Has the board evaluated how it might be able to tap other sources of funds, such as strategic partners, to fund the Huzhou development, so as to minimise the dilution to minority shareholders?**

Yes. The Board has been considering several fund raising options and will update its shareholders in accordance with the requirements under the Catalist Rules.

3. With respect to Question 3,

- (i) **Can the company help shareholders understand if there were extenuating circumstances that led Dr Lam to be absent for the board and board committee meetings?**

To clarify, during the financial year ended 30 June 2018, Dr Lam Lee G was absent from one board meeting, one audit committee meeting, one nominating committee meeting and one remuneration committee meeting, all of which took place on the same day. His absence was due to a personal matter and it would not be appropriate for the Company to disclose further details in this forum.

- (ii) **As the lead independent director, would Dr Lam be holding himself to a higher standard in terms of his commitment and performance on the board?**

Dr Lam Lee G is aware of his responsibilities and obligations as the lead independent director of the Board under the Code of Corporate Governance 2012, and has always endeavoured to fulfil such responsibilities and obligations to the best of his abilities.

- (iii) **Can Dr Lam let shareholders know how he is able to devote sufficient time, energy and attention to the matters of the group especially during this critical transformation period.**

Prior to accepting any new appointments as a director or seeking re-election as a director of a listed company, Dr Lam Lee G will take into consideration his current commitments and assess whether he is able to devote sufficient time, energy and attention to the matters of such listed companies. As a point of reference for shareholders, Dr Lam Lee G attended approximately 90% of the total board and board committee meetings held since his appointment as the Company's director on 5 June 2007.

- (iv) **As Dr Lam is seeking his re-election at the AGM, would Dr Lam let shareholders know his commitment to the group should he be re-elected? Would Dr Lam reconsider his other commitment should he be re-elected?**

Should Dr Lam Lee G be re-elected as a director of the Company, he is committed to devoting sufficient time, energy and attention to the matters of the Group. Dr Lam Lee G will only reconsider his other commitments if he is of the view that he cannot devote sufficient time and attention to the matters of the Group.

BY ORDER OF THE BOARD

Dato' Dr Choo Yeow Ming
Chairman and Chief Executive Officer
29 October 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte Ltd (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor had not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any statements or opinions made or reports contained in this announcement.

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