

CEDAR STRATEGIC HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 198003839Z)

UPDATE ON THE VARIOUS ISSUES SET OUT IN THE SPECIAL AUDIT REPORT

1. The Board of Directors of Cedar Strategic Holdings Limited (the “**Company**”) refers to the Company’s announcements dated 23 November 2015 (Announcement Reference No.: SG151124OTHRXTTY), 18 January 2016 (Announcement Reference No.: SG160118OTHRNPJQ), 6 April 2016 (Announcement Reference No.: SG160406OTHRHIHK), 31 May 2016 (Announcement Reference No.: SG160531OTHRE245) and 24 June 2016 (Announcement Reference No.: SG160624OTHRFPVD) (collectively, the “**Previous Announcements**”) relating to the Special Audit Report issued by Baker Tilly Consultancy (Singapore) Pte Ltd (the “**Special Auditor**”) on 24 November 2015 in respect of certain disbursements for the financial years ended 31 December 2013 and 31 December 2014 (the “**Baker Tilly Report**”).
2. Further to the Previous Announcements, the Board of Directors wishes to update all shareholders of the Company (the “**Shareholders**”) on the status of the Company’s possible claims against Dr In Nany Sing Charlie (“**Dr Charlie In**”) relating to the issues identified in the Baker Tilly Report.
3. On 2 September 2016, the Company and its subsidiary, Trechance Holdings Limited (“**Trechance**”), entered into a settlement deed with Dr Charlie In (the “**2 September 2016 Settlement Deed**”) in full and final settlement of any and all disputes, claims and/or counterclaims between each party arising from the issues set out in the Baker Tilly Report (the “**Concluded Claims**”), save for certain claims and counterclaims relating to disputes or possible disputes that are described in a schedule to the 2 September 2016 Settlement Deed (the “**Excluded Claims**”). The Excluded Claims are elaborated upon below.
4. Having taken legal advice from Drew & Napier LLC, the Company has concluded that it may not be fruitful for the Company to expend time and costs to pursue claims against Dr Charlie In for breach of fiduciary duties. The Company has also concluded that it would be in the Company’s best interests to enter into the Settlement Deed with Dr Charlie In for the full and final settlement of the Concluded Claims. Accordingly, under the Settlement Deed, other than the Excluded Claims, neither the Company nor Trechance will have any claims against Dr Charlie In in respect of the Concluded Claims and *vice versa*.

The scope of the 2 September 2016 Settlement Deed

5. The Excluded Claims in the 2 September 2016 Settlement Deed are as follows:
 - (a) any claims arising from the dispute between the Company and Dr Charlie In in respect of the Company’s payment of S\$210,000 to Sinowealth Capital Limited (“**SWC**”) (the “**First Head of Excluded Claims**”);
 - (b) any claims arising from the dispute between the Company and Dr Charlie In in respect of the Company’s S\$3.6 million share placement proceeds (the “**Second Head of Excluded Claims**”); and
 - (c) any claims arising from a Settlement Deed dated 5 April 2016 and a Share Transfer Agreement dated 5 April 2016 relating to a S\$1,500,000 debt owed by Dr Charlie In and New Inspiration Development Limited to the Company (the “**Third Head of Excluded Claims**”).

6. The First Head of Excluded Claims relates to a sale and purchase agreement that the Company entered into on 25 August 2013 (the "**Trechance Sale and Purchase Agreement**") to acquire Trechance and some of its PRC subsidiaries from Talented Created International Limited ("**TCI**") for RMB 22.5 million (the "**Trechance Acquisition Consideration**"). Under the Trechance Sale and Purchase Agreement, as varied by the Second Supplemental Agreement dated 25 August 2014, the Trechance Acquisition Consideration was to be satisfied by (i) the Company's payment of S\$900,039 to TCI in cash ("**Cash Consideration**"); and (ii) the Company's issuance of S\$3.6 million in bonds which would mature in July 2014 ("**S\$3.6 million Bonds**").
7. Dr Charlie In and Ms Lim Chai Har Alice ("**Ms Alice Lim**") approved a payment voucher which authorised the payment of S\$210,000 from the Company to SWC as part of the Cash Consideration. However, the Special Auditor observed that: (i) there is no record of TCI instructing the Company to pay S\$210,000 of the Cash Consideration to SWC; and (ii) out of the S\$210,000 paid to SWC, approximately S\$62,056.94 appears to have been an additional amount which exceeded the Cash Consideration contractually owed to TCI.
8. The Second Head of Excluded Claims relates to a share placement that the Company conducted to raise funds for the acquisition of Trechance from TCI. The Company entered into a subscription agreement on 14 February 2014 to raise S\$3.6 million in gross proceeds through the issue of 1,000,000,000 new shares in the Company to Jadeite Capital and SWC. However, as explained in the Company's announcement dated 23 November 2015, the Special Auditor observed that there is no record of TCI receiving payment of the S\$3.6 million share placement proceeds. According to Dr Charlie In and Ms Alice Lim, the S\$3.6 million share placement proceeds were purportedly used by the Company to redeem the S\$3.6 million Bonds previously issued to TCI pursuant to the Company's acquisition of Trechance.
9. Under the terms of the 2 September 2016 Settlement Deed, on the condition that TCI, its successors, assigns, agents and/or representatives do not bring any claim against the Company relating to the First Head of Excluded Claims and the Second Head of Excluded Claims, the Company has agreed not to make any claims against Dr Charlie In relating to the First Head of Excluded Claims and the Second Head of Excluded Claims.
10. The Third Head of Excluded Claims relates to a S\$1.5 million debt owed to the Company. As explained in the Company's announcement dated 23 November 2015, the Company disposed of its entire equity interest in YESS Le Green Pte Ltd and West Themes Pte Ltd ("**WT**") to Yess Management International Pte Ltd for an aggregate consideration of S\$2.5 million. Of this amount, an amount of S\$1.5 million ("**SGD 1.5 Million Receivable**") has not been paid to the Company.
11. As disclosed in the Company's announcement dated 18 January 2016, the Company had signed a settlement deed (the "**First Settlement Deed**") with Dr Charlie In, WT and another company known as New Inspiration Development Ltd ("**New Inspiration**"). Under the First Settlement Deed, the Company was to arrange for the sale of the property located at 1120 and 1120A Serangoon Road, Singapore 328205 (the "**Serangoon Road Property**"). The sale proceeds were to be paid directly to the Company and the Company was to then pay WT any part of the sale proceeds which exceeded the SGD 1.5 Million Receivable. If the sale proceeds were less than the SGD 1.5 Million Receivable, Dr Charlie In and New Inspiration were to pay the Company the difference within 30 days from the date of the completion of the sale of the Serangoon Road Property. Further, if the sale of the Serangoon Road Property was not completed by 29 February 2016, the SGD 1.5 Million Receivable was to become immediately due and owing from Dr Charlie In and New Inspiration to the Company. The terms of the Settlement Deed are further explained in the Company's announcement dated 18 January 2016.
12. As further disclosed in the Company's announcement dated 6 April 2016, the proposed sale of the Serangoon Road Property under the First Settlement Deed was not successful. Dr Charlie In, New Inspiration and WT had requested for more time to market and sell the Serangoon Road Property. The Company then decided to enter into a further settlement deed (the "**Second Settlement Deed**") with Dr Charlie In, New Inspiration and WT in connection with the SGD 1.5

Million Receivable. The salient terms of the Second Settlement Deed are set out in the Company's announcement dated 6 April 2016. In brief, the Company had given Dr Charlie In, New Inspiration and WT until 31 July 2016 to attempt to sell the Serangoon Road Property and repay the SGD 1.5 Million Receivable from the sale proceeds. If the sale of the Serangoon Road Property was not completed by 31 July 2016, Dr Charlie In was to transfer the full legal and beneficial title to all of Dr Charlie In's shares in WT to the Company in full repayment of the SGD 1.5 Million Receivable. The Company had also entered into a conditional share transfer agreement (the "**Share Transfer Agreement**") with Dr Charlie In to provide for this transfer of Dr Charlie In's shares in WT. The salient terms of the Share Transfer Agreement have been set out in the Company's announcement dated 6 April 2016.

13. As disclosed in the Company's announcement dated 1 August 2016, the proposed sale of the Serangoon Road Property under the Second Settlement Deed was not successful. The Company has commenced due diligence on WT pursuant to the terms of the Share Transfer Agreement.
14. Under the terms of the 2 September 2016 Settlement Deed, Dr Charlie In also agreed to waive, forego and not make any claims against the Company and/or its subsidiaries for any sums allegedly owed to Dr Charlie In, including but not limited to (i) any amounts incurred by Dr Charlie In on the Company's behalf in the course of Dr Charlie In's employment with the Company; (ii) any bonus and severance related payments; (iii) any unpaid directors' fees; (iv) any loans provided by Dr Charlie In to the Company and/or Trechance; and (v) any commissions pertaining to the acquisitions and divestments undertaken by the Company.
15. In connection with the Settlement Deed, certain provisions relating to the Concluded Claims previously made by the Company in its financial statements will be written back. Such write back is accordingly expected to have a positive effect on the financial position of the Company for the current financial year.
16. The Company will keep its Shareholders informed of any updates in relation to the issues raised in the Baker Tilly Report.

By Order of the Board

Christopher Chong Meng Tak
Non-Executive Chairman

6 September 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the SGX-ST. The Company's Sponsor has 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 of the statements or opinions made or reports contained in this announcement.

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