



## CEDAR STRATEGIC HOLDINGS LTD

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FOR IMMEDIATE RELEASE

# Cedar Strategic returns to the black for FY2015 with RMB 7.0 million net profit

- New Board and Management implemented new governance framework, internal controls and compliance rules to ensure integrity of operational and financial statements
- With a cleaned-up balance sheet, Management is committed to sustainable business strategy with focus on long-term recurring income and short-term development profit
- First acquired asset in Daya Bay expects progressive revenue recognition from sale of property units in 1H2016 supported by recurring holiday apartments rental income

**SINGAPORE – 15 February 2016** – Catalyst-listed property development and investment company, Cedar Strategic Holdings Ltd (“CSH”, together with its subsidiaries, “the Group”), today reported a clear turnaround in business operations, posting RMB 7.0 million net profit for the full year ended 31 December 2015 (“FY2015”). Comparatively, FY2014 saw a net loss of RMB 252.9 million as a result of contingency measures undertaken which included various one-off impairment losses.

Following the Group’s suspension in April 2015, a new management and board was appointed in 3Q2015 to lead in the ground up restructuring of the Group. A corporate governance framework was introduced to reinforce internal controls, work procedures and processes so as to ensure compliance and minimise the risk of oversight.

In addition, due to the unavailability of the accounting records and loss of control of the Group’s entities in the People’s Republic of China (“PRC”), prudent initiatives were enforced to clean-up the balance sheet. This saw the Group undertaking full impairment provisions for non-operating expenses of RMB 72.8 million and RMB 15.6 million for property, plant and equipment and net current assets in 4Q2014 respectively. The impairments were also extended to various trade receivables amounting to RMB 196.3 million during the period.

As the Group progresses on its restructuring roadmap in FY2015, it remains focused on development properties, investment properties and other related businesses within emerging markets. The Group’s key asset, Daya Bay project in China, comprises a total of 1,099 apartments, of which 700 are earmarked for sale and the remaining to be leased as holiday apartments to derive recurring revenue streams.

Since the acquisition of Daya Bay<sup>1</sup> on 4 November 2015, the Group has received RMB 26.3 million maiden revenue contributions from sale of property units (RMB 25.5 million) and rental income (RMB 0.8 million) for FY2015, consolidating business operations of just under two months. The acquisition also bolstered the Group’s profitability with a one-off negative goodwill recognition amounting to RMB 21.2 million.

**Mr Tan Thiam Hee, CEO of CSH commented,** *“2015 was a tumultuous year for everyone at the Group. There were major developments ranging from a trading suspension to the replacement of the entire management and board. The new team hired forensic specialist to determine what went wrong and implemented new systems, governance and controls. The new team also undertook impairment*

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<sup>1</sup> Subject to the post acquisition conditions outlined in the previous corporate announcements (namely, the announcements released by the Company via the SGXNET on 21 July 2015, 2 October 2015, 5 November 2015 and 3 February 2016).

*provisions and whilst the cost of this clean-up has been significant (over S\$ 2 million to date), the resultant financial and control structures provided the group with formidable foundations for growth.*

*Our two-pronged focus on long-term recurring income from holiday apartments leasing and short-term development profit from sale of property units creates a sustainable business model for the Group. Not only is this a scalable model for future projects, it also ensures a healthy stream of cash flow to facilitate our working capital which is imperative in driving a successful turnaround. Encouraged by our shareholders' vote of confidence in the recently concluded AGM, the experienced management team is committed to drive through the current growth trajectory."*

As at 31 December 2015, approximately RMB 323.4 million of gross development value comprising 572 units (approximately 25,000 sqm) of the Daya Bay project have been sold. In accordance with the Group's revenue recognition policy, only 317 units at the project level and post-acquisition sales of 48 units or approximately RMB 25.5 million (post-acquisition sales), have been recognised in FY2015 with the remaining units expected to be recognised progressively by the first half of 2016 upon handover to buyers.

The Group recorded investment and development properties of RMB 265.5 million and RMB 169.1 million respectively following the consolidation of Daya Bay's financial position. The investment and development properties are recorded at fair value after the purchase price allocation exercise conducted by an independent professional valuer. With reference to previous announcements by the Group, a consideration of RMB 48 million is payable for the Daya Bay project.

On the Group's prospects, **Mr Tan** added, "*Our initial investment in the Daya Bay project is a clear indication that China continues to offer commercially attractive opportunities. According to data provided by Huizhou Municipal Bureau of Statistics<sup>2</sup>, residential sales in FY2015 amounted to RMB 75.8 billion, a year-on-year increase of 41.7%. Moving forward, we continue to witness favourable governmental intervention with policies such as lowered minimum required mortgage down payment, decrease in interest rates by the central bank and easing of property purchase restrictions.*

*With a clear objective to enhance shareholder value, we are cautiously optimistic about the Group's outlook while remaining vigilant to market risks."*

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*This press release is for information purposes only, without regard to the objectives, financial situation or needs of any specific person. It does not purport to be complete and is qualified in its entirety and should be read in conjunction with the accompanying FY2015 results announcement.*

### **About Cedar Strategic Holdings Ltd**

Listed on the Catalist board of the Singapore Exchange Securities Trading Limited, Cedar Strategic Holdings Ltd. (CSH) was incorporated in Singapore on 17 October 1980. Formerly known as China Titanium Ltd., the Company adopted the name Cedar Strategic Holdings Ltd. on 7 December 2012 following the restructuring of its business model. Going forward, the Group intends to continue to focus on property investment and development and related businesses.

*Issued on behalf of Cedar Strategic Holdings Ltd by: Financial PR Pte Ltd*

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<sup>2</sup> "Real estate inventory has quietly returned to a reasonable level", Nanfang Daily, 27 January 2016