

CEDAR STRATEGIC HOLDINGS LTD.

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

UPDATE ON RESUMPTION OF TRADING OF SHARES

All capitalised terms used and not defined herein shall bear the same meanings ascribed to them in the Company's announcement titled "Release of the Special Audit Report by the Special Auditor" released on 24 November 2015 (Announcement Reference No.: SG151124OTHRXTTY), unless the context otherwise requires.

The Board of Directors ("**Board**") of Cedar Strategic Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the announcement released on 21 March 2016 (Announcement Reference No.: SG160321OTHRZUM8) pertaining to the receipt of a letter dated 18 March 2016 (the "**Response Letter**") from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to the Company's application for the resumption of trading in the Company's shares (the "**Resumption Application**"). As stated in the Response Letter, the SGX-ST has no further comments on the Company's Resumption Application subject to the disclosure of the matters highlighted in the next paragraph as well as the submission of certain undertakings.

The Board wishes to announce, confirm and disclose the following:

(a) Adequacy of the internal controls in addressing financial, operations and compliance risks

An initial review by Baker Tilly TFW LLP ("**Baker Tilly**") suggests that the Company's internal controls are more than adequate for the level of business being undertaken by the Company. The Company's external auditors, Foo Kon Tan LLP ("**FKT**") also undertook select reviews of internal controls to ensure the integrity of the Company's financial statements. FKT have not pointed out any exceptions in the current audit for the financial year ended 31 December 2015 ("**FY2015**").

The Company has also appointed Baker Tilly to assist in the review and establishment of an enterprise risk assessment of the Company as well as to be the Company's internal auditors. The Board noted that Baker Tilly has stated in their Internal Audit Report dated 12 February 2016 ("**IA Report**") that "Overall, Baker Tilly has assess the current state of the control environment as generally satisfactory." Whilst the Audit Committee and Board has noted that Baker Tilly has highlighted in their report certain enhancements to control environment elements within the Company and hope that the organization will consider their recommendations in enhancing these control environment elements, the Board is pleased to confirm that the Management has worked to effect the same.

The Board also wishes to highlight that Baker Tilly's summary of the management issues arising from the review shows only 2 Moderate and 2 Low risk issues. The Board is also pleased to note that Baker Tilly has not reported any major risk issues that require urgent remediation by management. The issues that were reported relate to general deficiencies either in the design of internal controls or instances of non-compliances with respect to established organization procedures inherited from the Vendor of the Daya Bay project. However, and in all instances, the non-compliance was not material and did not pose a significant risk to the Company. Other issues contained in the IA Report pertain to minor internal controls deficiencies or are performance enhancement suggestions that Baker Tilly has come up with to assist management in improving internal controls procedures. The Board further noted that Management was generally in agreement with the issues highlighted and has undertaken proactive actions to remediate the issues. These together with the additional steps taken by the Company form the basis of the Board's confirmation that the Company internal controls are adequate in addressing financial, operational and compliance risks.

The continuing sponsor of the Company (the “**Sponsor**”) has taken into account the foregoing, including in particular the Company’s representation and confirmation that:

- (i) FKT have not pointed out any exceptions in the current audit for FY2015;
- (ii) Baker Tilly has assessed the current state of the Company’s control environment as generally satisfactory, and only pointed out two moderate and two low risk issues in the Company’s management, i.e. there were no major risk issues flagged out;
- (iii) the Management has worked to effect the enhancements to control environment elements and internal control procedures that Baker Tilly has recommended,

the Sponsor is unaware of any reason to suggest that the Company’s internal controls are not adequate in addressing financial, operations and compliance risks.

(b) Issues raised by the Special Auditor in the Special Audit Report not having any material impact on the Company’s business and financial position going forward

The Board confirms that the issues raised by the Special Auditor in their Special Audit Report will not have any material impact on the Company’s business and financial position going forward. This is because the issues have either been addressed to the extent that they have already been impaired (whether in part or in full) in the Company’s financial statements, or those issues that have not been so addressed have no negative profit and loss and cash flow implications on the Company’s financial statements going forward.

(c) Sufficiency of the Company’s working capital for the next 12 months from the date of trading resumption

Taking into consideration the Group’s present banking facilities, the aggregate net proceeds of approximately S\$3.59 million expected to be received by early April 2016 from the Company’s proposed placements to Mr Zhu Xiaolin, Mr Tao Xucheng and Mr Luo Shandong as well as the repayment of the investment amounts of S\$2.09 million to Mr Teo Cheng Kwee and Mr Wong Pak Him Patrick (both Mr Teo Cheng Kwee and Mr Wong Pak Him Patrick having agreed that the Company can repay the investment amounts by way of issuance of new shares notwithstanding the technical default under the investment agreements with each of Mr Teo Cheng Kwee and Mr Wong Pak Him Patrick) by way of issue and allotment of shares in the Company, and taking into account that the payment of the consideration payable in relation to the Group’s acquisition of 60% interest in Huizhou Daya Bay Mei Tai Cheng Property Development Co., Limited (惠州大亚湾美泰诚房地产开发有限公司) (as announced by the Company on 2 October 2015) (Announcement Reference SG151002OTHRJS01) (the “**Daya Bay Consideration**”) would be repaid by proceeds (anticipated to be not less than S\$14 million) to be raised by way of a rights issue by the Company currently scheduled to take place in the first half of financial year ending 31 December 2016 (“**FY2016**”), the Board is of the opinion that the Company has sufficient working capital for the next 12 months from the date of trading resumption.

Taking into account:

- (i) the Response Letter from the SGX-ST as well as the listing and quotation notice obtained from the SGX-ST on 18 March 2016 in respect of the proposed placements to Mr Zhu Xiaolin and Mr Tao Xucheng, the expected completion of which by early April 2016 would raise net proceeds of approximately S\$2.29 million for the Company;
- (ii) the Response Letter from the SGX-ST as well as the listing and quotation notice obtained from the SGX-ST on 18 March 2016 in respect of the proposed placements to Mr Teo Cheng Kwee and Mr Wong Pak Him Patrick, the expected completion of which by early April 2016 would discharge S\$2.09 million of the Company’s current liabilities;

- (iii) the Response Letter from the SGX-ST as well as the listing and quotation notice obtained from the SGX-ST on 29 March 2016 in respect of the proposed placement to Mr Luo Shandong, the expected completion of which in early April 2016 would raise net proceeds of approximately S\$1.3 million for the Company;
- (iv) the cash flow projections from the Company for FY2016 showing that the Company will generate a net increase in cash of not less than RMB 50 million (approximately S\$11.19 million based on an exchange rate of S\$1 : RMB4.47) for FY2016 on the assumption (amongst others) that the Company successfully completes its proposed rights issue to raise proceeds of not less than S\$14 million by the first half of FY2016,

and assuming that:

- (iv) the Company successfully completes its proposed rights issue to raise proceeds of not less than S\$14 million by the first half of FY2016, such that the Company is able to repay the Daya Bay Consideration of RMB 48 million (approximately S\$10.08 million based on an exchange rate of S\$1 : RMB4.47) by the end of the first half of FY2016. In this regard, we further note the Company's representation and confirmation that it has received confirmations from cornerstone investors that such investors will undertake to subscribe for any rights shares which are not subscribed by the existing shareholders of the Company; and
- (v) the cash flows generated from the sale of the remaining unsold development properties for sale, and the net rental income derived from the lease of the holiday apartments, arising from the Company's Daya Bay business will be able to meet the liabilities of Daya Bay as and when they fall due,

the Sponsor is unaware of any reason to suggest that the Company will not have sufficient working capital for the next 12 months from the date of trading resumption.

(d) Company and the Group to continue to operate as a going concern

Barring any unforeseen circumstances and based on the Group's cash balances and steady operating cash flow as at 31 December 2015, the forecasted cash flow and positive cash balances as described in a Board Memorandum (prepared by the Management and reviewed and approved by the Board), the Board confirms that the Group and the Company have the ability to continue to operate as a going concern.

Taking into account:

- (i) the Response Letter from the SGX-ST as well as the listing and quotation notice obtained from the SGX-ST on 18 March 2016 in respect of the proposed placements to Mr Zhu Xiaolin and Mr Tao Xucheng, the expected completion of which by early April 2016 would raise net proceeds of approximately S\$2.29 million for the Company;
- (ii) the Response Letter from the SGX-ST as well as the listing and quotation notice obtained from the SGX-ST on 18 March 2016 in respect of the proposed placements to Mr Teo Cheng Kwee and Mr Wong Pak Him Patrick, the expected completion of which by early April 2016 would discharge S\$2.09 million of the Company's current liabilities;
- (iii) the Response Letter from the SGX-ST as well as the listing and quotation notice obtained from the SGX-ST on 29 March 2016 in respect of the proposed placement to Mr Luo Shandong, the expected completion of which in early April 2016 would raise net proceeds of approximately S\$1.3 million for the Company;

- (iv) the cash flow projections from the Company for FY2016 showing that the Company will generate a net increase in cash of not less than RMB 50 million (approximately S\$11.19 million based on an exchange rate of S\$1 : RMB4.47) for FY2016 on the assumption (amongst others) that the Company successfully completes its proposed rights issue to raise proceeds of not less than S\$14 million by the first half of FY2016,

and assuming that:

- (iv) the Company successfully completes its proposed rights issue to raise proceeds of not less than S\$14 million by the first half of FY2016, such that the Company is able to repay the Daya Bay Consideration of RMB 48 million (approximately S\$10.08 million based on an exchange rate of S\$1 : RMB4.47) by the end of the first half of FY2016. In this regard, we further note the Company's representation and confirmation that it has received confirmations from cornerstone investors that such investors will undertake to subscribe for any rights shares which are not subscribed by the existing shareholders of the Company; and
- (v) the cash flows generated from the sale of the remaining unsold development properties for sale, and the net rental income derived from the lease of the holiday apartments, arising from the Company's Daya Bay business will be able to meet the liabilities of Daya Bay as and when they fall due,

the Sponsor is unaware of any reason to suggest that the Company and the Group will not be able to continue to operate as a going concern.

(e) Dissemination of sufficient information to the market to ensure fair and orderly trading

The Company and the Board confirm that they are not aware of any material information (including but not limited to financial and operational information) with respect to the Group that was not formerly disclosed or announced. The Board notes that its Chairman has written 4 letters in the last 7 months setting in context issues that have risen, how they are being resolved, strategised and executed and other developments. In addition, the Company wishes to assure its shareholders that as and when there are material developments, it would make appropriate announcements on the SGXNET in a timely manner to update all shareholders. Accordingly the Board confirms that sufficient information has been disseminated to the market to ensure fair and orderly trading in the Company's shares ("**Shares**") upon lifting of trading suspension.

In addition to the above, the Company has on 30 March 2016 submitted the following undertakings to the Sponsor:

- (i) an undertaking from the Board to ensure that the Company announces via SGXNET any significant developments on the status of the matters set out in the Special Audit Report;
- (ii) an undertaking from the Board to further strengthen and enhance the Company's internal controls, including necessary steps to monitor the Company's custodian of legal representative seal;
- (iii) an undertaking from the Board to comply with the Rules and Regulations applicable to listed companies;
- (iv) an undertaking from the Audit Committee to commission an internal auditor to review adequacy and effectiveness of the Group's internal controls on an annual basis, including review of policy adherence; and

- (v) undertakings from the Audit and Nominating & Corporate Governance Committees to regularly review the Company's finance department to ensure that the department is staffed with sufficient resources with the relevant expertise and experience to meet the Company's needs.

The Company will be requesting for the lifting of the trading suspension on its Shares on the SGX-Catalist with effect from 9.00 am (Singapore time) on 31 March 2016.

Directors' responsibility statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Resumption Application, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in the announcement in its proper form and context.

By Order of the Board

Christopher Chong Meng Tak
Non-Executive Chairman

30 March 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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