

FINAL UPDATE ON ISSUES ARISING FROM BAKER TILLY REPORT

All capitalized terms used and not defined herein shall bear the same meanings ascribed to them in the Previous Announcements (as defined below), unless the context otherwise requires.

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), 24 June 2016 (Announcement Reference No.: SG160624OTHRFPVD), 1 August 2016 (Announcement Reference No.: SG160801OTHRT63T), 6 September 2016 (Announcement Reference No.: SG160906OTHRJXYO) and 4 November 2016 (Announcement Reference No.: SG161104OTHRZV7R) (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 provide all shareholders of the Company (the “**Shareholders**”) with a final summary of all the steps taken by the present Board in respect of the issues arising from the Baker Tilly Report.

The Company’s divestment of its Titanium Dioxide business to TCI

3. With respect to the recoverability of the RMB 180 Million Receivable, as explained in the Company’s announcement dated 24 June 2016, Drew & Napier LLC sent a letter of demand on the Company’s behalf to TCI on 20 June 2016 demanding that TCI return part of the RMB 180 Million Receivable to the Company. To date, the Company has not received a response from TCI.
4. As explained in the Company’s announcement dated 31 May 2016, the Company has also taken legal advice from both Singapore Counsel (ie. Drew & Napier LLC) and PRC Counsel (ie. Yuan Tai Law Offices) about a possible claim by the Company against TCI, Mr Ji Yu Dong (who appears to have been a director of Talented Creation International (“**TCI**”), and possibly also the sole shareholder of TCI) (“**Mr Ji**”) and Ms Ji Lei (Mr Ji’s daughter) for the RMB 180 Million Receivable. Having considered the legal advice obtained, the Company recognises that there are serious difficulties relating to the enforcement of any judgments by the Singapore Court over TCI’s, Mr Ji’s and Ms Ji Lei’s assets in the PRC. In addition, based on the checks conducted by the Company, it appears that Mr Ji may have insufficient assets in the PRC to satisfy any judgment against him. The Company has concluded that it is unlikely to be worthwhile for the Company to take legal action against TCI, Mr Ji and Ms Ji Lei for the RMB 180 Million Receivable.
5. As explained in the Company’s announcement dated 31 May 2016, the Company also obtained legal advice from Drew & Napier LLC about a possible claim by the Company against Dr In Nany Sing Charlie (“**Dr In**”), who was the Company’s Executive Chairman at the material time, for part of the RMB 180 Million Receivable. However, as explained in the Company’s announcement dated dated 24 June 2016, having considered the legal advice obtained, the Company has concluded that there is presently no basis for the Company to take legal action against Dr In for failing to take steps to put in place the necessary documentation to ensure that the Company would have the ability to recover the RMB 180 Million Receivable from TCI. Additionally, based on the asset searches conducted by the Company on Dr In, the Company

has concluded that it may not be fruitful for the Company to expend time and costs on pursuing claims against Dr In.

The Company's subsequent acquisition and proposed divestment of Trechance Holdings Limited ("Trechance")

6. With respect to the Company's possible claims in relation to the handling of the Trechance Acquisition Consideration, as explained in the Company's announcement dated 31 May 2016, TCI has not asserted any claim for the balance Cash Consideration of S\$210,000, or for the non-payment of the S\$3.6 million Bonds. The Company has taken legal advice from Drew & Napier LLC and has concluded that it may be premature for the Company to take the position now that the Trechance Acquisition Consideration has not been fully and properly paid to TCI.
7. In any event, Drew & Napier LLC issued letters of demand on the Company's behalf to Dr In (who was the Company's Executive Chairman at the material time) and Ms Lim Chai Har Alice ("**Ms Lim**") (who was the Company's Chief Financial Officer at the material time) to state that the Company will seek a full indemnity and/or damages from them in the event that TCI brings any claim against the Company for the Trechance Acquisition Consideration. The Company has also obtained an indemnity from Mr Zhou Wei Jian ("**Mr Zhou**") where he has undertaken to indemnify the Company in the event that either TCI or Mr Ji makes a claim against the Company in relation to the S\$3.6 million Bonds. Previously, Mr Zhou was party to a supplementary agreement dated 28 August 2014 entered into between himself and Mr Ji which allegedly confirmed that the S\$3.6 million Bonds issued by the Company were set off against amounts which TCI owed Jadeite Capital ("**Jadeite**") and Sinowealth Capital Limited ("**SWC**"), such that there was no actual payment of the S\$3.6 million share placement proceeds to TCI. In addition, the Company took steps to refer the matter to the Commercial Affairs Department ("**CAD**") on 26 November 2015.
8. In relation to the additional payment of S\$62,056.94, as explained in the Company's announcement dated 31 May 2016, having taken legal advice from Drew & Napier LLC, the conclusion that has been reached is that it may be difficult to show that Dr In and Ms Lim had been negligent in approving the additional payment of S\$62,056.94.
9. With respect to the unexplained loss of PRC subsidiaries, the Company filed a report with the CAD on 26 November 2015 regarding the Company's unexplained loss of Guiyang Shunhe Real Estate Development Co., Ltd ("**Guiyang Shunhe**") and Guizhou Huamao Assets Operation Management Co., Ltd ("**Guizhou Huamao**"), and the loss of control over Cedar Huacheng Investment Management Co., Ltd ("**Cedar Huacheng**") and Guizhou Shengxiang Investment Management Co., Ltd ("**Shengxiang**").
10. The Company has also taken legal advice from PRC Counsel (ie. Yuan Tai Law Offices) and Hong Kong Counsel (ie. Angela Wang & Co) with regard to the Company's unexplained loss of Guiyang Shunhe and Guizhou Huamao. Having considered the legal advice obtained, the Company recognises that there are serious evidential difficulties in proving that the previous directors are negligent and/or have breached their fiduciary duties which resulted in the loss of the PRC subsidiaries. The Company has also concluded that there is presently no basis for the Company to lodge a criminal report with the relevant authorities in the PRC.

The Company's acquisition and divestment of Yess Le Green Pte Ltd and West Themes Pte Ltd ("YESS+WT")

11. With respect to the SGD 1.5 Million Receivable, on 18 January 2016, the Company entered into a settlement deed with Dr In, New Inspiration and West Themes (the "**First Settlement Deed**"). As explained in the Company's announcement dated 18 January 2016, the First Settlement Deed provided that the Company was to arrange for the sale of West Themes's property located at 1120 and 1120A Serangoon Road, Singapore 328205 (the "**Serangoon Road Property**"). Dr In, New Inspiration and West Themes were to take all necessary steps to ensure that the sale proceeds from any sale of the Serangoon Road Property was paid directly

to the Company. If the sale of the Serangoon Road Property was not completed by 29 February 2016, the full amount of the SGD 1.5 Million Receivable was to become immediately due and owing from Dr In and New Inspiration to the Company.

12. Despite the Company's efforts, the Company was not able to find a buyer for the Serangoon Road Property by 29 February 2016.
13. As explained in the Company's announcement dated 6 April 2016, on 5 April 2016, the Company entered into a further settlement deed (the "**Second Settlement Deed**") to effect a full and final settlement of any and all disputes relating to the SGD 1.5 Million Receivable and the First Settlement Deed. The Second Settlement Deed provided that Dr In, New Inspiration and West Themes were 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 In was to transfer the full legal and beneficial title to all of his shares in West Themes (the "**West Themes Shares**") to the Company in full repayment of the SGD 1.5 Million Receivable. The Second Settlement Deed also provided that the Company and Dr In were to, by 5 April 2016, enter into a share transfer agreement which was to provide for the transfer of the full legal and beneficial title to the West Themes Shares from Dr In to the Company. Dr In and the Company accordingly entered into a share transfer agreement on 5 April 2016 (the "**Share Transfer Agreement**")
14. Dr In and the Company were not able to find a buyer for the Serangoon Road Property by 31 July 2016. The Company therefore commenced due diligence checks on the financial, legal, contractual, tax, assets and business of West Themes pursuant to the Share Transfer Agreement. As explained in the Company's announcement dated 4 November 2016, the Company discovered, through the due diligence checks on West Themes, that the valuation of the Serangoon Road Property is S\$1,000,000. The Company also discovered, through due diligence on West Themes, that West Themes has outstanding liabilities such as tax liabilities and liabilities arising from non-compliance with legal requirements. The Board therefore concluded that the overall value of the West Themes Shares to the Company is less than S\$1,000,000. The Company would also incur transaction costs if the proposed transfer of the West Themes Shares took place.
15. As announced in the Company's announcement dated 4 November 2016, on 1 November 2016, the Company decided to enter into a further settlement deed (the "**Third Settlement Deed**") to give effect to a proposal by Dr In to pay the Company S\$1,000,000 in full and final settlement of any and all disputes relating to the SGD1.5 Million Receivable, the First Settlement Deed and the Second Settlement Deed. The salient terms of the Third Settlement Deed are set out in the Company's announcement dated 4 November 2016. In summary, Dr In agreed in the Third Settlement Deed to pay the Company the amount of S\$1,100,000 by 15 November 2016. The Company agreed that upon payment of the amount of S\$1,100,000 by 15 November 2016, it would return to Dr In West Themes's corporate seal and corporate documents, which have been in the Company's possession for the purposes of conducting due diligence.
16. Pursuant to the Third Settlement Deed, the Company received S\$1,100,000 from Dr In on 3 November 2016..
17. With respect to the payment of consultancy fees to Mr Chan Kum Ee in relation to the Company's acquisition of YESS+WT, as explained in the Company's announcement dated 31 May 2016, on the advice of Drew & Napier LLC, the Company commenced Court proceedings to seek pre-action discovery and pre-action interrogatories against Mr Chan Kum Ee ("**Mr Chan**"). On 22 September 2016, the Court granted the Company's application for pre-action and pre-action interrogatories against Mr Chan (the "**Application**"). Amongst other things, the Court ordered that Mr Chan file and serve on the Company a List of Documents giving discovery of the requested documents (the "**List of Documents**"), and file and serve on the Company an affidavit furnishing his answers to the Company's interrogatories.
18. On 12 October 2016, Mr Chan disclosed two documents in the List of Documents. Mr Chan has confirmed that the two documents enumerated in the List of Documents are documents which

the Company already has. As for Mr Chan's answers to the Company's interrogatories which were provided in an affidavit, Mr Chan's affidavit stated that there was an oral agreement between the Company and Sinowalth Financial Limited ("**SWF**") for the provision of consultancy services by SWF to the Company, and that the consultancy services were provided to the Company between the end of December 2012 and the end of January 2013. Specifically, SWF's role was to review the businesses of YESS+WT, liaise with Mr Stanley Lee Kiang Leng ("**Mr Lee**"), facilitate due diligence, and conclude the sale of YESS+WT from Mr Lee to the Company. The Company has since made further checks to verify Mr Chan's answers to the interrogatories. Based on the checks conducted by the Company, it appears that Mr Chan has provided some consultancy services to the Company in respect of the YESS+WT Acquisition. Having taken legal advice from Drew & Napier LLC, the Company has concluded that there is presently no basis to bring a claim against Mr Chan for the recovery of the consultancy fees.

The Company's acquisition of Futura Asset Holdings Pte Ltd ("Futura")

19. As explained in the Company's announcement dated 31 May 2015, there is no evidence that the Company has suffered any loss as a result of the acquisition of Futura. Having taken legal advice from Drew & Napier LLC, the conclusion that has been reached by the Company is that there is presently no basis for the Company to take any legal action in respect of the acquisition of Futura.

Severance payments made by the Company to Dr In, Ms Lim, Mr Chan and Ms Zhang Liying

20. The Baker Tilly Report observed that bonus and severance related payments (collectively, the "**Severance Payments**") were made to several key personnel of the Company, including Dr In and Mr Chan (who were the Company's Executive Directors), Ms Lim (who was the Company's Chief Financial Officer) and Ms Zhang Li Ying ("**Ms Zhang**") (who was the Executive Director of Trechance). The Baker Tilly Report further observed that there was no documentation to demonstrate that the Nominating and Corporate Governance Committee or the Board had approved the termination of the said directors and key management executive. On 26 November 2015, the Company took steps to refer the matter to the CAD.
21. In addition, as explained in the Company's announcement dated 31 May 2016, Drew & Napier LLC sent letters of demand on the Company's behalf to Ms Lim and Mr Chan to demand that Ms Lim and Mr Chan (as the case may be) return the Company any overpayments in Severance Payments made to them. Drew & Napier LLC also sent a letter of demand on the Company's behalf to Dr In stating that the Company shall not be liable to pay Dr In a significant portion of the Severance Payments allegedly owed to him.
22. However, both Ms Lim and Mr Chan claimed that there were no overpayments as the Severance Payments made to them were amounts provided for in their employment contracts with the Company. They also provided some documentary evidence in support of their claims. Dr In also claimed that he was entitled to the Severance Payments as they were provided for in his employment contracts with the Company. The Company has obtained further legal advice from Drew & Napier LLC and concluded that there are serious evidential difficulties in proving that Dr In, Ms Lim and Mr Chan were not entitled to the Severance Payments.
23. As regards the Severance Payments made to Ms Zhang, the Company has obtained legal advice from Angela Wang & Co. Having considered the legal advice obtained from Angela Wang & Co, the conclusion that has been reached is that there is presently no basis for the Company to bring a claim against Ms Zhang in Hong Kong for the return of the Severance Payments.

Disbursements paid by the Company

24. With regard to the payments made to third parties by the Company on Dr In's behalf, the Company took steps to refer the matter to the CAD on 26 November 2015.

25. Additionally, as explained in the Company's announcement dated 31 May 2016, Drew & Napier LLC sent a letter of demand on the Company's behalf to Dr In to demand that Dr In pay the Company the difference between (i) the amounts paid by the Company to Dr In or on Dr In's behalf; and (ii) the amounts allegedly owed by the Company to Dr In. However, the Company was of the view that it was unlikely to be fruitful for the Company to expend time and costs to commence claims against Dr In in respect of these demands. This was because the potential amounts to be recovered from Dr In were less than the Severance Payments which Dr In alleged were owed to him by the Company (see paragraphs 20 to 22 above).
26. As explained in the Company's announcement dated 6 September 2016, the Company concluded that was in the Company's best interests to enter into the Settlement Deed with Dr In for the 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 (the "**Excluded Claims**").
27. On 2 September 2016, the Company and its subsidiary, Trechance, entered into a settlement deed with Dr In (the "**2 September 2016 Settlement Deed**"). Under the 2 September 2016 Settlement Deed, other than the Excluded Claims, neither the Company nor Trechance has any claims against Dr In in respect of the Concluded Claims and *vice versa*.
28. As set out in the Company's announcement dated 6 September 2016, 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 In in respect of the Company's payment of S\$210,000 to SWC;
 - (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; and
 - (c) any claims arising from the Second Settlement Deed and the Share Transfer Agreement, which relate to the SGD 1.5 Million Receivable.
29. Under the terms of the 2 September 2016 Settlement Deed, Dr 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 In, including but not limited to (i) any amounts incurred by Dr In on the Company's behalf in the course of Dr In's employment with the Company; (ii) any bonus and severance related payments; (iii) any unpaid directors' fees; (iv) any loans provided by Dr In to the Company and/or Trechance; and (v) any commissions pertaining to the acquisitions and divestments undertaken by the Company.
30. With regard to the duplicate claims amounting to S\$3,827.40 which Ms Lim purportedly made using the same airfare and accommodation invoices, Ms Lim has repaid the sum of S\$3,827.40 to the Company on 19 May 2016.

Conclusion

31. If there are any new developments in relation to the issues raised in the Baker Tilly Report, the Company will update the Shareholders accordingly.

By Order of the Board

Christopher Chong Meng Tak
Non-Executive Chairman

21 November 2016

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The 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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