

To the Shareholders of Cedar Strategic Holdings Ltd

30 March 2016

Dear Shareholders,

I am delighted to pen this, my fifth letter to you. In compliance with Rule 704(4) of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, the Company noted that its Independent Auditor, Foo Kon Tan LLP, has issued its Independent Auditor's Report for the financial statements of the Company and its subsidiaries (the “**Group**”) for the financial year ended 31 December 2015 (the “**IA Report 2015**”) and the IA Report 2015 contains a qualified opinion and an emphasis of matter. This letter seeks to explain the qualification and emphasis of matter that will appear in the IA Report 2015.

(If you missed our first four letters released on the SGX website please go to http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/company_announcements, and then set the announcement period for 12 months, the security name to Cedar Strategic Holdings Ltd and then press GO.)

Terms which are capitalised herein but not defined shall have the same meaning in the IA Report 2015.

Qualified Audit Opinion

In their report, the Independent Auditor note under the Auditor’s Responsibility section that:

“We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion”

and under the Qualified Opinion section, the Independent Auditors, state that:

“In our opinion, except for the possible effects described in the Basis of Qualified Opinion paragraph, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year then ended”.

The Basis of Qualified Opinion paragraph is shown at the end of this section.

To understand the qualification and the Independent Auditors’ reasoning, you must first appreciate that they had disclaimed the whole of the FY2014 financials. This was because management was unable to prove to the satisfaction of the Independent Auditors that:

1. the consolidation of the Company’s subsidiaries was complete;

2. the Company had control of all the PRC entities it claims to control;
3. there was no change in the beneficial owner of Talented Creation International Limited (“TCI”) who owes a significant liability to the Company;
4. all related party transactions had been declared and were correct;
5. the carrying cost after impairments were appropriate;
6. an amount due from New Inspiration Development Limited (“**New Inspiration**”) is recoverable;
7. the impairment on the amount from TCI is appropriate;
8. the retrenchment benefits, bonuses and other salary related costs of certain past directors and employees were appropriately approved;
9. certain payments amounting to over RMB4 million were in the ordinary course of business of the Company and properly supported and approved;
10. the use of certain share placement proceeds were in the ordinary course of business of the Company and properly accounted for;
11. the Company has fully complied with all the accounting standards; and
12. the Company is a going concern.

As you will note the list is extensive and several items, despite herculean effort by the new management team, are simply not resolvable. For instance, missing documents remain missing and inappropriate payments remain inappropriate payments. Given this the Independent Auditors had disclaimed the Group’s FY2014 numbers.

Management has however been able to clear the Group’s profit and loss figures for FY2015 and the Group’s balance sheet as at 31 December 2015 and accordingly; these are unqualified. However, as we are required to compare the FY2015 numbers against the FY2014 numbers and show the FY2014 numbers in our Annual Report, it is logical that the auditors have to repeat their qualification of the FY2014 numbers, or in accounting terminology, qualify the comparatives.

As an aside, point 6, 10 and 11 of the above list also affect the opening balance for FY2015. In the Basis of Qualified Opinion paragraph, the Independent Auditors accept that points 6 and 10 have been cleared and point 11 relates to non-compliance on the disclosure of comparative information in relation to the Group’s FY2014 financial statements.

Your Board and I see the qualification as a regretful, logical and technical qualification. But given that the qualification for the Group’s FY2015 numbers relates to disclosure on the comparative information for the Group’s FY2014 numbers, we do not feel stakeholders should be overly concerned by it.

Basis of Qualified Opinion

“Our audit report dated 24 November 2015 on the consolidated financial statements for the previous financial year ended 31 December 2014 contained a disclaimer of opinion. With further resolution of the disclaimer items in FY 2015 as described in Note 27 to the financial statements, certain bases for the disclaimer of

opinion in the 2014 auditors' report did not affect the opening statement of financial position of the Group and the Company as at 1 January 2015 except for:

Item 6: Recoverability of the amount due from New Inspiration Development Limited/Dr Charlie In;

Item 10: Use of share proceeds of S\$3.6 million and the settlement of the consideration payable to TCI; and

Item 11: Non-compliance with disclosure requirements under the respective FRSs.

Items 6 and 10 have been resolved during the current financial year ended 31 December 2015 and accordingly, they do not have an impact on the Group's and the Company's statement of financial position as at 31 December 2015. Only Item 11 which relates to the non-compliance with disclosure requirements under the respective FRSs in respect of the comparable information disclosed for FY 2014 financial statements has not been resolved as at 31 December 2015 because the non-compliance with disclosures would render the comparative information for FY 2014 to be not meaningful."

Going Concern

The Independent Auditors also note that the Company has deficits in net current assets and cash flow from operations. But they accept that the Company has plans that will remedy this and thus have expressed this as an Emphasis of Matter.

As previously noted, the Company plans to raise new equity through several ways including share placements, rights issue and taking action to recover the S\$1.5 million debt owed by New Inspiration/Dr In Nany Sing Charlie.

Given that several investors have indicated interest in our capital raising exercise, your Board and I believe the going concern issue should be resolved beyond doubt within the next several months.

A copy of the IA Report 2015 is attached to this letter for shareholders' reference. The IA Report 2015 and a complete set of the Group's financial statements for FY2015 will also be found in the Company's Annual Report for FY2015, which will be released on SGXNET and dispatched to shareholders in due course.

I thank you for your attention.

Christopher Chong,
Chairman

*This announcement has been prepared by the Company and reviewed by the Company's sponsor, Stamford Corporate Service Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not verified the contents of this announcement including the accuracy or completeness of any of the information disclosed or the correctness of any of the statements or opinions made or reports contained in this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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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