

Independent auditor's report to the members of Cedar Strategic Holdings Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Cedar Strategic Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Company and the Group as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Auditor's responsibility (Cont'd)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion (See Basis of Qualified Opinion below).

Basis of Qualified Opinion

Disclaimer of Opinion on the Financial Statements for the Year ended 31 December 2014

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.

Qualified opinion

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.

Emphasis of Matter – Going concern

We draw attention to Note 2(a) to the financial statements.

Going concern

Trading in the Company's shares was halted on 9 April 2015 and subsequently suspended on 14 April 2015. As at 31 December 2015, the Company reported a deficiency in net assets and current assets of RMB 7.5 million (2014: surplus in net assets of RMB 4.8 million) and RMB 8.4 million (2014: surplus in net current assets of RMB 4.2 million), respectively, and registered a loss before taxation of RMB 12.3 million (2014: RMB 244.1 million).

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Emphasis of Matter (cont'd)

Going concern (cont'd)

In addition, the Group registered a deficiency in net current assets and cash outflows from operating activities of RMB 59.0 million (FY 2014: surplus in net current assets of RMB 3.0 million) and RMB 29.8 million (2014: RMB 38.4 million), respectively, as at the balance sheet date. These factors indicate the existence of an uncertainty which may cast doubt on the Group and the Company's ability to continue as a going concern.

As described in further details in Note 2(a) to the financial statements, the deficiencies in net current assets of the Group and the Company as at 31 December 2015 arose mainly from (i) the aggregate of investment amounts received in advance from Mr. Teo Cheng Kwee and Mr. Wong Pak Him Patrick (collectively known as the "Investees") amounting to RMB 9.6 million, will be discharged by way of issuance and allotment of new ordinary shares once the Company resumes trading of the Company's shares on the Catalist, (ii) settlement of the accrued consideration payable of RMB 48 million arising from the acquisition of Huizhou Daya Bay Mei Tai Cheng Property Co., Ltd ("Daya Bay") by 30 June 2016, assuming the Vendor of Daya Bay completes and resolves the remaining outstanding conditions precedent by 31 March 2016 as stipulated in the second supplementary agreement signed on 2 February 2016.

The viability of the Group and the Company's operations to a large extent is dependent on whether (i) the aggregate of investment amounts received in advance from the Investees amounting to RMB 9.6 million will be discharged by way of issuance and allotment of new ordinary shares once the Company resumes of the Company's shares on the Catalist; (ii) the Company is able to raise fresh funds to settle the outstanding consideration payable to the Vendor of Daya Bay and (iii) the Group generates sufficient revenue and receipts from the sale of the remaining unsold development properties held for sale to meet the liabilities of Daya Bay as and when they fall due.

The financial statements have been prepared on a going concern basis, which contemplate the realisation of assets and the satisfaction of liabilities in the normal course of business. As described above, management is of the view that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. If the Group and the Company are unable to continue to generate sufficient revenues and/or raise new funds from lenders, third parties and shareholders or through the injection or acquisition of new businesses, and are unable to discharge their liabilities in the normal course of business, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may need reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide further liabilities that may arise. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

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Report on other legal and regulatory requirements

In our opinion, except for the matter described in the preceding paragraphs, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore, of which we are auditors, have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 30 March 2016