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 Group and the Company as at 31 December 2013, 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, Cap. 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 about 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of matter

Without qualifying our opinion, we draw attention to the recoverability of the outstanding amounts as disclosed in Notes 2(a) and 8 to the financial statements respectively.

Management is of the view that the amounts due from Talented Creation International Limited ("TCI") and Mr. Ji Yu Dong ("JYD") are recoverable as management has not completed its initial accounting for its business combination arising from the acquisition of Trechance Holdings Limited and its subsidiaries at the reporting date. Accordingly, management currently reports the amounts due from JYD amounting to RMB155.2 million on a provisional basis. Management will retrospectively adjust the provisional amounts recognised at the acquisition date during the 12 months measurement period to reflect the new information obtained about facts and circumstances that existed as of the acquisition date and if known, would have affected the measurement of the amounts due from JYD recognised as of that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan Grant Thornton LLP
Public Accountants and
Chartered Accountants

Singapore,
20 May 2014

2(a) Basis of preparation (cont'd)

Recoverability of amounts due from TCI and JYD

As at the reporting date, the amounts due from TCI and JYD amounted to RMB 189.9 million and RMB 155.2 million respectively. The amounts represent 47.9% of the Group's total assets as at 31 December 2013.

The amounts arose from (i) the consideration and interest receivable amounting to RMB 189.9 million due from TCI, an investment vehicle incorporated in the British Virgin Islands owned by JYD following the sale of the Group's equity interests in Jade Marketing & Distribution Pte Ltd ("JMD"), Jade Real Estate Pte. Ltd ("JRE"), Daqing Xinde Chemical Marketing & Distribution Ltd and Daqing XinLong Chemical Company Ltd (collectively known as the "Disposal Group") to JYD and (ii) the amounts due from/(to) JYD's affiliated companies and certain advances extended to the employees totalling RMB 155.2 million, currently recorded in the books of the Group's newly acquired wholly-owned subsidiaries in (a) Guizhou Shengxiang Investment Management Co., Ltd, (b) Guiyang Shunhe Real Estate Development Co., Ltd and (c) Guizhou Huamao Assets Operation Management Co., Ltd in which JYD has undertaken to repay the Group.

Management is of the view that the amounts due from TCI and JYD are recoverable as management has not completed its initial accounting for its business combination arising from the acquisition of Trechance and its subsidiaries at the reporting date. Accordingly, management currently reports the values of the identifiable assets acquired and liabilities assumed on a provisional basis. During the twelve months measurement period from the date of acquisition, Management will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect the new information obtained about facts and circumstances that existed as of the acquisition date and if known, would have affected the measurement of the amounts of assets and liabilities recognised as of that date. The financial statements do not include any adjustments relating to the recoverability of the amounts due from TCI and JYD.

Critical assumptions used and accounting estimates in applying accounting policies

Estimation of net realisable value of development properties

Significant judgement is required in assessing the net realisable value of development properties. Net realisable value in respect of development properties is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction, estimated remaining revenues and estimated costs necessary to make the sale.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Changes in the expected level of usage, maintenance programmes, and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Impairment of property, plant and equipment

Property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets, and where applicable, cash-generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit (or group of cash-generating units) and also to use many estimates and assumptions such as future market growth, forecasted revenue and costs, useful lives of utilisation of the assets, discount rates and other factors.

7 Land for development

The amount relates to a payment made to 贵州省国土资源厅贵阳经济技术开发区国土资源分局 amounting to RMB 4.26 million in connection with a piece of land with an area of 1,670.19 square meters located at Zhujiang Road, Xiaohe District. The Group has also paid relocation costs amounting to RMB 1.3 million as disclosed in Note 8 to the financial statements to the affected parties in respect of the same piece of land.

8 Trade and other receivables

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Amount due from a subsidiary (Note A)	**-**	-	**189,912**	-
Consideration receivables from vendors on disposals of subsidiaries (Note B)	**192,320**	-	**2,408**	-
	192,320	-	**192,320**	-
Current				
Other receivables, including tax recoverables	**6,218**	2,314	**-**	2,314
Deposits placed to purchase land (Note C)	**80,000**	-	**-**	-
Other deposits	**88**	68	**72**	68
Amount due from a subsidiary	**-**	-	**9,701**	-
Amounts due from JYD (Note D)	**155,180**	-	**-**	-
Consideration receivable from a vendor on disposal of a subsidiary (Note B)	**4,816**	-	**4,816**	-
Loans and receivables	**246,302**	2,382	**14,589**	2,382
Prepayment for relocation costs (Note C)	**1,316**	-	**-**	-
Prepayments	**507**	194	**508**	194
	248,125	2,576	**15,097**	2,576

Note A:

The Company has previously entered into an Equity Transfer Agreement (the "Agreement") dated 16 August 2012 with Trechance, TCI and JYD where the Company agreed to transfer all its beneficial interests and title in its 51% equity stake in JMD, 100% interest in JRE and its equity interests in XinDe and XinLong (collectively known as the "Disposal Group Held for Sale") to TCI for a consideration of RMB 180 million (the "Consideration"). The divestment was completed in February 2013.

Under the same Agreement, management agreed to utilise the Consideration by (i) extending a loan amounting to RMB 100 million to Trechance for a tenure of 3 years, bearing an interest rate of 10% per annum and (ii) acquiring a 25% economic interest in a piece of land in Kaiyang County, Guizhou Province, PRC for a consideration of RMB 80 million. Trechance was previously a wholly-owned subsidiary of TCI.

Pursuant to the Sale and Purchase Agreement dated 25 August 2013 entered with TCI to acquire the entire issued and paid-up share capital of Trechance for a consideration of RMB 22.5 million, Trechance agreed to repay the Company a sum equivalent to the land purchase price of RMB 80 million by way of a loan due to the Company based on the same terms and conditions of the initial loan of RMB 100 million as mentioned above. The loan extended to the subsidiary, including accrued interest receivable of RMB 9.9 million, is denominated in RMB.

8 Trade and other receivables (cont'd)

Note B:

Trechance subsequently entered into a separate back-to-back loan agreement amounting to RMB 180 million with TCI. The loan bears interest of 10% per annum for a period of 3 years. Accordingly, the entire outstanding balance of RMB 189.9 million has been reclassified to "consideration receivable from vendors" in the consolidated statement of financial position as at 31 December 2013.

The remaining consideration receivable of RMB 7.2 million (equivalent to S$1.5 million) relates to the receivable from Yess Management International Pte. Ltd, a company owned by the Vendor, which arose from the disposal of the Group's entire interests in YLG and West Themes as disclosed in Note 5 to the financial statements. The outstanding receivable is secured by a charge over the property asset owned by the Vendor, located at No. 149 Chempaka Kuning Link, The Springfield, Singapore 486342.

Note C:

As at 31 December 2013, the Group has placed a deposit of RMB 80 million with 开阳县土地储备中心 in respect of the purchase of a piece of land with a gross floor area of 299,700 square meters.

Note D:

The amounts due from JYD are unsecured, interest-free and are repayable on demand.

Impairment losses

The ageing of trade and other receivables at amortised cost at the reporting date is:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
No credit terms	**235,109**	2,576	**10,281**	2,576
Not past due	**4,816**	-	**4,816**	-
Past due:				
- More than 12 months	**8,200**	-	**-**	-
	248,125	2,576	**15,097**	2,576

There was no impairment losses recognised for the financial year ended 31 December 2013 (2012: Nil).

Trade receivables are non-interest bearing and they are recognised at their original invoiced amounts which represent their fair values on initial recognition. The Group's historical experience in the collection of trade receivables fall within the recorded allowances. As a result, management believes no additional credit risk beyond the amounts provided for, is inherent in the Group's trade receivables.

8 Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**235,799**	-	**-**	-
Singapore Dollar	**12,214**	2,576	**15,097**	2,576
Hong Kong Dollar	**7**	-	**-**	-
United States Dollar	**105**	-	**-**	-
	248,125	2,576	**15,097**	2,576

9 Cash and cash equivalents

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fixed deposits	**8,510**	48,000	**3,083**	48,000
Cash and bank balances	**25,911**	18,241	**18,921**	18,241
	34,421	66,241	**22,004**	66,241

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2013	2012
The Group	**RMB'000**	RMB'000
Cash and cash equivalents in the statements of financial position	**34,421**	66,241
Deposit pledged with a financial institution	**-**	(48,624)
Discontinued operation (Note 10)	**-**	120
Cash and cash equivalents in statements of cash flows	**34,421**	17,737

In the previous financial period ended 31 December 2012, deposit pledged represents bank balances pledged as security to obtain credit facility for the acquisition of XinLong (see Note 10).

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Renminbi	**6,989**	-	**-**	-
Singapore dollar	**21,974**	5,921	**21,974**	5,921
Hong Kong dollar	**5,428**	-	**-**	-
United States dollar	**30**	60,320	**30**	60,320
	34,421	66,241	**22,004**	66,241

The fixed deposits have an average maturity of 1 month from the end of the reporting period with interest rate ranging from 0.08% to 0.16% per annum. (2012: 0.1% to 2.5% per annum)