

# CEDAR STRATEGIC HOLDINGS LTD.

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

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## PROPOSED ACQUISITION OF YESS LE GREEN PTE LTD AND WEST THEMES PTE LTD

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### 1. INTRODUCTION

The board of directors (the “**Board**”) of Cedar Strategic Holdings Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a conditional sale and purchase agreement dated 28 January 2013 (the “**Agreement**”) with Mr. Stanley Lee Kiang Leng (the “**Vendor**”), pursuant to which the Company has agreed to purchase:

- (a) 2,500,000 ordinary shares in Yess Le Green Pte. Ltd. (“**YLG**”), representing the total issued share capital of YLG (the “**YLG Shares**”); and
- (b) 500,000 ordinary shares in West Themes Pte. Ltd. (“**WT**”), representing the total issued share capital of WT (the “**WT Shares**”),

for an aggregate consideration of S\$6,312,000, subject to any deduction pursuant to Section 3.5(b) below (the “**Consideration**”), on the terms and subject to the conditions of the Agreement (the “**Acquisition**”).

### 2. INFORMATION ON YLG, WT AND THE VENDOR

YLG and WT were incorporated in Singapore in 2003 and 2000 respectively. YLG and WT are companies in the real estate industry principally engaged in the business of asset management. They specialise in enhancement of assets, refurbishment and leasing of commercial properties. YLG also operates a student hostel on one of its properties. WT also owns a unit at Mayfair Industrial Building, a 999-year leasehold property located at 51 Jalan Peminpin (the “**Mayfair Property**”), and a 2-storey shophouse located at 1120 and 1120A Serangoon Road, a 99-year leasehold property (the “**Serangoon Property**”, and together with the Mayfair Property, the “**Properties**”).

The Company has commissioned Estate Exchange Consulting (“**EEC**”), a property valuer, to evaluate the “open market value” of the Properties, being the “best price at which an interest in the property might reasonably be expected to have been completed at the date of valuation”. The valuation of the Properties is arrived at based on comparison with the current transacted prices of similar or comparable properties with adjustments being made for differences in location, tenure, size, design, and other relevant factors, and based on certain standard industry assumptions.

According to its valuation reports dated 27 December 2012 (the “**Valuation Reports**”), EEC is of the opinion that the open market values of the Mayfair Property and the Serangoon Property are S\$880,000 and S\$1,280,000 respectively.

The Vendor is the beneficial owner of the YLG Shares and WT Shares, which are currently held by his nominees (the “**Nominees**”).

### **3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION**

#### **3.1 Consideration**

Subject to the terms and conditions of the Agreement, the Company shall purchase and the Vendor shall procure the Nominees to sell:

(a) 2,500,000 YLG Shares, representing the total issued share capital of YLG; and

(b) 500,000 WT Shares, representing the total issued share capital of WT,

for the Consideration, free from all encumbrances and together with all rights, benefits and entitlements attaching thereto as of 1 January 2013.

The Company will satisfy the Consideration by:

(i) the issue of a S\$2,000,000 in aggregate principal amount of 5% bond due 2016 (the “**Bond**”);

(ii) the issue of 250,000,000 warrants (the “**Warrants**”), with each Warrant carrying the right to subscribe for one (1) share in the Company (“**Share**”) at the price of S\$0.008 (the “**Issue Price**”) (which is at a discount of approximately 0.3% to S\$0.008024, which is the volume weighted average price for trades done in the Shares on the SGX-ST for the full market day on which the Agreement is signed);

(iii) the issue of 289,000,000 new Shares at the Issue Price (the “**Consideration Shares**”);

(iv) a payment of S\$2,000,000 (the “**Cash Consideration**”), with an initial payment of S\$1,000,000 at completion of the Acquisition (“**Completion**”) and subject to any deduction pursuant to Section 3.5(b) below, the remaining S\$1,000,000 at the date falling six (6) calendar months after the date of Completion; and

(v) the issue of the Adjustment Shares (as defined below), if applicable,

to the Vendor.

The Consideration was arrived at by the Company and the Vendor (the “**Parties**”) on a willing-buyer and willing-seller basis, taking into account the past operating performance of YLG and WT, including their audited accounts for the financial year ended 31 December 2011 and their management accounts for the financial year ended 31 December 2012, and the open market value of the Properties as set out in the Valuation Reports. The net asset values of YLG and WT as at 31 December 2011 are S\$226,710 and S\$710,610 respectively.

The Warrants and Consideration Shares will be issued under the general share issue mandate approved by Shareholders at the last annual general meeting held on 12 January 2012.

### 3.2 Adjustment Shares

In the event that the volume weighted average price of the Shares traded on the SGX-ST for the six (6) months after (and excluding) the date of the Agreement (“**VWAP**”) is less than the Issue Price, the Company shall issue to the Vendor such number of additional Shares (the “**Adjustment Shares**”) as determined in accordance with the following formula:

$$\text{Number of Adjustment Shares} = \frac{A \times (B - C)}{B}$$

where:

A = Aggregate number of Consideration Shares issued;

B = Issue Price; and

C = VWAP,

provided that the total number of Adjustment Shares, when added to the Consideration Shares and the total number of Shares that may be issued upon the exercise of the Warrants, shall not exceed 582,000,000 (the “**Share Cap**”). Any shortfall in the number of the Adjustment Shares as a result of the Share Cap shall be topped up by the Company in cash in equivalent value calculated by reference to the Issue Price.

### 3.3 Conditions Precedent

Completion shall be conditional upon the following:

- (a) the conduct of financial and legal due diligence on YLG and WT, and the results thereof being satisfactory to the Company;
- (b) the listing and quotation notice from the SGX-ST in respect of the Consideration Shares, the Adjustment Shares, and the Shares to be issued upon exercise of the Warrants having been received by the Company;
- (c) the approval of the Board being obtained for the Acquisition;
- (d) the approvals and consents of any government or regulatory authorities or third parties being obtained for the Acquisition, if applicable, and if such approvals and consents are subject to any conditions, such conditions being acceptable to the Parties;
- (e) the settlement of all outstanding amounts between YLG and its directors, shareholders or any related parties of YLG;
- (f) the settlement of all outstanding amounts between WT and its directors, shareholders or any related parties of WT;
- (g) the aggregate cash and cash equivalent balance of YLG and WT (including rental, tender and other deposits) as at the date of Completion (the “**Cash Balance**”) being not less than S\$500,000 and the Company being satisfied that the amount of Cash Balance is

sufficient working capital for the operations of YLG and WT;

- (h) the representations and warranties of the Company and the Vendor being true and accurate in all material respects as at the date of the Agreement and the date of Completion; and
- (i) the absence of any event which, in the opinion of the Company, has or is likely to have a material adverse effect on the business or financial condition of YLG or WT,

(collectively, the “**Conditions**”).

### **3.4 Post-Completion**

The Company and the Vendor agree that following Completion:

- (a) subject to the rules of the Company’s employee share option scheme (as adopted and approved by the shareholders of the Company (the “**Shareholders**”) on 21 August 2009) (the “**Scheme**”), the key management personnel of YLG and WT shall be eligible to participate in the Scheme; and
- (b) the Company shall engage the Vendor as a consultant for a term of thirty-six (36) months for a monthly fee of S\$10,000.

### **3.5 Undertakings and Right of First Refusal**

The Vendor further undertakes that:

- (a) he will procure that all key management personnel of YLG and WT (as identified to the Company) shall enter into new contracts of employment that shall require such personnel to continue in the employment of their respective companies for a minimum period of three years post-Completion (save for extraordinary circumstances);
- (b) he shall repay an amount of S\$730,000 due from a related party of YLG as at 31 December 2012 within a period of six (6) months after Completion. If such sum (or any part thereof) is not repaid within the stipulated period, the Company shall deduct such amount from the remaining Cash Consideration payable at the date falling six (6) months after Completion; and
- (c) for a period of three years after Completion, he shall not either solely or jointly with or on behalf of any person directly or indirectly carry on or be engaged or interested in or assist any person in carrying on any business in Singapore competing with the business that YLG or WT shall be engaged in as at the date of the Agreement.

Pursuant to the Agreement, the Vendor has also granted a right of first refusal to the Company to collaborate in relation to, co-invest in and/or co-develop real estate situated in the area in the state of Johor, Malaysia, known as the Iskandar Region, in which he owns or otherwise has an interest.

### **3.6 Terms of the Bond**

The principal terms and conditions of the Bond are set out below:

<b>Principal Amount</b>	: S\$2,000,000
<b>Bond Maturity Date</b>	: Third anniversary of the date of issue of the Bond
<b>Interest Rate</b>	: 5% per annum, payable annually in arrears on the first, second and third anniversary of the date of issue of the Bond
<b>Transferability</b>	: The Vendor may transfer the Bond to any company under its control, subject to the written consent of the Company (such consent not to be unreasonably withheld or delayed).
<b>Status</b>	: The Bond shall constitute direct, unconditional and unsecured obligations of the Company. The Bond will not be listed.
<b>Cancellation upon Exercise of Warrants</b>	: The Bond will be issued by the Company to the Vendor together with the Warrants. Upon the exercise of the Warrants or any part thereof by the Vendor, the aggregate exercise price of such Warrants shall be satisfied by the cancellation of an equivalent amount of the Bond held by the Vendor, and the principal amount due thereon will be adjusted accordingly, save that where (i) the Warrantholder (as defined below) is a party other than the Vendor or (ii) the Vendor does not hold the Bond at the time of exercise of the Warrants, the Exercise Price of the Warrants shall be satisfied by payment by way of a Singapore dollar cheque or by banker's draft or cashier's order.
<b>Redemption on Maturity</b>	: The Company will redeem the Bond on the Bond Maturity Date by paying the holder of the Bond (i) the outstanding principal amount of the Bond and (ii) all interest which have accrued and are unpaid.
<b>Governing Law</b>	: Laws of the Republic of Singapore

### 3.7 Terms of the Warrants

The principal terms and conditions of the Warrants are set out below:

<b>Number of Warrants</b>	: 250,000,000 non-listed Warrants
<b>Transferability</b>	: The Warrants are transferable, subject to the written consent of the Company (such consent not to be unreasonably withheld or delayed).
<b>Exercise Rights</b>	: Each Warrant entitles the holder of the Warrant (“Warrantholder”) to subscribe for one (1) new Share at the Exercise Price during the Exercise Period (as defined below).
<b>Exercise Price</b>	: S\$0.008, (which is at a discount of 0.3% to S\$0.008024, which is the volume weighted average price for the trades done on the Shares on the SGX-ST for the full market day on which the Agreement is signed)
<b>Exercise Period</b>	: The period of three (3) years commencing on and including the date

of issue of the Warrants and expiring on (i) the third anniversary of the date of issue of the Warrants (unless such date is a date on which the Register of Members of the Company is closed or is not a business day, in which event the Warrants shall expire on the immediately preceding business day), or (ii) the winding up or demise of the Warrantholder, whichever is earlier.

**Payment of Exercise Price** : The Warrants will be issued by the Company to the Vendor together with the Bond. Upon the exercise of the Warrants or any part thereof by the Vendor, the aggregate Exercise Price of such Warrants shall be satisfied by the cancellation of an equivalent amount of the Bond held by the Vendor, save that where (i) the Warrantholder is a party other than the Vendor or (ii) the Vendor does not hold the Bond at the time of exercise of the Warrants, the Exercise Price of the Warrants shall be satisfied by payment by way of a Singapore dollar cheque or by banker's draft or cashier's order.

**Number of New Shares** : Up to 250,000,000 new Shares, subject to adjustment in compliance with the relevant rules of the Listing Manual Section B: Rules of Catalist of SGX-ST (the "**Listing Manual**")

**Status of New Shares** : The new Shares, when issued, will rank *pari passu* in all respects with the existing Shares, save for any dividends, rights, allocations or other distributions that may be declared or paid, the record date for which is before the date of exercise of the Warrants.

**Listing of New Shares** : The Company will make an application to the Sponsor for the listing of and quotation for the new Shares on the Catalist board of the SGX-ST. For the avoidance of doubt, the Warrants will not be listed.

**Adjustment Events** : The Exercise Price and the number of Warrants shall from time to time be adjusted by the Board, in consultation with a bank jointly selected by the Board and the Vendor (and the adjustment shall be certified by the Company's auditors), in any of the following events:

(i) an issue by the Company of Shares to Shareholders credited as fully paid by way of capitalization of profits or reserves (whether of a capital or income nature or not) to its Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividends);

(ii) a capital distribution made by the Company to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);

(iii) an offer or invitation made by the Company to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights;

- (iv) an issue by the Company of Shares if the total effective consideration for each Share is less than ninety per cent. (90%) of the last dealt price for each Share (otherwise than pursuant to a rights issue available to all Shareholders, requiring an adjustment under sub-section (iii) above, and other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend); and
- (v) any consolidation, subdivision or conversion of the Shares.

**Winding up** : Where there is a members' voluntary winding-up of the Company, each Warrantholder may elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the Warrants and had on such date been the holders of the Shares to which he would have become entitled pursuant to such exercise. The Company shall give notice to each Warrantholder in accordance with the terms and conditions of the passing of any such resolution.

**Notice of Expiration** : The Company shall, not later than one (1) month before the last day of the Exercise Period ("**Expiration Date**"), announce the expiration of the Exercise Period on SGXNET. In addition, the Company shall not later than one (1) month before the Expiration Date, take reasonable steps to notify the Warrantholder in writing of the Expiration Date, and such notice shall be delivered by post to the address of the Warrantholder.

**Alteration to Terms** : No material alteration to the terms of the Warrants after the issue thereof to the advantage of the Warrantholder shall be made, unless the alterations are made pursuant to the terms and conditions of the Warrants or the prior approval of the Shareholders in general meeting has been sought.

**Governing Law** : Laws of the Republic of Singapore

As at the date of this announcement, the issued share capital of the Company comprises a total of 4,707,935,029 Shares. Assuming that all the Warrants have been exercised, the 250,000,000 new Shares represent (i) approximately 5.31% of the existing issued share capital of the Company; and (ii) approximately 5.04% of the enlarged issued share capital of the Company.

#### 4. **RATIONALE AND BENEFITS**

As previously announced, the Company is transforming itself into a real estate group. Both YLG and WT are companies operating in the real estate sector in Singapore and are profitable and cash flow positive, with almost no debt. As such, the Acquisition is in line with the Company's long term objective and will be earnings and cashflow accretive. The Company also intends to leverage on the management of YLG and WT to further expand its footprint in the real estate industry in Singapore into areas such as eldercare and student hostels in Singapore as well as

regionally. The Company has also obtained a right of first refusal, pursuant to the Acquisition, to collaborate with the Vendor in the real estate sector in the Iskandar region, Johor, Malaysia.

## 5. FINANCIAL EFFECTS

The pro forma financial effects of the Acquisition, based on (i) the audited consolidated financial statements of the Group for the 12 months ended 30 September 2011 (the “**Audited FY2011 Accounts**”) and (ii) the unaudited consolidated financial statements of the Group for the 12 months ended 30 September 2012 (the “**Unaudited FY2012 Accounts**”), are set out below. The pro forma financial effects are presented for illustration purposes only and are not intended to reflect the actual performance or the financial situation of the Company or the Group after the completion of the Acquisition.

### 5.1 Financial Effects based on the Audited FY2011 Accounts

#### Earnings per Share

Assuming that the proposed Acquisition had been completed on 1 October 2010, the effect on the earnings per Share (the “**EPS**”) will be as follows:

	<b>Before Acquisition</b>	<b>After Acquisition</b>
Profit/(Loss) after tax and minority interest (RMB'000)	(16,772)	(13,259)
Number of Shares	4,408,857,165	4,947,857,165
EPS (RMB cents)	(0.38)	(0.27)

#### Net Tangible Assets

Assuming that the proposed Acquisition had been completed on 30 September 2011, the effect on the net tangible assets (the “**NTA**”) per Share will be as follows:

	<b>Before Acquisition</b>	<b>After Acquisition</b>
NTA ('000)	151,023	172,903
Number of Shares	4,408,857,165	4,947,857,165
NTA per Share (cents)	3.43	3.49

### 5.2 Financial Effects based on the Unaudited FY2012 Accounts

#### Earnings per Share

Assuming that the proposed Acquisition had been completed on 1 October 2011, the effect on the EPS will be as follows:

	<b>Before Acquisition</b>	<b>After Acquisition</b>
Profit after tax and minority interest (RMB '000)	25,205	28,718
Number of Shares	4,432,336,165	4,971,336,165
EPS (RMB cents)	0.57	0.58

#### Net Tangible Assets



Assuming that the proposed Acquisition had been completed on 30 September 2012, the effect on the NTA per Share will be as follows:

	<b>Before Acquisition</b>	<b>After Acquisition</b>
NTA ('000)	146,373	168,253
Number of Shares	4,432,336,165	4,971,336,165
NTA per Share (cents)	3.30	3.38

## **6. DISCLOSEABLE TRANSACTION**

Based on the Unaudited FY2012 Accounts, the relative figures in respect of the proposed Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

### **Bases in Rule 1006**

(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value as at 30 September 2012	Not applicable <sup>(1)</sup>
(b)	Net profits <sup>(2)</sup> attributable to the YLG Shares and WT Shares of approximately RMB4,260,823 <sup>(3)</sup> , compared with net profit of the Group of approximately RMB25,205,662	16.90%
(c)	Consideration of S\$6,312,000 <sup>(4)</sup> compared with the Company's market capitalisation <sup>(5)</sup> of approximately S\$37,776,471 as at 28 January 2013, being the date of the Agreement	16.71%
(d)	Number of Warrants and Consideration Shares issued for the Acquisition, compared with the number of shares of the Company previously in issue	11.45%

### **Notes:**

- (1) This is not applicable to an acquisition of assets.
- (2) "Net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) Based on an exchange rate of S\$1 : RMB5.0741
- (4) On the assumption that the Consideration is not reduced pursuant to Section 3.5(b).
- (5) "Market capitalisation" is determined by multiplying the number of shares of the Company in issue by the volume weighted average price of such shares transacted on the date of the Agreement.

As the relative figures computed on the bases set out in Rules 1006 exceed 5% but do not exceed 75%, the proposed Acquisition constitutes a "discloseable transaction" within the meaning of Chapter 10 of the Listing Manual, and has to be immediately announced by the Company.

## **7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors or the controlling shareholders of the Company have any interest, direct or indirect, in the proposed Acquisition, other than through their respective directorships and/or shareholdings in the Company.

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement and the Valuation Reports are available for inspection during normal business hours at the registered office of the Company for a period of three months from the date of this announcement.

### By Order of the Board

Dr In Nany Sing Charlie  
Executive Chairman  
28 January 2013

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*This announcement was prepared by the Company and its contents have been reviewed by the Company's Continuing Sponsor, Stamford Corporate Services Pte Ltd ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**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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