

CEDAR STRATEGIC HOLDINGS LTD.

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

CONVERTIBLE LOAN FROM CONTROLLING SHAREHOLDER

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 it has on 25 January 2017 entered into a convertible loan agreement (the “**Convertible Loan Agreement**”) with Mr Luo Shandong (the “**Lender**”), pursuant to which the Lender has the right at any time within fifteen (15) months from the date thereof to convert up to the full sum of US\$29,302,144 (approximately S\$41,609,044¹) (the “**Convertible Loan**”) (which comprises the principal loan amounts under the 2016 Loans (as defined below) and all interest accrued thereon as of 25 January 2017) and any interest accrued thereon into fully paid new ordinary shares (the “**Conversion Shares**”) in the Company, which amounts to an aggregate of up to approximately 468,102,000 Conversion Shares.

Note:

1. Based on the exchange rate of US\$1.00: S\$1.42 as at 25 January 2017

The Convertible Loan Agreement is to replace the 2016 Loans entered into by the Group and the Lender and all indebtedness owed by the Group to the Lender pursuant to such loans with the Convertible Loan.

On 17 October 2016, the Company had announced that it entered into a loan agreement with the Lender dated 17 October 2016, pursuant to which the Lender had agreed to grant the Company a loan of an aggregate principal amount of up to US\$5,000,000 at an interest rate of 6% per annum.

Prior to the Company entering into the sale and purchase agreements on 17 October 2016 for the acquisition by the Company of all of the issued and paid-up shares of DAS Pte. Ltd. (“**DAS**”) (the “**DAS Acquisition**”), DAS had on 15 October 2016 also entered into a loan agreement with the Lender (the “**DAS Loan Agreement**”), pursuant to which the Lender had agreed to grant DAS a loan of a principal amount of US\$24,125,000 at an interest rate of 6% per annum. The DAS Loan Agreement was intended to finance the acquisition of the Golden City project. Further information on the Golden City project is disclosed in the Company’s announcement on the DAS Acquisition dated 17 October 2016.

(Collectively, the abovementioned loans granted by the Lender to the Company and DAS shall be referred to as the “**2016 Loans**”).

Subsequent to the completion of the DAS Acquisition (save for the proposed acquisition by the Company of 6,225,000 shares representing 25.025% of the total issued and paid-up shares of DAS from D3 Capital Limited (the “**D3 Acquisition**”)) and DAS becoming a subsidiary of the Company, DAS, the Company and the Lender had on 25 January 2017 entered into a deed of novation (the “**Novation**”), pursuant to which the Lender has agreed to release and discharge DAS from its obligations under the DAS Loan Agreement subject to the Company undertaking to observe, perform and be bound by the terms of the DAS Loan Agreement in every respect as if the Company was named in the DAS Loan Agreement as a party thereto in place of DAS.

Both the Convertible Loan Agreement and the Novation shall be deemed to take effect from 25 January 2017 provided that the following conditions precedent take place on or before 31 March 2017:

- (a) the Company obtains approval from its shareholders for the entry into of the Convertible Loan Agreement and the issue of the Conversion Shares; and
 - (b) the completion of the D3 Acquisition,
- (collectively, the “**Conditions Precedent**”).

In the event that any of the Conditions Precedent are not been satisfied on or before 31 March 2017, the Convertible Loan Agreement and Novation shall automatically terminate with immediate effect and the 2016 Loans shall continue in force in accordance with the terms thereof.

2. THE LENDER

Mr Luo Shandong is a controlling shareholder¹ of the Company and as at the date of this announcement has a direct and indirect interest in an aggregate of 172,289,396 issued and paid-up ordinary shares in the capital of the Company (the “**Shares**”) representing approximately 22.57% of the entire issued share capital of the Company.

Note:

1. Pursuant to Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”), a “controlling shareholder” is defined as a person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the company. The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company

3. RATIONALE AND BENEFIT

The rationale for the entry into the Convertible Loan Agreement is to replace the 2016 Loans and all indebtedness owed by the Group to the Lender under the 2016 Loans with the Convertible Loan. The Convertible Loan would enable the Group to consolidate all existing debts owed by the Group to the Lender and pursue full and final settlement of the Group’s obligation due to the Lender. The proposed allotment and issue of the Conversion Shares is to improve the Company’s balance sheet position and reduce borrowings of the Group as a whole.

4. TERMS AND CONDITIONS

The terms and conditions of the Convertible Loan were negotiated and agreed upon by the parties on an arm’s length basis.

The salient terms and conditions of the Convertible Loan are set out below:

- Principal Amount: US\$29,302,144 which comprise the principal loan amounts under the 2016 Loans and all interest accrued thereon as of 25 January 2017
- Interest: The interest on the principal amount payable shall be fixed at a rate of 1% per annum and shall be paid by the Company to the Lender on the Maturity Date
- Maturity Date: 15 months from the date of the Convertible Loan Agreement

Conditions Precedent: The rights and obligations of each of the Lender and the Company under the Convertible Loan Agreement is conditional upon the satisfaction of the following conditions:

- (a) the Company obtaining approval from its shareholders for the entry into of the Convertible Loan Agreement and the issue of the Conversion Shares; and
- (b) the completion of the D3 Acquisition.

If any of the Conditions Precedent has not been satisfied on or before 31 March 2017, the Convertible Loan Agreement shall automatically terminate with immediate effect and the 2016 Loans shall continue in force in accordance with the terms thereof

If all the Conditions Precedent are satisfied on or before 31 March 2017, the rights and obligations of each of the Lender and the Company under the Convertible Loan Agreement shall be deemed to take effect from the date of execution of the said agreement (i.e. 25 January 2017)

Conversion Right: The Lender shall have the right at any time on or before the Maturity Date to convert the full sum of the principal amount and the interest accrued thereon into fully paid new ordinary Shares in the Company. The Lender irrevocably and unconditionally agrees and confirms that the Company may in its absolute and sole discretion determine by way of notice to the Lender if (i) the total indebtedness outstanding at the Maturity Date shall convert automatically into the Conversion Shares on the Maturity Date, or (ii) the Company shall make full repayment of the total indebtedness owing by the Company to the Lender on the Maturity Date

Conversion Price: S\$0.09 per Conversion Share.

Conversion Right Conditions Precedent: The exercise of the conversion right under the Convertible Loan Agreement shall be conditional upon:

- (a) the listing and quotation notice being obtained from the SGX-ST in relation to the Conversion Shares; and
- (b) the approval of the shareholders at a general meeting of the Company to be convened for the proposed allotment and issue of the Conversion Shares being obtained and not revoked prior to the conversion date.

Prepayment of Loan: The Company may (at its absolute discretion) prepay the whole or any part of the principal amount and all interest accrued thereon before the Maturity Date. No fees, expenses or charges shall be levied by the Lender on any amounts prepaid by the Company

Status of the Conversion Shares: The Conversion Shares will rank for any dividends, rights or other distributions, the record date for which is on or after the date of conversion and (subject as aforesaid), will rank *pari passu* in all respects with the then existing Shares in the capital of the Company

5. INTERESTED PERSON TRANSACTION

The Lender is a controlling shareholder of the Company and is regarded as an “interested person” for the purposes of Chapter 9 of the Catalist Rules. Accordingly, the Convertible Loan Agreement constitutes an “interested person transaction” under Chapter 9 of the Catalist Rules.

For illustration purposes, based on the latest audited financial statements of the Group for the financial year ended 31 December 2015 (“FY2015”), the audited consolidated net tangible assets (“NTA”) of the Group was approximately RMB 65,558,000. The US\$29,302,144 (approximately RMB\$201,109,405¹) in aggregate principal amount of the Conversion Shares represents approximately 306.8% of the Group’s latest audited consolidated NTA of the Group for FY2015. Under Chapter 9 of the Catalist Rules, where the value of a transaction with an interested person singly, or, in aggregation with the values of other transactions conducted with the same interested person in the same financial year, equals or exceeds 5% of the Group’s latest audited consolidated NTA, that transaction shall be subject to shareholders’ approval.

Note:

1. Based on the exchange rate of US\$1.00: RMB6.8633 as at 25 January 2017

Accordingly, the proposed allotment and issue of the Conversion Shares is an interested person transaction which is subject to the approval of shareholders at a general meeting to be convened (the “EGM”) pursuant to Rule 906(1)(a) of the Catalist Rules.

Except for the transactions disclosed in this Circular and transactions less than S\$100,000 in value, the Company, its subsidiaries and associated companies which, for the purposes of Chapter 9 of the Catalist Rules, are considered to be “entities at risk”, have not entered into transactions with the Lender and its associates since the beginning of the financial year ending 31 December 2017 (“FY2017”) up to the Latest Practicable Date.

Save for the above, the D3 Acquisition and transactions less than S\$100,000 in value, no other interested person transactions have been entered into between the Group and any other interested persons (as defined in the Rules of Catalist) for FY2017. Details of the D3 Acquisition are disclosed in the Company’s announcement dated 17 October 2016.

6. SHAREHOLDERS’ APPROVAL PURSUANT TO CHAPTER 8 OF THE CATALIST RULES

Rule 812 of the Catalist Rules provides that an issue of shares must not be placed to, *inter alia*, a substantial shareholder¹ of the Company unless specific shareholders’ approval for such issuance of shares has been obtained. Rule 805 of the Catalist Rules provides that an issuer must obtain the prior approval of shareholders in general meeting for the issue of shares unless such issuance of shares is covered under a general mandate obtained from shareholders of the Company.

As (i) the allotment and issuance of the Conversion Shares to the Lender constitutes an issuance of shares to a person under Rule 812 of the Catalist Rules, specifically Rule 812(1)(a) being the issuance of shares to a substantial shareholder¹ of the Company, and (ii) the allotment and issue of the Conversion Shares is not in reliance of the general mandate obtained from shareholders at the annual general meeting of the Company on 28 April 2016, the allotment and issue of the Conversion Shares by the Company to the Lender requires the approval of shareholders under Section 161 of the Companies Act and Rules 805(1) and 812 of the Catalist Rules.

Note:

1. Pursuant to Companies Act (Chapter 50), a “substantial shareholder” is defined as a person (including a corporation) who has an interest in not less than 5% of the total issued voting shares in the company.

7. DIRECTOR'S OPINION

The Directors are of the opinion that, after taking into consideration:

- (i) the Group's present bank facilities, internal resources and operating cashflow, the working capital available to the Group is sufficient to meet its present requirements; and
- (ii) the Group's present bank facilities, internal resources, operating cashflow and the net proceeds from the Conversion Shares, the working capital available to the Group is sufficient to meet its present requirements.

8. IMPLICATIONS UNDER THE TAKE-OVER CODE

As of the date of this announcement, the Lender holds approximately 22.57% of the issued Shares of the Company (excluding treasury shares). Based on the Lender's shareholding as at the date of this announcement, in the event the Company allots and issues up to approximately 468,102,000 Conversion Shares, the shareholdings and voting rights of the Lender will increase from 22.57% to 52.0% of the enlarged issued and paid up share capital of the Company upon the allotment and issue of up to approximately 468,102,000 Conversion Shares.

Pursuant to Rule 14.1 read with Note 10 on Rule 14.1 of Singapore Code of Take-overs and Mergers issued by the Monetary Authority of Singapore (the "**Code**"), the exercise of the conversion right under the Convertible Loan Agreement resulting in an acquisition of Shares carrying more than 30% of the voting rights of the Company may, pursuant to the Code, require the Lender and his concert parties to make a mandatory general offer (the "**Mandatory General Offer**") in respect of all the remaining Shares as well as appropriate offers for outstanding convertible securities of the Company that the Lender and his concert parties do not already own, control or have agreed to acquire. The Company does not intend to apply for a waiver of Rule 14 of the Code from the Securities Industry Council, and accordingly does not intend to obtain a whitewash resolution from the shareholders. The Lender, his concert parties and the Company will make the necessary announcements in connection with the Mandatory General Offer as and when necessary.

9. FINANCIAL EFFECTS OF THE CONVERTIBLE LOAN AND THE CONVERTIBLE SHARES

9.1 Bases and Assumptions

For the purposes of illustration only, the *pro forma* financial effects of the Convertible Loan and the Convertible Shares taken as a whole are set out below. The *pro forma* financial effects have been prepared based on the audited consolidated financial statements of the Group for FY2015 and do not necessarily reflect the actual future financial position and performance of the Group in the event that the Convertible Loan is fully disbursed and fully converted as the Company has, since its FY2015 audited consolidated financial statements, decreased its issued share capital to approximately S\$14,503,660 divided into 763,425,245 Shares as at the Latest Practicable Date. Accordingly, shareholders should note that the following *pro forma* financial effects of the Convertible Loan and the Convertible Shares have been calculated to take into consideration the reduced share capital of the Company as mentioned above.

9.2 Share Capital

In the event that the Convertible Loan is fully disbursed and fully converted, the *pro forma* financial effects on the share capital of the Company for FY2015 after adjusting for (i) the consolidation of every twenty-five (25) existing ordinary shares to one (1) consolidated share, fractional entitlements to be disregarded (the “**Share Consolidation**”), (ii) the capital reduction of S\$112,000,000 (the “**Capital Reduction**”) (iii) the completion of the DAS Acquisition (save for the D3 Acquisition), (iv) the placements on 31 March 2016 and 7 April 2016 and the rights issue completed on 19 September 2016 and (v) the performance shares allotted and issued on 17 January 2017 are as follows:

	Before conversion of the Convertible Loan and issue of the Convertible Shares	After conversion of the Convertible Loan and issue of the Convertible Shares
Number of issued Shares	763,425,245	1,231,527,245
Amount of share capital (S\$)	14,503,660	56,696,020

9.3 Net Tangible Assets

Assuming that the Convertible Loan is fully disbursed and fully converted on 31 December 2015 and based on the Group’s audited consolidated financial statements for FY2015 after adjusting for (i) the Share Consolidation, (ii) the Capital Reduction, (iii) the completion of the DAS Acquisition (save for the D3 Acquisition), (iv) the placements on 31 March 2016 and 7 April 2016 and the rights issue completed on 19 September 2016 and (v) the performance shares allotted and issued on 17 January 2017 and disregarding any interest, revenue and/or return that may arise from the Convertible Loan, the *pro forma* financial effects of the Convertible Loan (excluding non-controlling interests) on the consolidated NTA of the Group are as follows:

	As at 31 December 2015	
	Before conversion of the Convertible Loan and issue of the Convertible Shares	After conversion of the Convertible Loan and issue of the Convertible Shares
NTA of the Group (RMB'000)	100,122	131,766
Number of Shares	763,425,245	1,231,527,245
NTA per share (RMB fen)	13.11	10.70

9.4 Earnings Per Share (“EPS”)

Assuming that the Convertible Loan is fully disbursed and fully converted on 1 January 2015 and based on the Group’s audited consolidated financial statements for FY2015 after adjusting for (i) the Share Consolidation, (ii) the Capital Reduction, (iii) the completion of the DAS Acquisition (save for the D3 Acquisition), (iv) the placements on 31 March 2016 and 7 April 2016 and the rights issue completed on 19 September 2016 and (v) the performance shares allotted and issued on 17 January 2017 and disregarding any interest, revenue and/or return that may arise from the Convertible Loan, the *pro forma* financial effects of the Convertible Loan on the consolidated EPS of the Group are as follows:

	For FY2015	
	Before conversion of the Convertible Loan and issue of the Convertible Shares	After conversion of the Convertible Loan and issue of the Convertible Shares
Profit/(Loss) after tax and minority interest (RMB’000)	672	(1,602)
Weighted Average Number of Shares	449,955,992	449,955,992
EPS per share (RMB fen)	0.15	(0.36)

9.5 Gearing

Assuming that the Convertible Loan is fully disbursed and fully converted on 31 December 2015 and based on the Group’s audited consolidated financial statements for FY2015 after adjusting for (i) the Share Consolidation, (ii) the Capital Reduction, (iii) the completion of the DAS Acquisition (save for the D3 Acquisition), (iv) the placements on 31 March 2016 and 7 April 2016 and the rights issue completed on 19 September 2016 and (v) the performance shares allotted and issued on 17 January 2017 and disregarding any interest, revenue and/or return that may arise from the Convertible Loan, the *pro forma* financial effects of the Convertible Loan on the gearing of the Group are as follows:

	As at 31 December 2015	
	Before conversion of the Convertible Loan and issue of the Convertible Shares	After conversion of the Convertible Loan and issue of the Convertible Shares
Total Debts (RMB’000)	404,822	404,822
Total Equity (RMB’000)	100,122	303,745
Gearing Ratio (times)	4.04	1.33

10. **AUDIT COMMITTEE’S STATEMENT**

Pursuant to Rules 917(4)(a) and 921(4)(b)(i) of the Catalist Rules, the Audit Committee, having considered the terms of the Convertible Loan Agreement and the proposed allotment and issue of the Conversion Shares, is of the view that the proposed allotment and issue of the Conversion Shares is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

11. LISTING AND QUOTATION OF THE CONVERSION SHARES

The Sponsor, on behalf of the Company, will be submitting an additional listing application to the SGX-ST for the listing of and quotation for the Conversion Shares on Catalist. An announcement will be made in due course to notify the shareholders when the listing and quotation notice from the SGX-ST is obtained.

12. INTERESTS OF OTHER DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

In accordance with Rule 919 of the Rules of Catalist, an interested person shall abstain and ensure its associates will abstain, from voting on resolutions approving interested person transactions involving themselves and their associates. Furthermore, such interested persons and their associates shall not act as proxies in relation to such resolutions unless voting instructions have been given by the shareholder.

12.1 Abstaining Shareholders

The Lender shall abstain, and shall procure that his associates and nominees to abstain from voting in respect of each of their shareholdings in the Company on the ordinary resolution to approve the Convertible Loan Agreement and the proposed allotment and issue of the Conversion Shares.

The Lender shall not, and shall procure his associates and nominees not to, accept appointments as proxies for voting at the EGM in respect of the ordinary resolution to approve the Convertible Loan Agreement and the proposed allotment and issue of the Conversion Shares unless specific instructions have been given in the proxy form on how the shareholders wish their votes to be cast for the ordinary resolution to be proposed at the EGM.

12.2 Interests of Other Directors and Substantial Shareholders

Save for the Lender, none of the directors or substantial shareholders of the Company has any interest, direct or indirect (other than through their respective shareholdings in the Company), in the Convertible Loan Agreement.

13. CIRCULAR

The Convertible Loan Agreement is conditional upon, among others, the approval from the shareholders for the proposed allotment and issue of the Conversion Shares being obtained at the EGM. Further details of the Convertible Loan Agreement and the Conversion Shares will be set out in the circular to be issued by the Company and to be despatched to shareholders in due course.

14. DOCUMENTS FOR INSPECTION

A copy of the Convertible Loan Agreement is available for inspection by shareholders during normal business hours at the registered address of the Company at 80 Raffles Place #26-05 UOB Plaza 1 Singapore 048624 for three months from the date of this announcement.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Convertible Loan Agreement, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

16. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the Shares of the Company in relation to this announcement as there is no certainty that the transactions under the Convertible Loan Agreement will be completed as it is subject to the fulfillment of the terms and conditions set out in the Convertible Loan Agreement as well as shareholders' approval. When in doubt as to the action they should take, shareholders and potential investors should consult their financial, tax or other advisers.

By Order of the Board

Christopher Chong Meng Tak
Non-Executive Chairman

25 January 2017

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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