

HL GLOBAL ENTERPRISES LIMITED
Company Registration No. 196100131N
(Incorporated in the Republic of Singapore)

ANNOUNCEMENT

**RECEIPT OF SGX-ST'S WAIVER OF SHAREHOLDERS' APPROVAL IN RESPECT OF THE
PROPOSED DISPOSAL OF 60% EQUITY INTEREST IN
COPTHORNE HOTEL QINGDAO CO., LTD.**

1. INTRODUCTION

- 1.1 The Board of Directors ("**Board**") of HL Global Enterprises Limited ("**HLGE**" or the "**Company**", and together with its subsidiaries, the "**HLGE Group**") refers to its announcement dated 31 March 2017 ("**Previous Announcement**") on the proposed disposal by its wholly-owned subsidiary, LKN Investment International Pte. Ltd. of its 60% equity interest in Copthorne Hotel Qingdao Co., Ltd. ("**CHQ**") ("**LKNII's CHQ Disposal**") by way of public tender on the SUAEE.
- 1.2 Unless otherwise defined herein, all capitalised terms used in this announcement shall have the same meaning as those defined in the Previous Announcement.

2. APPROVAL IN-PRINCIPLE FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") FOR THE WAIVER APPLICATION

- 2.1 The Board wishes to announce that the Company had on 24 March 2017 submitted an application to the SGX-ST ("**Waiver Application**") for a waiver of the requirement for the Company to obtain shareholders' approval for the LKNII's CHQ Disposal under Rule 1014(2) of the Listing Manual ("**Waiver**"), and the SGX-ST has on 18 April 2017 informed the Company that the SGX-ST has no objection to granting the Waiver, subject to the following:
- (a) submission of the signed undertakings from Grace Star Services Ltd. and another shareholder of the Company, who together hold more than 50% of the total number of issued shares in the Company, that they will vote in favour of the LKNII's CHQ Disposal;
 - (b) disclosure via SGXNet announcement of the Board's view that it is of the unanimous view that the LKNII's CHQ Disposal is in the best interest of the Company and its shareholders;
 - (c) the Company's compliance with Rule 1010 of the Listing Manual;
 - (d) the Company announcing the Waiver granted, the reasons for seeking the Waiver and the conditions as required under Rule 107 of the Listing Manual;
 - (e) submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the Constitution of the Company; and

- (f) submission of a written confirmation from the Company that it is not aware of any information that will have a material bearing on investors' decision which has yet to be announced by the Company.

3. WAIVER APPLICATION

3.1 The Company had sought the Waiver on the following grounds:

- (a) Disposal of loss-making assets

CHQ has been loss-making since it commenced operations in 1994 and it has been adversely affecting the financial performance of the HLGE Group. The net loss after tax attributable to the LKNII's CHQ Equity Interest from FY2012 to FY2016 amounted to approximately S\$7.1 million, based on the audited consolidated accounts of the Group for FY2012 to FY2016 (prepared in accordance with the SFRS).

Accordingly, the shareholders of the Company are unlikely to be overly concerned about the LKNII's CHQ Disposal given that the LKNII's CHQ Equity Interest is an unprofitable asset.

- (b) Rationale for the LKNII's CHQ Disposal

CHQ has been loss-making since the commencement of its operations in 1994. Its performance has in recent years deteriorated further in view of the oversupply of hotel rooms in Qingdao, PRC, and the austerity measures imposed in the PRC. As a result, the financial performance of the HLGE Group has been adversely affected. The Board is of the view that if the Public Tender Process is successful, the LKNII's CHQ Disposal would allow the HLGE Group to dispose of an under-performing and unprofitable asset, and to realise and unlock the value of its investment in CHQ. The LKNII's CHQ Disposal is also part of the Company's on-going efforts to strengthen its balance sheet. As CHQ has been loss-making, the LKNII's CHQ Disposal is expected to have a positive effect on the financial performance of the HLGE Group going forward. The LKNII's CHQ Disposal will also enable the HLGE Group to focus on its other business operations.

- (c) No material change in the risk profile of the HLGE Group

The Board is of the opinion that there will not be any material change in the risk profile of the Company arising from the LKNII's CHQ Disposal. The LKNII's CHQ Disposal does not result in a material change to the nature of the HLGE Group's business as CHQ has been loss-making and the HLGE Group will continue to engage in its core business of hospitality operations, property development and investment holding.

Accordingly, it is reasonable to expect the shareholders of the Company not to be overly concerned with the LKNII's CHQ Disposal which does not materially affect the nature of the main businesses of the HLGE Group.

(d) HLGE is expected to realise significant gains from the LKNII's CHQ Disposal

For purposes of the Formal Listing, LKNII and CAAC had in January 2017 commissioned Shanghai Li Xin Asset Valuation Co Ltd to conduct a valuation on CHQ as at 30 June 2016 (“**Valuation**”). Based on the Valuation (which was conducted based on an asset-based method), the fair value of 100% equity interest in CHQ as at 30 June 2016 was estimated to be RMB396.95 million (which is approximately S\$80.6 million¹) (“**Valuation Amount**”). Assuming that the LKNII's CHQ Disposal is carried out by LKNII at approximately RMB238.17 million (which is equivalent to approximately S\$48.39 million¹) (being 60% of the Valuation Amount), it is expected that HLGE will realise a significant net gain on disposal (after deducting related expenses) from the LKNII's CHQ Disposal.

(e) Comparison of losses and net assets/(liabilities) are not meaningful

Each of the HLGE Group and CHQ is in a “net loss” position for FY2016. Further, the HLGE Group has a negative net asset value as at 31 December 2016. As such, it is neither meaningful nor appropriate to compare (i) the net loss attributable to the LKNII's CHQ Equity Interest against the net loss of the HLGE Group or (ii) the net asset value of the LKNII's CHQ Equity Interest against the net liabilities of the HLGE Group, in the present case to determine if the 20% threshold is exceeded under Rules 1006(a) and (b) of the Listing Manual.

(f) Recent significant drop in market capitalisation of the Company

Whilst the relative figure for the market capitalisation test under Rule 1006(c) of the Listing Manual exceeds 20%, the Company's market capitalisation has decreased significantly in the past few years, especially in 2015 when the global market developments have adversely impacted the share price performance of a number of companies listed on the SGX-ST. The market capitalisation of the Company as at the end of 2016 was approximately S\$6.7 million. As such, the current market capitalisation of the Company may not be an appropriate snapshot of the size of the Company.

(g) SUAEE does not allow the LKNII's CHQ Disposal to be subject to shareholder approval condition, and time-sensitive nature of the Public Tender Process

The Company was informed that under the Public Tender Process, the SUAEE is not agreeable to the LKNII's CHQ Disposal being made conditional upon the approval of the shareholders of the Company (if required under the Listing Manual). Accordingly if shareholders' approval of the Company is required to be obtained for the LKNII's CHQ Disposal:

- (i) it would place an acute constraint on the ability of the Company to undertake the LKNII's CHQ Disposal by way of the Public Tender Process; and
- (ii) LKNII would be foregoing an opportunity to be able to dispose of the LKNII's CHQ Equity Interest together with the disposal of the CAAC Equity

¹ Based on the exchange rate of S\$1:RMB4.922 as at 23 March 2017

Interest by CAAC, which the Company believes is likely to be more appealing to potential bidders who may wish to acquire 100% of the equity interest in CHQ and which could result in LKNII receiving a more attractive price for the LKNII's CHQ Equity Interest (than what it could receive if it undertakes the LKNII's CHQ Disposal separately from CAAC outside of the Public Tender Process).

The Company is of the view that it is to the benefit of the Company to undertake the LKNII's CHQ Disposal by way of the Public Tender Process generally, and to complete the LKNII's CHQ Disposal expeditiously so as to take advantage of any opportunities in the market and minimise transaction risks.

(h) Undertaking to vote by shareholders holding more than 50% of HLGE shares

Grace Star Services Ltd. and another shareholder of the Company, who together hold more than 50% of the total number of issued shares in the Company, have provided undertakings to the Company to vote in favour of the LKNII's CHQ Disposal if an extraordinary general meeting to approve the same is required to be held ("**Voting Undertakings**").

As such, the result of any extraordinary general meeting of the Company to approve the LKNII's CHQ Disposal would be a foregone conclusion.

(i) Costs of holding an extra-ordinary general meeting

It is in the interests of the Company and its shareholders to avoid incurring unnecessary costs and expenses in convening a shareholders' meeting to vote on the LKNII's CHQ Disposal.

4. BOARD'S OPINION

The Board is of the unanimous view that the LKNII's CHQ Disposal is in the best interest of the Company and its shareholders.

5. UNDERTAKINGS AND WRITTEN CONFIRMATIONS TO THE SGX-ST

The Company has on 17 April 2017 and 18 April 2017 submitted the Voting Undertakings to the SGX-ST. The Company will be submitting the written confirmations sought by SGX-ST referred to in paragraphs 2.1(e) and 2.1(f) above in due course.

BY ORDER OF THE BOARD

Foo Yang Hym
Chief Financial Officer
HL Global Enterprises Limited

18 April 2017
Singapore