

HL GLOBAL ENTERPRISES LIMITED
(Company Registration No. 196100131N)

ANNOUNCEMENT

AGREEMENT BETWEEN HL GLOBAL ENTERPRISES LIMITED AND VENTURE LEWIS LIMITED (“VENTURE LEWIS”) IN RELATION TO A FURTHER EXTENSION OF THE S\$68.0 MILLION LOAN GRANTED BY VENTURE LEWIS

1. Introduction

- 1.1 **2014 Loan Agreement.** The Board of Directors of HL Global Enterprises Limited (“**HLGE**” or the “**Company**”) wishes to announce that the Company has on 19 February 2014 entered into a loan agreement (the “**2014 Loan Agreement**”) with Venture Lewis whereby Venture Lewis has agreed to further extend the unsecured loan of S\$68 million from Venture Lewis to the Company, for another one year term from 3 July 2014 to 2 July 2015, upon the terms and subject to the conditions of the 2014 Loan Agreement.
- 1.2 **2009 Loan and Subsequent Extensions in 2010, 2011, 2012 and 2013.** Pursuant to a loan agreement dated 18 February 2009 entered into between Venture Lewis and the Company (the “**2009 Loan Agreement**”), Venture Lewis had agreed to defer the receipt of S\$93 million of the redemption monies payable to Venture Lewis upon the redemption of the Company’s Zero Coupon Unsecured Bonds due 2009 (“**Bonds**”) in July 2009 through the conversion of such outstanding sum into an unsecured loan for a term of one year from 3 July 2009 to 3 July 2010 (the “**2009 Loan**”). The 2009 Loan was subsequently extended as follows:
- (a) in February 2010, the 2009 Loan was extended for a further one year term until 3 July 2011 (the “**2010 Loan**”);
 - (b) in January 2011, the 2010 Loan was extended for a further one year term until 3 July 2012 (the “**2011 Loan**”). In February 2011, the Company had made a partial repayment of S\$10 million and the outstanding principal amount of the 2011 Loan was reduced to S\$83 million;
 - (c) in January 2012, the 2011 Loan was extended for a further one year term until 3 July 2013 (the “**2012 Loan**”). In April 2012, the Company had made a partial repayment of S\$8 million and the outstanding principal amount of the 2012 Loan was reduced to S\$75 million; and
 - (d) in January 2013, the 2012 Loan was extended for a further one year term until 2 July 2014 (the “**2013 Loan**”). In July 2013, the Company had made a further partial repayment of S\$7 million and the outstanding principal amount of the 2013 Loan was reduced to S\$68 million.
- 1.3 **Venture Lewis.** Venture Lewis is a wholly-owned subsidiary of Grace Star Services Ltd. (“**Grace Star**”), which in turn is an indirect wholly-owned subsidiary of China Yuchai International Limited (“**CYI**”), a deemed 48.86% substantial shareholder of the Company as at the date hereof. CYI is a company listed on the New York Stock Exchange and is, in turn, a subsidiary of Hong Leong Asia Ltd. (“**HLA**”), a company listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

2. Salient Terms of the 2014 Loan Agreement

Principal Terms of the Loan. Pursuant to the 2014 Loan Agreement, Venture Lewis has agreed to further extend the 2013 Loan by granting the S\$68 million unsecured loan from 3 July 2014 to 2 July 2015 (the “**2014 Loan**”), upon the terms and conditions of the 2014 Loan Agreement. The principal terms of the 2014 Loan are substantially similar to

those of the 2013 Loan, except that (i) the principal amount of the 2014 Loan is S\$68 million, (ii) the SIBOR (as defined below) used in arriving at the interest rate is the SIBOR as at the date immediately preceding the date of the 2014 Loan Agreement and (iii) the Margin (as defined below) has been reduced from 1.5% to 1.25% per annum.

The principal terms of the 2014 Loan are summarised below:

- (a) Principal Amount : S\$68 million (the “**2014 Loan Amount**”).
- (b) Interest Rate : The aggregate of:
 - (i) a margin of 1.25% per annum (the “**Margin**”); and
 - (ii) 0.594% being the prevailing 12-month Singapore inter-bank offer rate for Singapore Dollars fixed by the Association of Banks in Singapore (“**SIBOR**”) as at the date immediately preceding the date of the 2014 Loan Agreement (and as published in the Business Times of Singapore on the date of the 2014 Loan Agreement).

Interest at the above rate shall be payable by the Company on a quarterly basis. The interest rate is subject to adjustment by mutual agreement in the event that CYI’s cost of borrowings increases as described below.

- (c) Term of the 2014 Loan : One year commencing from 3 July 2014, renewable by mutual agreement on an annual basis.
- (d) Repayment : The 2014 Loan Amount shall be repaid by the Company on 2 July 2015, unless the term of the 2014 Loan is extended by mutual agreement.
- (e) Prepayment : The Company has the right to repay the whole or any part of the 2014 Loan Amount at any time during the term of the 2014 Loan, without any penalty for early repayment.
- (f) Negative pledge undertaking : Each of the Company and its subsidiaries (collectively, the “**Group**”) shall not, without the prior written consent of Venture Lewis, (i) create or permit to subsist any security over its respective assets, or (ii) sell, transfer or dispose of all or substantially all of its assets or any part of its assets which is substantial in relation to the assets of the Group taken as a whole, save for certain exceptions set out in the 2014 Loan Agreement.

Venture Lewis may, as a condition for giving its consent to a disposal of assets by the Company or its subsidiaries, require the Company to apply or procure the application of the net proceeds of such disposal (or part thereof) towards prepayment of the 2014 Loan, subject

to compliance with applicable laws, rules and regulations (including the Listing Manual (as defined below)) and the Memorandum and Articles of Association of the Company.

CYI has in place certain credit facilities with various banks in Singapore which it will continue to utilize in the provision of the 2014 Loan by Venture Lewis (collectively, “**CYI’s Banking Facilities**”). On this basis, in the event, during the term of the 2014 Loan, that any of the banks shall become entitled pursuant to the terms and conditions of CYI’s Banking Facilities to increase the rate of interest payable by CYI under CYI’s Banking Facilities, the Company and Venture Lewis shall negotiate in good faith and on an arm’s length basis with a view to agreeing the new interest to be paid on the 2014 Loan (the “**Revised Interest Rate**”) having regard to such increase in the rate of interest payable by CYI under CYI’s Banking Facilities, provided that the payment by the Company of such Revised Interest Rate shall be conditional upon:

- (i) a confirmation having been obtained from the SGX-ST that such payment does not require the approval of the shareholders of the Company pursuant to the requirements of Chapter 9 of the Listing Manual of the SGX-ST (the “**Listing Manual**”); or
- (ii) if the foregoing confirmation is not obtained from the SGX-ST or if required by the SGX-ST, the approval of the shareholders of the Company having been obtained in accordance with the requirements of the Listing Manual for such payment.

Pending such confirmation or approval being obtained or if such confirmation and approval are not granted, the Company shall continue to pay interest on the 2014 Loan based on the Interest Rate, and the parties shall negotiate further in good faith and on an arm’s length basis with a view to determining the interest payable on the 2014 Loan, subject always to the conditions specified above and compliance by the Company with the applicable requirements of Chapter 9 of the Listing Manual (“**Chapter 9**”).

3. Rationale for the 2014 Loan

As stated above, the Company is obliged under the 2013 Loan Agreement to repay the 2013 Loan to Venture Lewis on 2 July 2014.

As stated in the audited consolidated accounts of the Company and the Group for the financial year ended 31 December 2012 (the “**FY2012 Accounts**”), the extension of the S\$75 million loan for a further term of one year from 3 July 2013 to 2 July 2014 (i.e. the 2013 Loan) was one of the events and circumstances which had been considered by the Directors of the Company in forming their view that it was appropriate to prepare the FY2012 Accounts on a going concern basis.

Based on the unaudited consolidated accounts of the Group for the nine months ended 30 September 2013 (“**YTD 3Q2013**”):

- (a) the Group recorded a loss of approximately S\$5.2 million for YTD 3Q2013;
- (b) the Group has negative working capital of approximately S\$50.2 million as at 30 September 2013; and
- (c) the Group has deficits in shareholders’ equity of approximately S\$4.6 million as at 30 September 2013.

As stated in the Company’s announcement on 4 November 2013 in relation to the unaudited consolidated financial statements of the Company and the Group for YTD 3Q2013 (the “**3Q2013 Results Announcement**”), the Group’s hospitality operations are expected to remain difficult in view of the high operating costs and the oversupply of hotel

rooms in Shanghai and Qingdao. It is also very much dependent on corporate and tourist arrivals to these two cities.

In view of the financial position and performance of the Group, the Company continues to face difficulties in obtaining financing from financial institutions. The Company has therefore requested Venture Lewis to further extend the 2013 Loan for another term of one year. Through the 2014 Loan, the Company will continue to receive financial support from Venture Lewis, which support is still essential to ensure the Company's ability to remain as a going concern.

As stated in the 3Q2013 Results Announcement, the Group will continue its effort to explore opportunities to grow its earnings base.

4. Financial Effects of the 2014 Loan

For illustrative purposes only, based on the FY2012 Accounts and the unaudited consolidated financial statements of the Company and the Group for YTD 3Q2013, the financial effects of the 2014 Loan would be as follows:

- (a) assuming that the 2014 Loan had been effected on 31 December 2012 and 30 September 2013, there would be no impact on the consolidated net liabilities per share of the Company as at 31 December 2012 and 30 September 2013, respectively;
- (b) assuming that the 2014 Loan had been effected on 1 January 2012, the consolidated basic loss per share and the diluted loss per share attributable to equity holders of the Company would have improved by 0.03 cent from 0.27 cent to 0.24 cent for the financial year ended 31 December 2012; and
- (c) assuming that the 2014 Loan had been effected on 1 January 2013 the consolidated basic loss per share and the diluted loss per share attributable to equity holders of the Company would have improved by 0.01 cent from 0.56 cent to 0.55 cent for YTD 3Q2013.

5. Interested Person Transaction

- 5.1 **The 2014 Loan as an Interested Person Transaction.** Venture Lewis is an indirect wholly-owned subsidiary of CYI, which is a deemed controlling shareholder of the Company. Accordingly, Venture Lewis (being an "associate" of CYI) is regarded as an "interested person" of the Company under Chapter 9. As such, the 2014 Loan constitutes an interested person transaction within the meaning of Chapter 9.

- 5.2 **Requirements of Chapter 9 of the Listing Manual.** Pursuant to Rule 906 of the Listing Manual, shareholders' approval (in addition to an immediate announcement) is required where the value of an interested person transaction entered into by a listed company (or any of its subsidiaries or associated companies that is an "entity-at-risk"), when aggregated with the values of other interested person transactions with the same interested person in the same financial year, is equal to or exceeds 5% of the group's latest audited net tangible assets. Pursuant to Rule 909, the value of an interested person transaction is the "amount at risk" to the listed company.

As mentioned above, based on the unaudited consolidated accounts for YTD 3Q2013, the Group has recorded a loss of approximately S\$5.2 million for YTD 3Q2013 and has a negative working capital of approximately S\$50.2 million and deficits in shareholders' equity of approximately S\$4.6 million as at 30 September 2013.

For the reasons set out in paragraph 3 above, the Company has requested Venture Lewis to further extend the 2013 Loan for another one year term and Venture Lewis has agreed to do so to assist the Company in dealing with its financing difficulties in view of its continued financial weakness and to ensure the Company's ability to remain as a going concern. The Company is

of the view that the 2014 Loan is an extension of the 2013 Loan and therefore the 2009 Loan, which was, in effect, a deferred payment of amounts due to Venture Lewis under the Bonds.

In view of the foregoing, for purposes of Chapter 9:

- (a) the Company is determining the amount at risk to the Company under the 2014 Loan to be the spread which the Company agrees to pay over and above the prevailing SIBOR, i.e. the amount of interest payable by the Company based on the Margin; and
- (b) the Company is determining the materiality of the 2014 Loan based on the Company's market capitalization on the last trading date of the latest completed financial year (for so long as the Company's net tangible assets value or net asset value remains negative) and on such basis, the Company must make an immediate announcement if the amount at risk under the 2014 Loan (as determined based on the Margin) is equal to, or more than, 3% of the Company's market capitalization as at 31 December 2013 and shareholders' approval will be required if the amount at risk under the 2014 Loan is equal to, or more than, 5% of the Company's market capitalization as at 31 December 2013.

Based on the Margin of 1.25% per annum on the 2014 Loan Amount of S\$68.0 million and the term of one year for the 2014 Loan, without taking into account the SIBOR, the amount at risk under the 2014 Loan for purposes of Chapter 9 is approximately S\$0.85 million which represents approximately 2.2% of the Company's market capitalization of approximately S\$39.5 million as at 31 December 2013 ("**31 Dec 2013 Market Capitalization**")¹. On the foregoing basis, the approval of the shareholders of the Company and an immediate announcement are not required for the 2014 Loan under Chapter 9. Nevertheless, the Company is making this announcement for shareholders' information.

5.3 Audit and Risk Committee's Statement. The Audit and Risk Committee of the Company has reviewed the terms of the 2014 Loan and is of the view that the 2014 Loan is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

5.4 Current Total Value of All Interested Person Transactions. Pursuant to Rule 917(5) of the Listing Manual, there was no interested person transaction (excluding transactions below S\$100,000) entered into by HLGE for the period from 1 January 2014 to the date of this Announcement, other than the above transaction with Venture Lewis (being an associate of HLA and CYI). The amount at risk under the 2014 Loan is S\$850,000 and represents approximately 2.2% of the 31 Dec 2013 Market Capitalization.

6. Interests of Directors and Controlling Shareholders

Mr Gan Khai Choon, the Chairman of the Company, is also a director of Grace Star, Venture Lewis and CYI. Mr Philip Ting Sii Tien, a Director of the Company, is also a director of Grace Star and Venture Lewis and a shareholder, director and Chief Executive Officer of HLA. Mr Hoh Weng Ming, a Director of the Company, is also a director and President of CYI. As stated above, Venture Lewis is an indirect wholly-owned subsidiary of CYI, which is, in turn, a subsidiary of HLA.

In view of their interests as disclosed above, Messrs Gan Khai Choon, Philip Ting Sii Tien and Hoh Weng Ming have abstained from voting on the Directors' resolutions to approve the entry into the 2014 Loan Agreement.

Save as disclosed in this Announcement, none of the Directors nor (so far as the Directors are aware) any controlling shareholder of the Company has any interest, direct or indirect, in the 2014 Loan.

By Order of the Board
Aw Siew Yen, Patricia
Yeo Swee Gim, Joanne
Company Secretaries
19 February 2014
Singapore

¹ The 31 Dec 2013 Market Capitalization is based on 963,187,297 HLGE shares in issue as at 31 December 2013 and the last transacted price of such shares transacted on the SGX-ST on 31 December 2013 of S\$0.041 per HLGE share.