

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 22 February 2016 ("**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. ("**LKNII Disposal**").
- 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 SGX-ST FOR THE WAIVER APPLICATION

- 2.1 The Board wishes to announce that the SGX-ST has, on 24 February 2016, informed the Company that the SGX-ST has no objection to the Company's Waiver Application for the waiver from the requirement to obtain shareholders' approval for the LKNII Disposal under Rule 1014(2) of the Listing Manual ("**Waiver**"), subject to the following:
- (a) submission of the signed undertakings from Grace Star Services Ltd. and Ms Florence Tay Eng Neo and her spouse Mr Chew Tiong Sim that they will vote in favour of the LKNII Disposal;
 - (b) disclosure via SGXNet announcement of the Board's view that it is of the unanimous view that the LKNII 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 articles of association 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 as a result. Since the commencement of its operations, the accumulated losses incurred by CHQ amounted to approximately S\$38 million, of which approximately S\$23 million (being 60% thereof) has been equity accounted in the HLGE Group's accounts. The net loss after tax attributable to the LKNII Equity Interest from FY2012 to FY2015 amounted to approximately S\$6.3 million, based on the audited accounts of CHQ for FY2012 to FY2014 and the unaudited accounts of CHQ for FY2015 (prepared in accordance with the SFRS).

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

(b) Rationale for the LKNII Disposal

As stated in the Previous Announcement, 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 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 Disposal is also part of the Company's on-going efforts to strengthen its balance sheet. As CHQ has been loss-making, the LKNII Disposal is expected to have a positive effect on the financial performance of the HLGE Group going forward. The LKNII 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 Disposal. The LKNII 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 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 Disposal

Assuming that the LKNII Disposal is carried out by LKNII at the LKNII Reserve Price, it is expected that HLGE will realise a significant net gain on disposal (after deducting related expenses) from the LKNII 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 FY2015. Further, the HLGE Group has a negative net asset value as at 31 December 2015. As such, it is neither meaningful nor appropriate to compare (i) the net loss attributable to the LKNII Equity Interest against the net loss of the HLGE Group or (ii) the net asset value of the LKNII 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 each of the last three (3) years are as follows:

- (i) S\$39.5 million as at 31 December 2013;
- (ii) S\$42.4 million as at 31 December 2014; and
- (iii) S\$7.8 million as at 31 December 2015.

In addition, the global equity markets have been extremely volatile since the beginning of 2016. 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 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 Disposal being made conditional upon the approval of the shareholders of the Company (if required under the Listing Manual) (“**Shareholder Approval Condition**”). Accordingly if shareholders’ approval of the Company is required to be obtained for the LKNII Disposal:

- (i) it would place an acute constraint on the ability of the Company to undertake the LKNII Disposal by way of the Public Tender Process; and

- (ii) LKNII would be foregoing an opportunity to be able to dispose of the LKNII Equity Interest together with the CAAC Disposal, 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 Equity Interest (than what it could receive if it undertakes the LKNII 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 Disposal by way of the Public Tender Process generally, and to complete the LKNII 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

The following shareholders, which hold in aggregate 52.67% of the total number of issued HLGE shares, have indicated to the Company that they will provide undertakings to the Company to vote in favour of the LKNII Disposal if an extraordinary general meeting to approve the same is required to be held:-

- (i) Grace Star Services Ltd., which holds approximately 48.91% of the total number of issued HLGE shares; and
- (ii) Ms Florence Tay Eng Neo, a director of the Company, and her spouse, Mr Chew Tiong Sim, who hold in aggregate approximately 3.76% of the total number of issued HLGE shares.

As such, the result of any extraordinary general meeting of the Company to approve the LKNII 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 Disposal.

4. BOARD'S OPINION

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

5. UNDERTAKINGS AND WRITTEN CONFIRMATIONS TO THE SGX-ST

5.1 The Company has, on 25 February 2016, submitted to the SGX-ST the following, pursuant to the conditions for the Waiver as set out in paragraph 2.1 above:-

- (a) the signed undertakings from Grace Star Services Ltd. and Ms Florence Tay Eng Neo and her spouse Mr Chew Tiong Sim that they will vote in favour of the LKNII Disposal; and

- (b) the written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company, and that the Company is not aware of any information that will have a material bearing on investors' decision which has yet to be announced by the Company.

BY ORDER OF THE BOARD

Foo Yang Hym
Chief Financial Officer
25 February 2016
Singapore