

HL GLOBAL ENTERPRISES LIMITED

(Company Registration No. 196100131N)
(Incorporated in the Republic of Singapore)

ANNOUNCEMENT

PROPOSED ACQUISITION OF THE REMAINING ISSUED ORDINARY SHARES AND PREFERENCE SHARES IN THE CAPITAL OF AUGUSTLAND HOTEL SDN BHD

1. INTRODUCTION

The Board of Directors of HL Global Enterprises Limited (“**HLGE**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Augustland Sdn Bhd (the “**Purchaser**”), has on 27 May 2014 entered into a sale and purchase agreement (the “**SPA**”) with Amcorp Leisure Holdings Sdn Bhd (“**Amcorp**”) and Hotel Equatorial (M) Sdn Bhd (“**HEM**”) (collectively the “**Vendors**”) and Amcorp Properties Berhad (the “**Amcorp Guarantor**”), pursuant to which the Purchaser has agreed to purchase, and the Vendors have agreed to sell:

- (a) 11,891,393 issued ordinary shares of RM1.00 each (the “**Shares**”) in the capital of Augustland Hotel Sdn Bhd (“**AHSB**”), representing 55% of the total number of issued Shares;
- (b) 8,250,000 Class A non-convertible redeemable preference shares of RM1.00 each in the capital of AHSB (the “**Preference Shares A**”), representing 55% of the total number of issued Preference Shares A; and
- (c) 4,756,893 Class B non-convertible redeemable preference shares of RM1.00 each in the capital of AHSB (the “**Preference Shares B**”), representing the entire issued Preference Shares B,

(collectively, the “**Acquisition Shares**”) for an aggregate cash consideration of RM16,514,854 (equivalent to approximately S\$6.46 million¹) (the “**Consideration**”) upon the terms and subject to the conditions of the SPA (the “**Proposed Acquisition**”).

Under the SPA, the Amcorp Guarantor (which is the holding company of Amcorp) has agreed to, inter alia, unconditionally and irrevocably guarantee to the Purchaser the due and punctual performance by Amcorp of all its obligations under or pursuant to the SPA.

2. INFORMATION ON AHSB

- 2.1 **General Information.** AHSB was incorporated in Malaysia in 1993 as a private limited company and is engaged principally in the business of hotel development and operation. AHSB owns 7,113 square metres of freehold land in Cameron Highlands, Pahang, Malaysia and the Copthorne Hotel Cameron Highlands (formerly known as Equatorial Cameron Highlands) (“**CHCH**”) which is situated thereon (collectively, the “**Cameron Highlands Property**”). CHCH has 269 guest rooms and a total gross floor area of 341,075 square feet. It is managed by

¹ Based on current exchange rates of RM/S\$0.391 (the “**Exchange Rate**”).

Equality Hotel Management Sdn Bhd (“**EHM**”), which is a wholly-owned subsidiary of the Company, for a 25-year term from 1996.

2.2 **Issued Share Capital.** As at the date of this Announcement, AHSB has an issued and paid up:

- (a) ordinary share capital of RM21,620,715 comprising 21,620,715 issued Shares, of which 45% is held by the Purchaser, 40% is held by Amcorp and 15% is held by HEM;
- (b) Class A preference share capital of RM15,000,000 comprising 15,000,000 issued Preference Shares A, of which 45% is held by the Purchaser, 40% is held by Amcorp and 15% is held by HEM; and
- (c) Class B preference share capital of RM4,756,893 comprising 4,756,893 issued Preference Shares B, which is entirely held by HEM.

2.3 **Certain Financial Information.** Based on the audited financial statements of AHSB for the financial year ended 31 December 2013 (“**FY2013**”) and the unaudited financial statements of AHSB for the three (3) months ended 31 March 2014 (“**1Q 2014**”) (both of which have been adjusted to bring the accounting policies adopted by AHSB in line with those of the Group):

- (a) as at 31 December 2013 and 31 March 2014, the book value of the Acquisition Shares in AHSB was RM24.90 million;
- (b) as at 31 December 2013 and 31 March 2014, the net asset value (“**NAV**”) of AHSB was RM5.45 million and RM5.73 million, respectively. In this connection, the Preference Shares B are classified as liabilities in the financial statements of AHSB, while the Preference Shares A are classified as equity in the financial statements of AHSB; and
- (c) the net profits after income tax of AHSB for FY2013 and 1Q 2014 were RM2.14 million and RM0.29 million, respectively, and the net profits after income tax for the same periods attributable to the Acquisition Shares were RM1.18 million and RM0.16 million, respectively.

3. KEY TERMS OF THE PROPOSED ACQUISITION

3.1 **Acquisition Shares.** The Acquisition Shares will be acquired by the Purchaser free from all encumbrances and with the benefit of all rights, advantages, benefits and entitlements attaching thereto as at the date of the SPA and thereafter attaching thereto (including the right to any dividends or other distributions declared and payable thereon on or after the date of the SPA).

3.2 **Consideration for the Acquisition Shares.** The Consideration shall be payable by the Purchaser to the Vendors in the proportion as set out in Schedule 1 to this Announcement. The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the following factors:

- (a) NAV attributable to the Acquisition Shares as at 31 December 2013 and the net profits attributable to the Acquisition Shares for FY2013 based on the audited financial statements of AHSB for FY2013; and
- (b) the following valuations of the Cameron Highlands Property:-
 - (i) a valuation commissioned by AHSB and conducted by Henry Butcher Malaysia Sdn Bhd (“**HB Valuation**”) and which was submitted to OCBC Bank (Malaysia)

Berhad in connection with the financing provided by it to AHSB. Based on the HB Valuation dated 23 January 2014, the market value of the Cameron Highlands Property on an “as is” basis was determined to be RM65 million as at 1 January 2014; and

- (ii) another valuation commissioned by the Purchaser and conducted by Asettz Sdn Bhd (“**Asettz Valuation**”). Based on the Asettz Valuation dated 2 January 2014, the market value of the Cameron Highlands Property on an “as is” basis was determined to be RM50 million as at 2 January 2014.

Under the HB Valuation and the Asettz Valuation, both valuers had adopted the comparison method to determine the market value of Cameron Highlands Property.

The Company intends to finance the Consideration by way of internal resources.

3.3 **Conditions Precedent.** Completion of the Proposed Acquisition (“**Completion**”) is conditional upon, *inter alia*, the following conditions being satisfied or waived in accordance with the SPA:

- (a) all necessary approvals, consents, licences, permits, waivers and exemptions (collectively, “**Approvals**”) for the Proposed Acquisition and any transactions contemplated under the SPA being granted by all relevant authorities in Singapore and Malaysia and third parties to the Purchaser, HLGE or AHSB (as the case may be) (including, for the avoidance of doubt, any Approvals required under, *inter alia*, the licences necessary or desirable for the carrying on of the businesses and operations of AHSB and the approval of Bank Negara Malaysia for the provision of funding, whether by equity or debt, by HLGE or one of its subsidiaries to the Purchaser in connection with the Proposed Acquisition) and where any such Approval is subject to conditions, such conditions being reasonably acceptable to the Purchaser and if such conditions are required to be fulfilled before Completion, such conditions being fulfilled before Completion and such Approvals remaining in full force and effect;
- (b) the purchase and transfer of the Acquisition Shares upon the terms and conditions of the SPA not being prohibited or restricted by any statute, order, rule, regulation, directive, guideline or request (whether or not having the force of law) promulgated by any legislative, executive or regulatory body or authority of Singapore or Malaysia; and
- (c) all necessary bank consents and other consents and other approvals (including the written consent from OCBC Bank (Malaysia) Berhad) having been obtained on terms and conditions acceptable to the Purchaser for the sale and purchase of the Acquisition Shares such that Completion will not constitute an event of default or a breach, or result in the acceleration of indebtedness, or constitute or give rise to a prescribed event or a change in condition or position or otherwise, under the terms of any indebtedness or otherwise whatsoever as at Completion in respect of AHSB to or with any bank, financial institution, third party or authority.

In the event that any of the conditions is not fulfilled (or waived) on or before the date falling two (2) months from the date of the SPA or such other date as the Vendors and the Purchaser may mutually agree in writing, the SPA shall *ipso facto* cease and determine and thereafter no party shall have any claim against the other parties for costs, damages, compensation or otherwise, save in respect of any antecedent breach of the SPA.

- 3.4 **Completion.** Completion of the Proposed Acquisition shall take place on the date falling 14 business days after all of the conditions are satisfied or waived in accordance with the SPA or such other later date as the Purchaser and the Vendors may mutually agree in writing.

4. **RATIONALE FOR THE PROPOSED ACQUISITION**

One of the core businesses of the Group is hospitality operations. The Group currently has interests in and manages CHCH, Copthorne Hotel Qingdao and Elite Residences in Shanghai. The Group also manages Equatorial Hotel Shanghai. The Group has held a 45% stake in AHSB since March 1994. The performance of CHCH has improved over the past few years with higher occupancy rates and increased room rates and AHSB's profits have correspondingly increased during the same period. For FY2013, AHSB recorded net profits after income tax of RM2.14 million (equivalent to S\$0.85 million). By undertaking the Proposed Acquisition, the Group will increase its stake in AHSB from its existing 45% to 100% and AHSB will become a wholly-owned subsidiary of the Company.

The Company expects that the Proposed Acquisition will:

- (a) allow the Group to expand and strengthen its existing core business of hospitality operations;
- (b) enable the Company to have full ownership and control of AHSB and accordingly, to fully consolidate AHSB's revenue, profits, net assets and cash flow into the consolidated financial statements of the Company; and
- (c) enable the Group to continue to manage CHCH through EHM and earn the management fees payable by CHCH to EHM for hotel management services.

In addition, the Cameron Highlands Property is a freehold property. In view of the limited number of freehold properties in Cameron Highlands, the Company is of the view that the value of the Cameron Highlands Property has the potential to appreciate in the long term.

5. **FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION AND COMPARISONS WITH THE GROUP**

5.1 **Financial Effects of the Proposed Acquisition**

5.1.1 **Assumptions.** For illustration purposes only, the financial effects of the Proposed Acquisition on the net tangible assets and earnings per share of the Group have been prepared based on the following assumptions:

- (a) The financial effects of the Proposed Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance of the Group following the Proposed Acquisition nor a projection of the future financial performance or position of the Group after the Completion.
- (b) The financial effects of the Proposed Acquisition are based on the Group's audited consolidated financial statements for FY2013 and unaudited consolidated financial statements for 1Q 2014, and the audited financial statements of AHSB for FY2013 and the unaudited financial statements of AHSB for 1Q 2014 (both of which have been adjusted to bring the accounting policies adopted by AHSB in line with those of the Group).

- (c) In connection with the Proposed Acquisition, the Group will revalue its currently held 45% equity interest in AHSB at fair value as at the date of Completion of the Proposed Acquisition and recognise a gain in profit or loss accordingly. For the purposes of computing the financial effects, it is assumed that (i) the 45% equity interest in AHSB is revalued at fair value as at 30 April 2014, and (ii) the identifiable assets being acquired and liabilities being assumed in AHSB are measured at the fair value as at 30 April 2014 in accordance with Singapore Financial Reporting Standard 103. As the final goodwill has to be determined upon the Completion of the Proposed Acquisition, the actual goodwill could be materially different from the above assumptions. Assuming that the fair value is lower than the Consideration, this will result in a goodwill which will be carried in the books of the Group and subject to impairment testing. Assuming that the fair value exceeds the Consideration, this will result in negative goodwill which will have a one-time positive impact on the Group's income.
- (d) For the purpose of computing the net tangible assets of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition was completed on 31 December 2013 and 31 March 2014, respectively.
- (e) For the purpose of computing the net profit attributable to shareholders and basic earnings per share of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition was completed on 1 January 2013 and 1 January 2014, respectively.
- (f) The Consideration is financed entirely from internal cash resources.

5.1.2 Net tangible assets ("NTA") / Net (liabilities) ("NL")

| | As at 31 March 2014 | | As at 31 December 2013 | |
|---|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
| | Before the Proposed Acquisition | After the Proposed Acquisition | Before the Proposed Acquisition | After the Proposed Acquisition |
| NTA/(NL) (S\$' 000) | (6,618) | (2,527) | (5,012) | 1,330 |
| NTA/(NL) per share (S\$) ⁽¹⁾ | (0.007) | (0.003) | (0.005) | 0.001 |

Note:

- (1) The number of issued ordinary shares in the capital of the Company ("HLGE Shares") used in the computation of NTA/(NL) per share is 938,998,127 (excluding the HLGE Shares held as trust shares ("Trust Shares") by Amicorp Trustees (Singapore) Limited as trustee of the trust established by the Company to facilitate the implementation of the HL Global Enterprises Share Option Scheme 2006).

5.1.3 Basic earnings/(loss) per HLGE Share

| | 1Q 2014 | | FY2013 | |
|--|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
| | Before the Proposed Acquisition | After the Proposed Acquisition | Before the Proposed Acquisition | After the Proposed Acquisition |
| Net profit/(loss) attributable to shareholders (S\$'000) | (1,620) | 2,538 | (6,217) | (637) |
| Basic earnings/(loss) per HLGE Share (In cents) ⁽¹⁾ | (0.17) | 0.27 | (0.66) | (0.07) |

Note:

- (1) The weighted average number of HLGE Shares used in the computation of basic earnings/ (loss) per HLGE Share is 938,998,127 (excluding the Trust Shares).

- 5.2 **Comparisons with the Group.** Based on the audited consolidated financial statements of the Group for FY2013 and the audited financial statements of AHSB for the same financial period (which have been adjusted to bring the accounting policies adopted by AHSB in line with those of the Group), the net profits attributable to the Acquisition Shares (excluding Preference Shares B which are classified as liabilities in AHSB's financial statements) of approximately RM1.20⁽¹⁾ million (equivalent to S\$0.47 million) for FY2013 represents approximately 8.4% of the net loss of the Group of approximately S\$5.62 million⁽¹⁾ for FY2013 (on an absolute basis). Based on the unaudited consolidated financial statements of the Group for 1Q 2014 and the unaudited financial statements of AHSB for the same financial period (which have been adjusted to bring the accounting policies adopted by AHSB in line with those of the Group), the net profits attributable to the Acquisition Shares (excluding Preference Shares B) of approximately RM0.16 million⁽¹⁾ (equivalent to S\$0.06 million) for 1Q 2014 represents approximately 4.0% of the net loss of the Group of approximately S\$1.51 million⁽¹⁾ for 1Q 2014 (on an absolute basis).

The Consideration of RM16.51 million (equivalent to S\$6.46 million based on the Exchange Rate) represents approximately 16.8% of the market capitalisation of the Company of S\$38.5 million as at 22 May 2014⁽²⁾ (being the market day immediately preceding the date of the SPA on which HLGE Shares were traded).

Notes:

- (1) Based on profit / loss before income tax, minority interests and extraordinary items.
- (2) The market capitalisation of the Company is based on 963,187,297 issued HLGE Shares as at 22 May 2014 (being the market day immediately preceding the date of the SPA on which HLGE Shares were traded) and the last traded price per HLGE Share on the Singapore Exchange Securities Trading Limited on 22 May 2014 of S\$0.04.

6. DIRECTORS' SERVICE CONTRACTS

No Director is proposed to be appointed to the Company in connection with the Proposed Acquisition. Accordingly, there is no service contract proposed to be entered into between the Company and any such person.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors nor (so far as the Directors are aware) any controlling shareholders of the Company has an interest, direct or indirect, in the Proposed Acquisition.

8. DOCUMENTS FOR INSPECTION

A copy of each of the SPA, the HB Valuation and the Asettz Valuation will be made available for inspection by the shareholders of the Company at the registered office of the Company at 156 Cecil Street, #09-01 Far Eastern Bank Building, Singapore 069544 during normal business hours for a period of three (3) months from the date of this Announcement.

BY ORDER OF THE BOARD

Aw Siew Yen, Patricia
Yeo Swee Gim, Joanne
Company Secretaries

27 May 2014
Singapore

SCHEDULE 1
PARTICULARS OF THE ACQUISITION SHARES AND CONSIDERATION PAYABLE TO THE VENDORS

| Name of Vendor | Number of Shares held by the Vendor | Consideration for the Shares | Number of Preference Shares A held by the Vendor | Consideration for the Preference Shares A | Number of Preference Shares B held by the Vendor | Consideration for the Preference Shares B | Aggregate Consideration for the Acquisition Shares |
|-----------------------|--|-------------------------------------|---|--|---|--|---|
| Amcorp | 8,648,286 | RM2,551,244 | 6,000,000 | RM6,000,000 | - | - | RM8,551,244 |
| HEM | 3,243,107 | RM956,717 | 2,250,000 | RM2,250,000 | 4,756,893 | RM4,756,893 | RM7,963,610 |
| Total | 11,891,393 | RM3,507,961 | 8,250,000 | RM8,250,000 | 4,756,893 | RM4,756,893 | RM16,514,854 |