

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

**ANNOUNCEMENT**

**PROPOSED DISPOSAL OF 60% EQUITY INTEREST IN  
COPTHORNE HOTEL QINGDAO CO., LTD.**

**1. INTRODUCTION**

The Board of Directors ("**Board**") of HL Global Enterprises Limited ("**HLGE**" or the "**Company**", and together with its subsidiaries, the "**HLGE Group**") wishes to announce that its wholly-owned subsidiary, LKN Investment International Pte. Ltd. ("**LKNII**") intends to dispose of its 60% equity interest in Copthorne Hotel Qingdao Co., Ltd. ("**CHQ**") ("**LKNII Disposal**") by way of public tender on the Shanghai United Assets and Equity Exchange ("**SUAEE**").

**2. BACKGROUND INFORMATION ON CHQ**

LKNII currently owns 60% equity interest in CHQ ("**LKNII Equity Interest**"). The remaining 40% equity interest in CHQ is currently held by CAAC East China Regional Administration Authority Service Center ("**CAAC**") ("**CAAC Equity Interest**").

CHQ was established by LKNII and CAAC in 1994 as the joint venture company to jointly invest in, construct and manage a hotel, which is now known as "Copthorne Hotel Qingdao" ("**Hotel**") in Qingdao, The People's Republic of China ("**PRC**"). The Hotel, which consists of a tower block and a convention centre, is located in Qingdao's central business district and has 455 guestrooms and suites.

For the reasons set out in paragraph 4 below, LKNII proposes to undertake the LKNII Disposal together with the proposed disposal by CAAC of the CAAC Equity Interest ("**CAAC Disposal**") (collectively, the "**Proposed Transaction**").

**3. THE PROPOSED TRANSACTION**

**3.1 Public Tender**

As CAAC is a state-owned enterprise in the PRC, CAAC is required, in compliance with the relevant laws and regulations on transfer of state-owned equity interests in the PRC, to undertake the CAAC Disposal by way of public tender on SUAEE ("**Public Tender Process**"). As LKNII intends to dispose of the LKNII Equity Interest together with CAAC to a single purchaser, LKNII proposes to effect the LKNII Disposal in the same manner as the CAAC Disposal i.e. by way of the Public Tender Process.

LKNII and CAAC (collectively, the "**Sellers**") will list the LKNII Equity Interest and the CAAC Equity Interest, respectively on the SUAEE on 23 February 2016 for sale pursuant to the Public Tender Process. Under the Public Tender Process, interested parties will be invited to bid for the LKNII Equity Interest and the CAAC Equity Interest in

accordance with the transaction rules of the SUAEE. Upon the close of the Public Tender Process, the successful bidder of the LKNII Equity Interest and the CAAC Equity Interest (“**Purchaser**”) will be selected by SUAEE and the Sellers, and the Sellers will thereafter negotiate and enter into the sale and purchase agreement relating to the Proposed Transaction (“**SPA**”) with the Purchaser.

**The Board wishes to emphasise that neither any legally binding agreement nor SPA has been entered into between LKNII and any party in relation to the LKNII Disposal as at the date of this Announcement. There is no certainty or assurance that any definitive agreement or transaction will result from the Public Tender Process.**

The Company will make further announcements in respect of the LKNII Disposal in accordance with the applicable requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Listing Manual**”) as and when appropriate.

### 3.2 Proposed Salient Terms of the Proposed Transaction

Certain proposed salient terms of the Proposed Transaction under the Public Tender Process are set out below:-

- (a) **LKNII Disposal and the CAAC Disposal are inter-conditional.** The LKNII Disposal and the CAAC Disposal will be inter-conditional upon each other, i.e. a bidder for the LKNII Equity Interest will be required to also bid for and purchase the CAAC Equity Interest, and *vice versa*.
- (b) **Reserve Price and Consideration.** The reserve or floor price for the Proposed Transaction has been set by the Sellers at approximately RMB546.22 million (“**Reserve Price**”), based on a valuation of CHQ conducted by a valuer as at 31 March 2015 (“**Valuation Date**”), which was commissioned by CAAC. Accordingly, the reserve or floor price for the LKNII Disposal has been set by LKNII at approximately RMB327.73 million (which is approximately S\$70.7 million<sup>1</sup>) (“**LKNII Reserve Price**”), being 60% of the Reserve Price. The actual aggregate consideration for the Proposed Transaction will be based on the bid price of the successful bidder which is accepted by the Sellers and will be specified in the SPA. The consideration for the Proposed Transaction is to be satisfied by the Purchaser in cash.
- (c) **Repayment of loans owing by CHQ.** The Purchaser will be required, under the terms of the SPA:
  - (i) to repay to LKNII in full, on behalf of CHQ, the outstanding shareholders’ loan of RMB12.65 million granted by LKNII to CHQ, together with all interests accrued thereon; and
  - (ii) to repay in full, on behalf of CHQ, all outstanding principal amounts and interests accrued thereon owing by CHQ to Standard Chartered Bank,

---

<sup>1</sup> Based on the exchange rate of S\$1:RMB4.635 as at 19 February 2016

China ("**SCB**") under two (2) loans for the amounts of RMB86.7 million and US\$8.8 million, respectively, granted by SCB to CHQ.

- (d) **Profits and Losses.** The Purchaser shall be entitled to all profits, and shall bear all losses, of CHQ for the period from (and including) the Valuation Date up to completion of the Proposed Transaction.

#### 4. RATIONALE FOR THE LKNII 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 net loss after tax attributable to the LKNII Equity Interest from the financial year ended 31 December ("**FY**") 2012 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 Singapore Financial Reporting Standards ("**SFRS**")).

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.

#### 5. CHAPTER 10 OF THE LISTING MANUAL

- 5.1 **Rule 1006.** Assuming that the LKNII Disposal is effected at the LKNII Reserve Price, the relative figures for the LKNII Disposal computed on the applicable bases set out in Rule 1006 of the Listing Manual, based on the latest announced unaudited consolidated financial statements of the HLGE Group for FY2015 (being the latest announced consolidated accounts of the HLGE Group), are set out below:

<b>Rule 1006</b>	<b>Bases</b>	<b>LKNII Disposal (S\$' million)</b>	<b>Group (S\$' million)</b>	<b>Relative Figure</b>
(a)	Net asset value of assets being disposed of, compared with the HLGE Group's net asset value <sup>(1)(4)</sup>	0.9	(3.6)	- 25%
(b)	Net profits/(loss) attributable to the assets disposed of, compared with the HLGE Group's net profits/(loss) <sup>(1)(2)(4)</sup>	(2.7)	(2.2)	122.7%
(c)	Aggregate value of consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares <sup>(3)</sup>	70.7	7.2	981.9%

Rule 1006	Bases	LKNII Disposal (S\$' million)	Group (S\$' million)	Relative Figure
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	-	-	Not applicable, as this is not an acquisition and there is no issuance of equity securities by the Company.

Notes:

- (1) The net asset value of the LKNII Equity Interest and the net loss attributable to the LKNII Equity Interest are based on the unaudited accounts of CHQ for FY2015, which were prepared in accordance with the SFRS.
- (2) Based on profits or loss before income tax, minority interest and extraordinary items.
- (3) Based on the LKNII Reserve Price of RMB327.73 million (which is approximately S\$70.7 million, based on the exchange rate of S\$1:RMB4.635 as at 19 February 2016) and the market capitalisation of the Company of approximately S\$7.2 million (which is determined by multiplying the existing number of issued shares in the Company excluding treasury shares (ie. 96,318,419 shares) by S\$0.075, being the weighted average price of the Company's shares transacted on 19 February 2016, the market day preceding the date of this Announcement).
- (4) The net asset value of the LKNII Equity Interest and the net loss attributable to the LKNII Equity Interest have been converted from RMB to S\$ based on the exchange rate of S\$1: RMB4.5872 and S\$1: RMB4.5725 respectively as at 31 December 2015.

5.2 **Major Transaction.** As the relative figures under Rules 1006(a), 1006(b) and 1006(c) exceed 20%, the LKNII Disposal would constitute a major transaction under Chapter 10 of the Listing Manual and is subject to the approval of the shareholders of the Company, unless the requirement for such shareholders' approval is waived by SGX-ST.

5.3 **Waiver Application and Undertakings to Vote.** The Company had on 18 February 2016 submitted an application to the SGX-ST for a waiver of the requirement for the Company (the "**Waiver Application**") to obtain its shareholders' approval for the LKNII Disposal ("**Waiver**"), on *inter alia*, the basis that the LKNII Disposal involves the disposal of a loss-making asset. The Company will make further announcements to update its shareholders on the status of the Waiver Application in accordance with the applicable requirements of the Listing Manual in due course.

In the event that the Waiver is not granted, the Company will convene an extraordinary general meeting to seek the approval of its shareholders for the LKNII Disposal, prior to completion of the Proposed Transaction. In this respect, the following shareholders of the Company, who hold in aggregate 52.67% of the total number of issued shares in HLGE (“**HLGE Shares**”), have provided irrevocable undertakings to the Company to vote in favour of the LKNII Disposal if the approval of the shareholders of the Company is required for the LKNII Disposal:-

- (a) Grace Star Services Ltd., which holds approximately 48.91% of the total number of issued HLGE Shares; and
- (b) 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.

## **6. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save for their shareholding interests in the Company, none of the Directors nor (so far as the Directors are aware) any controlling shareholders of the Company has any interest, direct or indirect, in the LKNII Disposal.

## **7. FURTHER ANNOUNCEMENTS**

The Company will make further announcements, in compliance with the requirements of the Listing Manual, in relation to the Waiver Application and upon the execution of the SPA and/or when there are material updates or developments in respect of the LKNII Disposal.

## **8. CAUTIONARY STATEMENT**

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company as there is no certainty or assurance that the SPA will be entered into, that the final terms and conditions of the SPA with respect to the LKNII Disposal (including the consideration for the LKNII Disposal) will not differ from those set out in paragraph 3.2 above, or that the LKNII Disposal will be undertaken at the LKNII Reserve Price or at all.**

**Shareholders and potential investors are advised to read this Announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.**

BY ORDER OF THE BOARD

Foo Yang Hym  
Chief Financial Officer  
22 February 2016  
Singapore