

## GENERAL ANNOUNCEMENT::LOAN AGREEMENT BETWEEN HL GLOBAL ENTERPRISES LIMITED AND VENTURE LEWIS LIMITED

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### Issuer & Securities

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#### Issuer/ Manager

HL GLOBAL ENTERPRISES LIMITED

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#### Securities

HL GLOBAL ENTERPRISES LIMITED - SG1AI6000003 - AVX

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#### Stapled Security

No

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### Announcement Details

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Loan Agreement between HL Global Enterprises Limited and Venture Lewis Limited

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#### Submitted By (Co./ Ind. Name)

Foo Yang Hym

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#### Designation

Chief Financial Officer

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#### Description (Please provide a detailed description of the event in the box below)

Please refer to the attachment.

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### Attachments

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[Loan renewal.pdf](#)

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Total size = 165K MB

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**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 **2017 Loan Agreement.** The Board of Directors of HL Global Enterprises Limited (“**HLGE**” or the “**Company**”) wishes to announce that the Company has on 8 February 2017 entered into a loan agreement (the “**2017 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 (1) year term from 3 July 2017 to 2 July 2018, upon the terms and subject to the conditions of the 2017 Loan Agreement.

1.2 **Background to the 2017 Loan Agreement.** Pursuant to a loan agreement dated 18 February 2009 entered into between Venture Lewis and the Company, 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, and the conversion of such sum into an unsecured loan by Venture Lewis to the Company for the term of one (1) year upon the terms and conditions of the loan agreement (the “**2009 Loan**”). The 2009 Loan was subsequently extended on an annual basis in 2010, 2011, 2012, 2013, 2014 and 2015 (the “**2015 Loan**”).

In January 2016, the 2015 Loan was extended for a further one (1) year term until 2 July 2017 (the “**2016 Loan**”).

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 48.91% 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 2017 Loan Agreement**

**Principal Terms of the Loan.** Pursuant to the 2017 Loan Agreement, Venture Lewis has agreed to further extend the 2016 Loan by granting the S\$68 million unsecured loan from 3 July 2017 to 2 July 2018 (the “**2017 Loan**”), upon the terms and conditions of the 2017 Loan Agreement. The principal terms of the 2017 Loan are substantially similar to those of the 2016 Loan, except that (i) 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 2017 Loan Agreement and (ii) the Margin (as defined below) has been reduced from 0.5% to 0.4% per annum.

The principal terms of the 2017 Loan are summarised below:

- (a) Principal Amount : S\$68 million (the “**2017 Loan Amount**”).
- (b) Interest Rate : The aggregate of:
- (i) a margin of 0.4% per annum (the “**Margin**”); and
  - (ii) 1.435% being the prevailing 12-month Singapore inter-bank offer rate for

Singapore Dollars fixed by the Association of Banks in Singapore (“**SIBOR**”) as calculated by Reuters as the official calculation agent of SIBOR (and appearing on the Reuters Screen Page) as at 11.00 a.m. on the date immediately preceding the date of the 2017 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 2017 Loan : One (1) year commencing from 3 July 2017, renewable by mutual agreement on an annual basis.
- (d) Repayment : The 2017 Loan Amount shall be repaid by the Company on 2 July 2018, unless the term of the 2017 Loan is extended by mutual agreement.
- (e) Prepayment : The Company has the right to repay the whole or any part of the 2017 Loan Amount at any time during the term of the 2017 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 2017 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 2017 Loan, subject to compliance with applicable laws, rules and regulations (including the Listing Manual (as defined below)) and the Company’s Constitution.

CYI has in place certain credit facilities with various banks in Singapore which it will continue to utilize in the provision of the 2017 Loan by Venture Lewis (collectively, “**CYI’s Banking Facilities**”). On this basis, in the event, during the term of the 2017 Loan, that any of the banks 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 2017 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 (“**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 2017 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 2017 Loan, subject always to the conditions specified above and compliance by the Company with the applicable requirements of Chapter 9.

### 3. Rationale for the 2017 Loan

As stated above, the Company is obliged to repay the 2016 Loan to Venture Lewis on 3 July 2017.

The extension of the S\$68 million loan for a further term of one (1) year from 3 July 2016 to 2 July 2017 (i.e. the 2016 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 audited consolidated accounts of the Company and the Group for the financial year ended 31 December 2015 (the “**FY 2015 Accounts**”) on a going concern basis.

Based on the unaudited consolidated accounts of the Group for the nine months ended 30 September (“**YTD 3Q**”) 2016:

- (a) the Group reported a loss attributable to equity holders of approximately S\$1.1 million for YTD 3Q 2016, as compared to the loss attributable to equity holders of approximately S\$2.3 million for YTD 3Q 2015;
- (b) the Group has negative working capital of approximately S\$43.3 million as at 30 September 2016; and
- (c) the Group has deficits in shareholders’ equity of approximately S\$5.8 million as at 30 September 2016.

As stated in the Company’s announcement on 3 November 2016 in relation to the unaudited consolidated financial statements of the Company and the Group for YTD 3Q 2016 (the “**3Q 2016 Results Announcement**”), the highly competitive hospitality market resulting from the increased supply of hotel rooms and austerity measures, will continue to adversely impact the Group’s operations in Qingdao.

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 2016 Loan for another term of one (1) year. Through the 2017 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 3Q 2016 Results Announcement, the Group will continue its efforts to source for sustainable and viable business opportunities under the difficult economic environment.

#### 4. Financial Effects of the 2017 Loan

For illustrative purposes only, based on the FY 2015 Accounts and the unaudited consolidated financial statements of the Company and the Group for YTD 3Q 2016, the financial effects of the 2017 Loan would be as follows:

- (a) assuming that the 2017 Loan had been effected on 31 December 2015 and 30 September 2016, there would be no impact on the consolidated net liabilities per share of the Company as at 31 December 2015 and 30 September 2016, respectively;
- (b) assuming that the 2017 Loan had been effected on 1 January 2015, the consolidated basic loss per share attributable to equity holders of the Company would have decreased by 0.02 cent from 2.34 cents to 2.32 cents for the financial year ended 31 December 2015; and
- (c) assuming that the 2017 Loan had been effected on 1 January 2016, the consolidated basic loss per share attributable to equity holders of the Company would have decreased by 0.03 cent from 1.22 cents to 1.19 cents for YTD 3Q 2016.

#### 5. Interested Person Transaction

5.1 **The 2017 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 2017 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 3Q 2016, the Group has recorded a loss of approximately S\$1.1 million for YTD 3Q 2016 and has a negative working capital of approximately S\$43.3 million and deficits in shareholders’ equity of approximately S\$5.8 million as at 30 September 2016.

For the reasons set out in paragraph 3 above, the Company has requested Venture Lewis to further extend the 2016 Loan for another one (1) 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 2017 Loan is an extension of the 2016 Loan and therefore an extension of 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 2017 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 2017 Loan based on the Company’s market capitalization on the last trading date of the latest completed financial year, i.e. financial year ended 31 December 2016 (“**FY 2016 Year-End**”).

**Market Capitalization**") (for so long as the Company's net tangible assets or net asset value remains negative) and on such basis, the Company must make an immediate announcement if the amount at risk under the 2017 Loan (as determined based on the Margin) is equal to, or more than, 3% of the Company's FY 2016 Year-End Market Capitalization and shareholders' approval will be required if the amount at risk under the 2017 Loan is equal to, or more than, 5% of the Company's FY 2016 Year-End Market Capitalization.

Based on the Margin of 0.4% per annum on the 2017 Loan Amount of S\$68.0 million and the term of one (1) year for the 2017 Loan, without taking into account the SIBOR, the amount at risk under the 2017 Loan for purposes of Chapter 9 is approximately S\$272,000 which represents approximately 4.1% of the Company's FY 2016 Year-End Market Capitalization of approximately S\$6.7 million<sup>1</sup>. On the foregoing basis, the approval of the shareholders of the Company is not required for the 2017 Loan under Chapter 9.

- 5.3 **Audit and Risk Committee's Statement.** The Audit and Risk Committee of the Company has reviewed the terms of the 2017 Loan and is of the view that the 2017 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 2017 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 2017 Loan is S\$272,000 and represents approximately 4.1% of the FY 2016 Year-End 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 2017 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 2017 Loan.

BY ORDER OF THE BOARD

Foo Yang Hym  
Chief Financial Officer  
8 February 2017  
Singapore

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<sup>1</sup> The FY 2016 Year-End Market Capitalization is based on 96,321,318 HLGE shares in issue as at 30 December 2016 and the last transacted price of such shares transacted on the SGX-ST on 28 December 2016 of S\$0.07 per HLGE share. There was no transaction in HLGE shares on the SGX-ST from 29 December 2016 to 30 December 2016.