

GENERAL ANNOUNCEMENT::FURTHER EXTENSION OF TIME FOR REMOVAL FROM THE SGX-ST WATCHLIST

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HL GLOBAL ENTERPRISES LIMITED

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

Please refer to the attachment.

Attachments

[2nd Extension of Cure Period.pdf](#)

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ANNOUNCEMENT

FURTHER EXTENSION OF TIME GRANTED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") FOR THE COMPANY TO SATISFY RULE 1314(1) OF THE LISTING MANUAL (THE "LISTING MANUAL") OF THE SGX-ST FOR REMOVAL FROM THE SGX-ST WATCH-LIST (THE "WATCH-LIST")

1. INTRODUCTION

The Board of Directors ("**Board**") of HL Global Enterprises Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the following announcements:

- (a) the announcement dated 3 June 2014 whereby the Company announced that it would be placed on the Watch-List with effect from 4 June 2014, and that the Company would need to meet the requirements of Rule 1314 of the Listing Manual for the submission of an application to the SGX-ST within 24 months from 4 June 2014 ("**Cure Period**") for its removal from the Watch-List;
- (b) the announcement dated 31 May 2016 whereby the Company announced that the SGX-ST had no objection to granting the Company an extension of the Cure Period of up to 12 months to 3 June 2017 to meet the financial exit criteria set out in Rule 1314(1) of the Listing Manual ("**Financial Exit Criteria**") for its removal from the Watch-List; and
- (c) the announcement dated 2 June 2017 whereby the Company announced that it had submitted an application to the SGX-ST on 12 May 2017 to request for a further extension of the Cure Period till 3 June 2018, being an extension of 12 months from 3 June 2017, to meet the requirements relating to the Financial Exit Criteria for its removal from the Watch-List (the "**Extension Application**"),

(collectively, the "**Previous Announcements**"). Capitalised terms used but not defined herein shall, unless the context otherwise requires, have the meanings as set out in the Previous Announcements.

2. FURTHER EXTENSION OF TIME GRANTED BY THE SGX-ST TO SATISFY THE FINANCIAL EXIT CRITERIA SET OUT IN RULE 1314(1) OF THE LISTING MANUAL FOR REMOVAL FROM THE WATCH-LIST

The Board wishes to announce that the SGX-ST has on 1 August 2017 informed the Company that it has no objection to granting the Company a further extension of 12 months to **3 June 2018** (the "**Expiry Date**") to meet the Financial Exit Criteria for removal from the Watch-List, subject to the following conditions:

- (a) the Company announcing via SGXNET the period of extension granted, the reasons for seeking the extension of time and the conditions;

- (b) submission of a written confirmation from the Company that the extension of time does not contravene any laws and regulations governing the Company and the Constitution of the Company;
- (c) disclosure via SGXNET of the steps that the Company will be taking to make a reasonable exit offer pursuant to Rule 1309 read with Rule 1306 of the Listing Manual (as set out in paragraph 5 below) in the event the Company is unable to exit the Watch-List by the Expiry Date; and
- (d) disclosure via SGXNET of the undertakings by the Company to the SGX-ST in connection with the foregoing (as set out in paragraph 4 below).

The Board wishes to remind the shareholders of the Company (“**Shareholders**”) that the SGX-ST reserves the right to amend/vary the above decision and such decision is subject to changes in the SGX-ST’s policies.

3. REASONS FOR SEEKING THE FURTHER EXTENSION OF TIME

3.1 The Company has taken active steps and is in the midst of undertaking the proposed disposal of LKNII’s 60% equity interest in CHQ, which is the first key step to significantly improving its financial position

As announced by the Company on 31 May 2016, the Company has been trying to dispose of the 60% equity interest held by its wholly-owned subsidiary, LKN Investment International Pte. Ltd. (“**LKNII**”) in Copthorne Hotel Qingdao Co., Ltd. (“**CHQ**”) (“**LKNII’s CHQ Equity Interest**”), which has been loss-making. It is critical for the Company to pursue and undertake the disposal of the LKNII’s CHQ Equity Interest (“**LKNII’s CHQ Disposal**”), as the Company expects that the LKNII’s CHQ Disposal (if completed during the financial year ending 31 December 2017 (“**FY2017**”)) will enable the Company to satisfy the pre-tax profit requirement under the Financial Exit Criteria for FY2017 and will bring about the following benefits to the Group:

- (i) As CHQ has been loss-making for most years since the commencement of its operations in 1997, it has been adversely affecting the financial performance of the Group. As such, it is essential that the Company undertakes the LKNII’s CHQ Disposal so that the significant recurring losses from CHQ will not appear in the subsequent consolidated financial results of the Group and negate or materially reduce any positive financial impact arising from any acquisition, reverse takeover of the Company (“**RTO**”) or asset injection which may be undertaken. This is the first key step to be undertaken by the Company prior to pursuing and undertaking any acquisition, RTO or asset injection.
- (ii) The proceeds from the LKNII’s CHQ Disposal could be used to explore viable business opportunities to improve the Company’s earnings, reduce borrowings and interest expense and/or for working capital purposes of the Group.

Re-listing of the LKNII CHQ’s Equity Interest for sale by way of public tender (“Public Tender Process”) on the Shanghai United Assets and Equity Exchange (“SUAEE”)

As announced by the Company on 19 May 2017, 20 June 2017, 27 June 2017, 3 July 2017 and 1 August 2017 (collectively, the “**LKNII’s CHQ Disposal Announcements**”), LKNII and CAAC had effected another formal listing of the LKNII’s CHQ Equity Interest and the CAAC Equity Interest (collectively, the “**CHQ Equity Interest**”) on the SUAEE with effect from 22 May 2017 for sale pursuant to the Public Tender Process. The Company has taken longer than expected

to re-list the LKNII's CHQ Equity Interest on the SUAEE mainly due to reasons that were not entirely within its control. In particular, the valuation report on CHQ took more than six months before it was finalised. Further, the Company expects that it would take another 4 to 6 months following the re-listing of the LKNII's CHQ Equity Interest on the SUAEE to complete the LKNII's CHQ Disposal.

As no bid was received for the LKNII's CHQ Disposal following the first round of listing of the CHQ Equity Interest for bidding under the Public Tender Process, pursuant to the application made by LKNII and CAAC to the SUAEE, the LKNII's CHQ Equity Interest and the CAAC Equity Interest were listed again on the SUAEE with effect from 4 July 2017 for another period of 20 business days for sale pursuant to the Public Tender Process ("**Second Round Listing**"). As announced by the Company on 1 August 2017, the Second Round Listing expired on 31 July 2017 and SUAEE had informed the Company that there are two (2) bidders which have been qualified to participate in the Public Tender Process for the CHQ Equity Interest ("**Qualified Bidders**"). The Qualified Bidders will be required to pay a deposit within three (3) business days from the date of notification by the SUAEE and they will thereafter be invited to submit their bids for the CHQ Equity Interest to the SUAEE in accordance with the transaction terms of the SUAEE. Please refer to the LKNII's CHQ Disposal Announcements for more information.

3.2 In addition to the LKNII's CHQ Disposal, the Company is concurrently undertaking the proposed disposal of LKNII as a "packaged deal" comprising its interests in CHQ and Shanghai Hutai Real Estate Development Co., Ltd. ("Hutai")

In line with the Company's intention to dispose of the LKNII's CHQ Equity Interest, the Company had also separately pursued the alternative of disposing 100% of the issued shares in the capital of LKNII ("**LKNII Disposal**"), which is the Company's investment holding company for the LKNII's CHQ Equity Interest and LKNII's 100% equity interest in Hutai.

As announced by the Company on 31 May 2017 ("**LKNII Disposal Announcement**"), the Company had on 31 May 2017 entered into a conditional sale and purchase agreement ("**SPA**") with Natural Apex Limited ("**Natural Apex**"), an affiliate of Jingrui Properties (Group) Co., Ltd, in relation to the LKNII Disposal on the terms and subject to the conditions set out in the SPA. Under the terms of the SPA, the Company and Natural Apex have agreed that prior to completion of the LKNII Disposal, LKNII may list the LKNII's CHQ Equity Interest for sale by way of public tender on the SUAEE. Please refer to the LKNII Disposal Announcement for more information.

The Company considered that a "packaged deal" consisting of both LKNII's CHQ Equity Interest and 100% equity interest in Hutai, which is a profit-making asset, may be more appealing to potential buyers than the option of acquiring the LKNII's CHQ Equity Interest on a standalone basis. As announced in the LKNII Disposal Announcement, the Company's rationale for the LKNII Disposal was as follows:

- (a) under the LKNII Disposal, the Company may still proceed with the LKNII's CHQ Disposal. In the event that the LKNII's CHQ Equity Interest is not sold pursuant to the Public Tender Process, the Company would still have the assurance of disposing the LKNII's CHQ Equity Interest under the LKNII Disposal;
- (b) the LKNII Disposal would enable the Company to realise and unlock the value of its investment in LKNII and therefore its indirect stake in both Hutai and CHQ, and is also part of the Company's on-going efforts to strengthen its balance sheet;

- (c) the Company expects that the LKNII Disposal will have a positive effect on the financial performance of the Group going forward. Assuming that the LKNII Disposal is completed in FY2017, the Company expects that the LKNII Disposal will enable the Company to satisfy the pre-tax profit requirement under the Financial Exit Criteria for FY2017; and
- (d) the sale proceeds from the LKNII Disposal may be used for (i) funding any suitable acquisitions of new businesses and assets; (ii) repayment of the loan from Venture Lewis Limited (“**Venture Lewis**”), which would lower the gearing of the Group, resulting in a healthier balance sheet; and/or (iii) the Group’s working capital purposes.

In view of the foregoing, and as the Company is in the midst of undertaking the LKNII Disposal and the LKNII's CHQ Disposal, it is critical that the Company be given more time and full opportunity to undertake the LKNII Disposal and LKNII's CHQ Disposal.

3.3 Other reasons for extension of time

The other reasons provided by the Company for seeking a further extension of time as set out in the Extension Application are as follows:

(a) Further time needed following LKNII's CHQ Disposal and/or the LKNII Disposal to pursue new acquisitions and increase market capitalisation

Further to the LKNII's CHQ Disposal and/or the LKNII Disposal, the Company intends to actively identify, evaluate and pursue potential new acquisitions of assets and/or businesses to grow the earnings base of the Group, and also actively explore options to increase the market capitalisation of the Company to S\$40 million or more (so as to enable the Company to meet the market capitalisation criterion under the Financial Exit Criteria). As any acquisition to be undertaken by the Company will require careful consideration of the commercial and financial feasibility of the business and whether such acquisition would indeed bring about benefits for the Company, it would take time for the Company to identify, evaluate, pursue and complete suitable acquisitions. Further, as the Company would be better placed to pursue new acquisitions and options to increase its market capitalisation after undertaking the LKNII's CHQ Disposal and/or the LKNII Disposal, the Company would need an extension of the Cure Period till 3 June 2018 to enable it to satisfy the Financial Exit Criteria for removal from the Watch-List.

(b) Steps taken to secure further financial support from Venture Lewis and reduce interest expenses

Since 2009, Venture Lewis, an indirect wholly-owned subsidiary of China Yuchai International Limited, a deemed 48.91% substantial shareholder of the Company, has been providing financial support to the Company through the extension of the unsecured loan of S\$68 million and yearly extensions of the repayment date of such loan. The Company has secured such support which has enabled it to remain as a going concern to date. In addition, pursuant to negotiations by the Company, Venture Lewis had agreed to reduce the interest margin on such loan from 2.5% per annum in 2009, to 1.75% in 2011, 1.5% per annum in 2012, 1.25% in 2014, 1% in 2015, 0.5% in 2016 and further to 0.4% in 2017. The reduction in the interest margin set by Venture Lewis has helped the Company to reduce its interest expense accordingly.

(c) Interests of the Company and its Shareholders to continue listing

The Company believes that it would be in the interests of the Company and its Shareholders for the shares in the Company to continue to be publicly listed and traded on the Main Board of the SGX-ST.

4. THE COMPANY'S UNDERTAKING

In support of the Extension Application, the Company has undertaken to the SGX-ST that if the following circumstances occur, the Company will take the steps set out in paragraph 5 below to provide a reasonable exit offer to the minority Shareholders of the Company in compliance with Rule 1309 of the Listing Manual (the "Exit Offer"):

- (a) No Exit from Watch-List: the Company:
 - (i) is profitable for FY2017, but is unable to meet the market capitalisation requirements under the Financial Exit Criteria on or prior to the Expiry Date to exit the Watch-List and the Company does not make an application to the SGX-ST to transfer its listing from the Mainboard to the Catalist; or
 - (ii) does not meet the requirements relating to the Financial Exit Criteria on or prior to the Expiry Date to exit the Watch-List; and
- (b) No Asset Injection: the Company has not entered into a legally binding agreement by the Expiry Date to acquire asset(s) that enable the enlarged group to comply with the new listing requirements in Rule 210(2)(a) or (b) of the Listing Manual where the transaction is expected to be completed within 3 months; and
- (c) Directed Delisting: the SGX-ST decides to remove the Company from the Official List under Rule 1315 of the Listing Manual; and
- (d) No Reasonable Exit Alternative by Controlling Shareholder(s): the controlling shareholder(s) of the Company does/do not provide a reasonable exit alternative to the minority Shareholders.

5. PROPOSED STEPS FOR EXIT OFFER

If the Company is required to make the Exit Offer pursuant to paragraph 4 above, the Company anticipates that the Exit Offer will involve the following steps:

- (a) Evaluation

The Company will:

 - (i) assess whether the Company has sufficient cash resources to make the Exit Offer. Whilst the Exit Offer should normally be in cash, the Company reserves the right to provide cash and/or other alternatives (including securities), subject to the approval of the SGX-ST; and
 - (ii) will appoint an independent financial adviser to opine on and advise the independent directors of the Company as to whether the terms of the Exit Offer are fair and reasonable.

(b) Alternatives for Exit Offer

The Company will seek to undertake the Exit Offer by any of the following methods, as the Company may determine at its discretion:

- (i) by way of a reduction of the share capital of the Company (including but not limited to a selective capital reduction to cancel the shares held by the minority Shareholders) pursuant to Section 78C or Section 78G of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and the distribution of cash to Shareholders or minority Shareholders, as the case may be, pursuant to such capital reduction (“**Capital Distribution**”); or
- (ii) by proposing a voluntary winding up of the Company pursuant to Section 290 of the Companies Act (“**Voluntary Winding Up**”); or
- (iii) in any other manner as the Company may determine.

(c) Steps for Capital Distribution

If the Company decides to make an Exit Offer by way of Capital Distribution, the Company anticipates that it will take the following steps:

- (i) if the Company does not have sufficient cash resources to make the Exit Offer, the Company will seek to raise the necessary funds for the Exit Offer, including but not limited to by undertaking a disposal of such assets of the Company as the Company may determine, and on the following basis:
 - (1) the Company will convene an extraordinary general meeting to seek Shareholders’ approval for such asset disposal, if required under applicable laws and/or the Listing Manual; and
 - (2) the net sale of the proceeds of such asset disposal will be placed into a separate account, whereby the proceeds in such an account will be earmarked to be used for payment of the Exit Offer; and
- (ii) the Company will seek the consent of the major creditor(s) of the Company for the Capital Distribution. In this connection, the Company may elect to raise necessary funds to settle the liabilities of the major creditor(s) of the Company as well as to make the Exit Offer; and
- (iii) the Company will convene an extraordinary general meeting to seek Shareholders’ approval (by way of a special resolution) for the Capital Distribution in accordance with the requirements of the Companies Act.

(d) Voluntary Winding Up

If:

- (i) the Company decides to make an Exit Offer by way of Voluntary Winding Up; or
- (ii) the Capital Distribution is not approved by the Shareholders,

the Company will convene an extraordinary general meeting to seek Shareholders’ approval (by way of a special resolution) for the Voluntary Winding Up in accordance

with the requirements of the Companies Act. In such event, the liquidator will wind up the affairs of the Company, realise the assets of the Company and discharge all liabilities of the Company and, following satisfaction of all the creditors of the Company, distribute the surplus assets of the Company among the Shareholders in proportion to their respective rights and interests in the Company.

(e) Winding Up by the Court

In the event that the Voluntary Winding Up is not approved by the Shareholders and if required by the SGX-ST, the Company will then petition to the Singapore High Court (the “**Court**”) for the winding up of the Company by an order of the Court under Section 253(1)(a) of the Companies Act, provided always that the Company shall not be obliged to make such petition if the Board of Directors of the Company determines in good faith that such petition could reasonably be expected to be inconsistent with its fiduciary duties under applicable laws and regulations.

6. LAPSE OF UNDERTAKING

The undertaking by the Company set out in paragraphs 4 and 5 above will lapse upon the earlier of the following:

- (i) the removal of the Company from the Watch-List; or
- (ii) the completion of the Exit Offer or any other offer or proposal which provides the minority Shareholders with a reasonable exit alternative in compliance with Rule 1309 of the Listing Manual.

BY ORDER OF THE BOARD

Foo Yang Hym
Chief Financial Officer
HL Global Enterprises Limited

1 August 2017
Singapore