

ASSET ACQUISITIONS AND DISPOSALS::PROPOSED DISPOSAL OF 100% OF ISSUED SHARES IN THE CAPITAL OF LKN INVESTMENT INTERNATIONAL PTE LTD

Issuer & Securities

Issuer/ Manager

HL GLOBAL ENTERPRISES LIMITED

Securities

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Submitted By (Co./ Ind. Name)

Foo Yang Hym

Designation

Chief Financial Officer

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

DESPATCH OF CIRCULAR IN RELATION TO THE PROPOSED DISPOSAL OF 100% OF THE ISSUED SHARES IN THE CAPITAL OF LKN INVESTMENT INTERNATIONAL PTE. LTD.

Attachments

[Circular.pdf](#)

[Circular announcement.pdf](#)

Total size =541K MB

CIRCULAR DATED 14 AUGUST 2017

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the contents herein or as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

If you have sold or transferred all your shares in the capital of HL Global Enterprises Limited (the “**Company**”), please forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) takes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this Circular.

The Company was placed on the watch-list of SGX-ST (the “Watch-List”) on 4 June 2014. On 31 May 2016, SGX-ST granted the Company an extension of up to 12 months from 4 June 2016 to 3 June 2017 to meet the requirements relating to the financial exit criteria set out in Rule 1314(1) of the Listing Manual (as defined herein) (“Financial Exit Criteria”). On 1 August 2017, SGX-ST granted the Company a further time extension of 12 months to 3 June 2018 to meet the Financial Exit Criteria and apply for removal from the Watch-List (further details of which are set out in paragraph 4 of this Circular). Should the Company be unable to meet the requirements of the Financial Exit Criteria by 3 June 2018, SGX-ST may either remove the Company from its Official List, or suspend trading of the Shares (as defined herein) with a view to removing the Company from its Official List. In the event that SGX-ST exercises its powers to remove the Company from its Official List at such time, any exit alternative offered by the Company may or may not be reasonable and shareholders of the Company may lose some or all their investment in the Company.

HL GLOBAL ENTERPRISES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 196100131N)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PROPOSED DISPOSAL OF 100% OF THE ISSUED SHARES IN THE CAPITAL OF LKN INVESTMENT INTERNATIONAL PTE. LTD.

IMPORTANT DATES AND TIMES

| | | |
|--|---|--|
| Last date and time for lodgement of Proxy Form | : | 27 August 2017 at 11.00 a.m. |
| Date and time of Extraordinary General Meeting | : | 29 August 2017 at 11.00 a.m. |
| Place of Extraordinary General Meeting | : | Marquis & Duke Room, Level 2, Copthorne King’s Hotel 403 Havelock Road Singapore 169632 |

TABLE OF CONTENTS

| | PAGE |
|---|-------------|
| 1. INTRODUCTION | 9 |
| 2. INFORMATION ON LKNII, HUTAI, COPTHORNE HOTEL QINGDAO CO., LTD. AND THE PURCHASER | 9 |
| 3. SALIENT TERMS OF THE PROPOSED DISPOSAL..... | 11 |
| 4. FURTHER EXTENSION OF CURE PERIOD TO EXIT THE WATCH-LIST | 22 |
| 5. RATIONALE FOR THE PROPOSED DISPOSAL..... | 22 |
| 6. THE GROUP'S BUSINESSES FOLLOWING THE PROPOSED DISPOSAL..... | 24 |
| 7. USE OF PROCEEDS | 25 |
| 8. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 IN RELATION TO THE PROPOSED DISPOSAL..... | 25 |
| 9. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL..... | 26 |
| 10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS | 28 |
| 11. DIRECTORS' SERVICE CONTRACTS | 29 |
| 12. DIRECTORS' RECOMMENDATION | 29 |
| 13. EXTRAORDINARY GENERAL MEETING | 29 |
| 14. ACTION TO BE TAKEN BY THE SHAREHOLDERS..... | 29 |
| 15. DIRECTORS' RESPONSIBILITY STATEMENT | 29 |
| 16. CONSENTS..... | 30 |
| 17. DOCUMENTS AVAILABLE FOR INSPECTION..... | 30 |
| NOTICE OF EXTRAORDINARY GENERAL MEETING..... | 31 |

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated or the context otherwise requires:

- “1Q2017”** : First quarter ended 31 March 2017
- “Adjusted Consideration”** : The aggregate consideration for the Sale Shares after adjustment of the Initial Consideration in the manner as described in paragraph 3.3 of this Circular
- “Adjustment Amount”** : The difference between the Adjusted Consideration and the Initial Consideration
- “Adjustment Notice”** : The notice setting out the Completion Balance Sheets and the Adjusted Consideration as calculated by the Purchaser
- “Balance Payment”** : An amount of the US\$ equivalent of the balance amount of RMB370.29 million (which is equivalent to approximately S\$74.76 million based on the Exchange Rate), subject to adjustments pursuant to the terms of the SPA
- “Bidder SPA”** : The definitive agreement(s) in relation to the CHQ Disposal to be entered into by LKNII, CAAC and the bidder (if any) who wins the bid for the CHQ Equity Interest
- “Board”** : The board of Directors of the Company as at the Latest Practicable Date
- “CAAC”** : CAAC East China Regional Administration Authority Service Center, being the holder of 40% equity interest in Copthorne Hotel Qingdao Co., Ltd.
- “CAAC’s 40% of CHQ”** : The 40% equity interest in Copthorne Hotel Qingdao Co., Ltd. held by CAAC
- “CDP”** : The Central Depository (Pte) Limited
- “CHQ 60% Consideration”** : The consideration for the LKNII’s CHQ Disposal
- “CHQ 60% Disposal Proceeds”** : The CHQ 60% Consideration and the repayment of the CHQ Shareholder’s Loan
- “CHQ Creditors Fund”** : An amount of the US\$ equivalent of RMB15.00 million (which is equivalent to approximately S\$3.03 million based on the Exchange Rate), which shall be used for the repayment of the debts and liabilities of Copthorne Hotel Qingdao Co., Ltd. as described in paragraph 3.4 of this Circular
- “CHQ Disposal”** : The proposed disposal by LKNII and CAAC of the LKNII’s 60% of CHQ and the CAAC’s 40% of CHQ, respectively
- “CHQ Employees”** : All the employees of Copthorne Hotel Qingdao Co., Ltd. as at the date of the SPA
- “CHQ Equity Interest”** : The LKNII’s 60% of CHQ and the CAAC’s 40% of CHQ
- “CHQ Equity Interest Winning Bidder”** : The bidder (if any) who wins the bid for the CHQ Equity Interest pursuant to the Public Tender Process for the CHQ Disposal

DEFINITIONS

- “CHQ Restructuring”** : (i) The termination of the employment of the CHQ Employees prior to the Completion Date with the date of termination of their employment being on or before the Completion Date, and (ii) the execution of lease termination agreements with the CHQ Tenants prior to 31 August 2017, with the date of termination of their leases being on or before 31 December 2017
- “CHQ Restructuring Fund”** : An amount of up to RMB12.00 million (which is equivalent to approximately S\$2.42 million based on the Exchange Rate) to be borne by the Purchaser for the CHQ Restructuring
- “CHQ Retention Amount”** : An amount of RMB155.00 million (which is equivalent to approximately S\$31.29 million based on the Exchange Rate)
- “CHQ Shareholder’s Loan”** : The existing outstanding shareholder’s loan of a principal amount of RMB21.9 million (which is equivalent to approximately S\$4.42 million based on the Exchange Rate) and all interest thereon owing by Copthorne Hotel Qingdao Co., Ltd. to LKNII
- “CHQ Tenants”** : All tenants of Copthorne Hotel Qingdao Co., Ltd. who have entered into lease agreements with Copthorne Hotel Qingdao Co., Ltd. as at the date of the SPA
- “CHQ Valuation”** : Valuation of Copthorne Hotel Qingdao Co., Ltd. as at 30 June 2016 pursuant to the valuation report dated 2 January 2017 by Shanghai Lixin
- “Circular”** : This circular dated 14 August 2017 to Shareholders in relation to the Proposed Disposal
- “Companies Act”** : The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
- “Company”** : HL Global Enterprises Limited
- “Company’s Names and Logos”** : The current logos of “Elite Residences” and “Copthorne Hotel Qingdao” or “Copthorne” or “Equatorial” or any name, mark, initials or logo of the Company or any of its related corporations (including the Hong Leong group of companies)
- “Completion”** : Completion of the Proposed Disposal
- “Completion Balance Sheets”** : Unaudited balance sheets of LKNII, Hutai and Copthorne Hotel Qingdao Co., Ltd. as at the end of business on the Completion Date
- “Completion Date”** : The date on which Completion takes place
- “Conditions Precedent”** : The conditions precedents for the Proposed Disposal as set out in paragraph 3.11 of this Circular
- “Consideration”** : The aggregate consideration for the sale of the Sale Shares to the Purchaser
- “Directors”** : The directors of the Company as at the Latest Practicable Date
- “EGM”** : The extraordinary general meeting of the Company to be held on 29 August 2017, notice of which is set out on pages 31 and 32 of this Circular
- “EPS”** : Earnings per Share

DEFINITIONS

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| “Escrow Account” | : | The escrow account opened by the Parties with the Escrow Agent |
| “Escrow Agent” | : | The escrow agent appointed by the Parties in connection with the SPA |
| “Escrow Agreement” | : | The escrow agreement dated 31 May 2017 entered into between the Escrow Agent and the Parties |
| “ESOS Trust Shares” | : | 2,418,917 Shares held by Amicorp Trustees (Singapore) Limited as trustee of a trust established by the Company to facilitate the implementation of the HL Global Enterprises Share Option Scheme 2006 |
| “Financial Exit Criteria” | : | Financial exit criteria as set out in Rule 1314(1) of the Listing Manual |
| “FY” | : | Financial year ended or ending, as the case may be, 31 December |
| “General Retention Amount” | : | An amount of the US\$ equivalent of RMB20.00 million (which is equivalent to approximately S\$4.04 million based on the Exchange Rate), subject to adjustments pursuant to the terms of the SPA |
| “Group” | : | The Company and its subsidiaries |
| “Hutai” | : | Shanghai Hutai Real Estate Development Co., Ltd |
| “Hutai Consideration” | : | RMB395.00 million (which is equivalent to approximately S\$79.75 million based on the Exchange Rate), being the amount of Consideration allocated to Hutai as mutually agreed by the Parties after arm’s length negotiations |
| “Hutai Employees” | : | All the employees of Hutai as at the date of the SPA |
| “Hutai Restructuring” | : | (i) The termination of the employment of the Hutai Employees prior to the Completion Date with the date of termination of their employment being on or before the Completion Date, and (ii) the execution of lease termination agreements with the Hutai Tenants prior to 31 August 2017, with the date of termination of their leases being on or before 31 December 2017 |
| “Hutai Tenants” | : | All tenants of Hutai who have entered into lease agreements with Hutai as at the date of the SPA |
| “Hutai Valuation “ | : | Valuation of Elite Residences as at 31 October 2016 pursuant to the valuation report dated 21 November 2016 by Sino City |
| “Indemnified Parties” | : | The Purchaser, LKNII, Copthorne Hotel Qingdao Co., Ltd. and Hutai |
| “Initial Consideration” | : | RMB550.00 million (which is equivalent to approximately S\$111.04 million based on the Exchange Rate) |
| “Initial Payment” | : | An amount of the US\$ equivalent of RMB55.00 million (which is equivalent to approximately S\$11.10 million based on the Exchange Rate) |
| “Jingrui Holdings” | : | Jingrui Holdings Limited |
| “Joint Account” | : | A bank account jointly operated by the Parties |
| “Latest Practicable Date” | : | 1 August 2017, being the latest practicable date prior to the printing of this Circular |

DEFINITIONS

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| “Listing Manual” | : | The listing manual of SGX-ST, as amended or modified from time to time |
| “LKNII” | : | LKN Investment International Pte. Ltd. |
| “LKNII Capital Reduction” | : | The distribution of the CHQ 60% Disposal Proceeds to the Company (either before or after Completion) by way of a combination of dividends and reduction of capital of LKNII |
| “LKNII’s 60% of CHQ “ | : | The 60% equity interest in Copthorne Hotel Qingdao Co., Ltd. held by LKNII |
| “LKNII’s CHQ Disposal” | : | The proposed disposal by LKNII of the LKNII’s 60% of CHQ |
| “Long-Stop Date” | : | 31 October 2017 or such other date as may be mutually agreed between the Parties in writing |
| “Minimum CHQ 60% Consideration” | : | RMB169.00 million (which is equivalent to approximately S\$34.12 million based on the Exchange Rate) |
| “Net Proceeds” | : | Estimated net proceeds of approximately S\$98.00 million from the Proposed Disposal |
| “Notice of EGM” | : | The notice of the EGM which is set out on pages 31 and 32 of this Circular |
| “NTA” | : | Net tangible assets |
| “Parties” | : | The Company and the Purchaser |
| “PRC” | : | The People’s Republic of China |
| “Proposed Disposal” | : | The proposed disposal by the Company to the Purchaser of 100% of the issued shares in the capital of LKNII on the terms and subject to the conditions set out in the SPA |
| “Public Tender Process” | : | The process of sale by way of public tender on the SUAEE in accordance with the rules and regulations of the SUAEE |
| “Purchaser” | : | Natural Apex Limited |
| “Purchaser’s Share of Upside” | : | An amount to be calculated as follows: 60% x (CHQ 60% Consideration (less tax and relevant expenses) – Minimum CHQ 60% Consideration – the amount of CHQ Restructuring Fund which has been used) |
| “Remaining CHQ Employees” | : | CHQ Employees who have not terminated their employment with Copthorne Hotel Qingdao Co., Ltd. upon Completion |
| “RMB” | : | Renminbi, the lawful currency of the PRC |
| “RTO” | : | Reverse takeover of the Company |
| “Sale Shares” | : | (i) 15,493,000 ordinary shares and 13,000,000 preference shares in the capital of LKNII, or (ii) in the event that the LKNII Capital Reduction is undertaken prior to Completion, such number of shares in LKNII held by the Company after such capital reduction, representing 100% of the total number of issued shares in the capital of LKNII then |
| “SC Bank “ | : | Standard Chartered Bank (China) Limited, Qingdao branch |

DEFINITIONS

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| “SC Bank Loans” | : The outstanding loans of a principal amount of approximately US\$8.74 million (which is equivalent to approximately S\$11.86 million based on the Exchange Rate) and a principal amount of RMB85.91 million (which is equivalent to approximately S\$17.34 million based on the Exchange Rate) owing by Copthorne Hotel Qingdao Co., Ltd. to SC Bank |
| “Second Payment” | : An amount of the US\$ equivalent of RMB55.00 million (which is equivalent to approximately S\$11.10 million based on the Exchange Rate), subject to adjustments pursuant to the terms of the SPA |
| “Securities Account” | : A securities account maintained by a depositor with CDP but does not include a securities sub-account maintained with a depository agent |
| “SFA” | : The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time |
| “SFRS” | : Singapore Financial Reporting Standards |
| “SGX-ST” | : Singapore Exchange Securities Trading Limited |
| “Shanghai Lixin” | : Shanghai Lixin Appraisal Co., Ltd |
| “Shareholders” | : Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the persons named as depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited |
| “Shares” | : Ordinary shares in the issued share capital of the Company |
| “Sino City” | : Sino City Alliance (Shanghai) Real Estate Valuation Co., Ltd |
| “SPA” | : Conditional sale and purchase agreement dated 31 May 2017 between the Company and the Purchaser |
| “SUAEE” | : Shanghai United Assets and Equity Exchange |
| “Substantial Shareholder” | : Has the meaning ascribed to it in Section 81 of the Companies Act and Section 2(4) of the SFA, being a person who: (a) has an interest or interests in one (1) or more Shares in the Company; and (b) the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the Shares in the Company |
| “Surviving Provisions” | : Certain specified provisions of the SPA which will continue in full force and effect after the termination of the SPA |
| “Tax Retention Amount” | : An amount of the US\$ equivalent of RMB34.71 million (which is equivalent to approximately S\$7.01 million based on the Exchange Rate), subject to adjustments pursuant to the terms of the SPA |
| “Taxes” | : Taxes payable in the PRC in respect of the sale of the Sale Shares |
| “US\$” | : The lawful currency for the time being of the United States of America |
| “Venture Lewis” | : Venture Lewis Limited, a wholly-owned subsidiary of Grace Star Services Ltd., which is a controlling shareholder of the Company |

DEFINITIONS

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| “ Venture Lewis Loan ” | : | The outstanding unsecured loan of S\$68.00 million that is owing by the Company to Venture Lewis |
| “ Venture Lewis Loan Agreement ” | : | The loan agreement dated 8 February 2017 entered into between the Company and Venture Lewis in relation to the Venture Lewis Loan |
| “ Victory Heights ” | : | Victory Heights Sdn. Bhd. |
| “ Watch-List ” | : | The SGX-ST watch-list |
| “ S\$ ” and “ cents ” | : | Singapore dollars and cents respectively, being the currency of Singapore |
| “ % ” or “ per cent. ” | : | Per centum or percentage |

The term “**subsidiary**” shall have the meaning ascribed to it in Section 5 of the Companies Act.

The terms “**depositor**”, “**depository agent**” and “**Depository Register**” shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include firms, corporations and other entities.

Any reference in this Circular to any enactment is a reference to that statute or enactment for the time being amended or re-enacted up to the Latest Practicable Date. Any term defined under the Companies Act, the SFA, the Listing Manual or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Listing Manual or any modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in the tables included herein between the amounts listed and the totals thereof and respective percentages (if any) are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day or date in this Circular shall be a reference to time of day or date, as the case may be, in Singapore, unless otherwise stated.

Unless otherwise stated, currency exchange rates used throughout this Circular are S\$1:RMB4.953 and US\$1:S\$1.357 based on the closing exchange rates as at the Latest Practicable Date (each, an “**Exchange Rate**”). The Exchange Rate has been presented solely for information only and should not be construed as representations that the relevant amounts have been or could be converted at the rates indicated or at any other rate.

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements.

LETTER TO SHAREHOLDERS

HL GLOBAL ENTERPRISES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 196100131N)

Board of Directors:

Dato' Gan Khai Choon (*Non-Executive Chairman*)
Mr Philip Ting Sii Tien (*Non-Executive Director*)
Mr Hoh Weng Ming (*Non-Executive Director*)
Mr Michael Yeo Chee Wee (*Lead Independent Director*)
Ms Loo Hwee Fang (*Independent Director*)
Mr Andrew Goh Kia Teck (*Independent Director*)

Registered Office:

156 Cecil Street #09-01
Far Eastern Bank Building
Singapore 069544

14 August 2017

To: **The Shareholders of HL Global Enterprises Limited**

Dear Sir / Madam

PROPOSED DISPOSAL OF 100% OF THE ISSUED SHARES IN THE CAPITAL OF LKN INVESTMENT INTERNATIONAL PTE. LTD.

1. INTRODUCTION

- 1.1** HL Global Enterprises Limited (the "**Company**") and together with its subsidiaries, the "**Group**") had on 31 May 2017 announced that the Company entered into a conditional sale and purchase agreement dated 31 May 2017 ("**SPA**") with Natural Apex Limited (the "**Purchaser**") for the proposed disposal of all the issued shares in the capital of LKN Investment International Pte. Ltd. ("**LKNII**"), comprising 15,493,000 ordinary shares and 13,000,000 preference shares in the capital of LKNII (collectively, the "**Sale Shares**") for an aggregate cash consideration of RMB550.00 million (which is equivalent to approximately S\$111.04 million) on the terms and subject to the conditions set out in the SPA (the "**Proposed Disposal**").
- 1.2** The purpose of this Circular is to provide Shareholders with information relating to the Proposed Disposal, and to seek Shareholders' approval for the Proposed Disposal at the forthcoming EGM, notice of which is set out in the Notice of EGM.
- 1.3** SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.
- 1.4** This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched to by the Company) or for any other purpose.

2. INFORMATION ON LKNII, HUTAI, COPTHORNE HOTEL QINGDAO CO., LTD. AND THE PURCHASER

2.1 Information on LKNII

LKNII was incorporated in Singapore on 24 October 1986. LKNII is an investment holding company which owns 100% equity interest in Hutai and 60% equity interest in Copthorne Hotel Qingdao Co., Ltd. ("**LKNII's 60% of CHQ**"). The remaining 40% equity interest in Copthorne Hotel Qingdao Co., Ltd. ("**CAAC's 40% of CHQ**") is held by CAAC East China Regional Administration Authority Service Center ("**CAAC**").

LETTER TO SHAREHOLDERS

2.2 Information on Hutai

Hutai was incorporated in November 1992 in the PRC to invest in, construct and manage a serviced apartment building which is now known as “Elite Residences” in Shanghai, the PRC. The land and gross floor area of Elite Residences is approximately 1,440 square metres and 9,915 square metres respectively. Elite Residences has 106 refurbished apartment units and is located near Shanghai’s central district. The occupancy rate for Elite Residences for 2016 was approximately 84%. As at the Latest Practicable Date, Hutai had a registered capital of approximately RMB79.5 million (which is equivalent to approximately S\$16.05 million).

Based on the valuation report dated 21 November 2016 issued by Sino City Alliance (Shanghai) Real Estate Valuation Co., Ltd (“**Sino City**”) in respect of Elite Residences, the fair value of Elite Residences (based on a cash-flow method) was estimated to be RMB312.23 million (which is equivalent to approximately S\$63.04 million) as at 31 October 2016 (“**Hutai Valuation**”). The valuation was commissioned by Hutai.

Sino City was incorporated in Shanghai, the PRC in 2005 and is formed by a team of experienced valuers who provide valuation and consultancy services such as valuation of assets, mergers and acquisitions planning, due diligence, credit rating and business performance evaluation. Sino City’s clients include major corporations and banks.

2.3 Information on Copthorne Hotel Qingdao Co., Ltd.

Copthorne Hotel Qingdao Co., Ltd. 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” in Qingdao, the PRC. The land and gross floor area of Copthorne Hotel Qingdao is approximately 11,333.30 square metres and 53,750.41 square metres respectively. Copthorne Hotel Qingdao, which consists of a tower block and a convention centre, is located in Qingdao’s central business district and has 455 guestrooms and suites. The occupancy rate for Copthorne Hotel Qingdao for 2016 was approximately 35%. As at the Latest Practicable Date, Copthorne Hotel Qingdao Co., Ltd. had a registered capital of approximately RMB217.4 million (which is equivalent to approximately S\$43.89 million), of which 60% is held by LKNII and 40% is held by CAAC.

Based on the valuation report dated 2 January 2017 issued by Shanghai Lixin Appraisal Co., Ltd (“**Shanghai Lixin**”) in respect of Copthorne Hotel Qingdao Co., Ltd., the fair value of the 100% equity interest in Copthorne Hotel Qingdao Co., Ltd. (based on an asset-based method) was estimated to be RMB396.95 million (which is equivalent to approximately S\$80.14 million) as at 30 June 2016 (“**CHQ Valuation**”). The valuation was commissioned by LKNII and CAAC.

Shanghai Lixin was incorporated in Shanghai, the PRC in 1926. Shanghai Lixin is formed by a team of experienced valuers who provide valuation and consultancy services such as valuation of assets, mergers and acquisitions planning, due diligence, credit rating and business performance evaluation. Shanghai Lixin’s clients include major corporations and banks.

2.4 Information on the Purchaser

The Purchaser is a company incorporated on 9 January 2013 in the British Virgin Islands, and is an investment holding company. The Purchaser is a wholly-owned subsidiary of Jingrui Holdings Limited¹ (“**Jingrui Holdings**”), which is listed on The Stock Exchange of Hong Kong Limited. Jingrui Holdings and its subsidiaries are engaged in the core business of residential property development in the PRC and presently have business developments in 17 cities in the PRC, including Nanjing and Beijing.

¹ Based on the 2016 Annual Report of Jingrui Holdings.

LETTER TO SHAREHOLDERS

3. SALIENT TERMS OF THE PROPOSED DISPOSAL

3.1 Sale and Purchase of the Sale Shares

Pursuant to the SPA, the Company shall sell, and the Purchaser shall purchase, the Sale Shares free from all encumbrances and with the benefit of all rights, benefits and entitlements attaching thereto as at completion of the Proposed Disposal (“**Completion**”), including all the rights in respect of any dividends or other distributions declared, made or paid on or after Completion (save for the Company’s entitlement to the CHQ 60% Disposal Proceeds as provided in the SPA and described in paragraph 3.9(d) below).

In the event the LKNII Capital Reduction (as described in paragraph 3.9(d) below) is undertaken prior to Completion to effect the distribution of the CHQ 60% Disposal Proceeds to the Company, the Sale Shares to be sold by the Company to the Purchaser shall be such number of shares in LKNII held by the Company after such capital reduction, representing 100% of the total number of issued shares in LKNII then.

3.2 Consideration

The aggregate consideration for the sale of the Sale Shares to the Purchaser (the “**Consideration**”) is RMB550.00 million (which is equivalent to approximately S\$111.04 million) (“**Initial Consideration**”) subject to adjustments pursuant to the terms of the SPA and as described in paragraphs 3.3 and 3.9(d) below. The Consideration was arrived at after arm’s length negotiations on a willing seller-willing buyer basis and after taking into consideration, *inter alia*, the CHQ Valuation and the Hutai Valuation.

The Initial Consideration shall be paid in cash by the Purchaser in the following manner:

- (a) **Initial Payment:** not later than seven (7) business days after the date of the SPA, the Purchaser shall make an initial payment of the US\$ equivalent of RMB55.00 million (which is equivalent to approximately S\$11.10 million) (the “**Initial Payment**”), of which:
 - (i) an amount of the US\$ equivalent of RMB20.00 million (which is equivalent to approximately S\$4.04 million) shall be paid into a bank account jointly operated by the Company and the Purchaser (collectively, the “**Parties**” and each a “**Party**”) (“**Joint Account**”); and
 - (ii) an amount of the US\$ equivalent of RMB35.00 million (which is equivalent to approximately S\$7.07 million) shall be paid into an escrow account opened with an escrow agent (“**Escrow Agent**”) appointed by the Parties (“**Escrow Account**”) on the terms of the escrow agreement dated 31 May 2017 entered into between the Escrow Agent and the Parties (“**Escrow Agreement**”);
- (b) **Second Payment:** not later than three (3) business days after the date of the fulfilment or waiver of the conditions precedent referred to in paragraphs 3.11(a), 3.11(g)(i) and 3.11(g)(ii)(1) below (relating to the approval of the Shareholders for the sale of the Sale Shares, approval of the shareholders of Copthorne Hotel Qingdao Co., Ltd. for the change in the name of Copthorne Hotel Qingdao Co., Ltd. arising from the change in LKNII’s shareholding and approval by the directors of Copthorne Hotel Qingdao Co., Ltd. for the CHQ Restructuring), an amount of the US\$ equivalent of RMB55.00 million (which is equivalent to approximately S\$11.10 million) (“**Second Payment**”) shall be paid by the Purchaser into the Escrow Account;
- (c) **CHQ Creditors Fund:** an amount of the US\$ equivalent of RMB15.00 million (which is equivalent to approximately S\$3.03 million) (“**CHQ Creditors Fund**”) shall be paid by the Purchaser to the Company within seven (7) business days after Copthorne Hotel Qingdao Co., Ltd. has retrenched at least 50% of the CHQ Employees pursuant to the CHQ Restructuring (each term as defined below). The CHQ Creditors Fund shall be utilised in the manner set out in paragraph 3.4 below; and

LETTER TO SHAREHOLDERS

- (d) **Balance of the Consideration:** the balance of the Consideration, being the US\$ equivalent of RMB425.00 million (which is equivalent to approximately S\$85.81 million), shall be paid by the Purchaser in the following manner:
- (i) **General Retention Amount:** an amount of the US\$ equivalent of RMB20.00 million (which is equivalent to approximately S\$4.04 million) (“**General Retention Amount**”) shall be paid on Completion into the Joint Account as a retention sum to be utilised and released in the manner described in paragraph 3.5 below;
 - (ii) **Tax Retention Amount:** an amount of the US\$ equivalent of RMB34.71 million (which is equivalent to approximately S\$7.01 million) (“**Tax Retention Amount**”) shall be paid not later than three (3) business days prior to the date of Completion (“**Completion Date**”) into the Escrow Account, and shall be utilised and released in the manner described in paragraph 3.6 below; and
 - (iii) **Balance Payment:** an amount of the US\$ equivalent of the balance amount of RMB370.29 million (which is equivalent to approximately S\$74.76 million) (“**Balance Payment**”) shall be paid into the Escrow Account not later than three (3) business days prior to the Completion Date, and shall be released to the Company on Completion.

3.3 Adjustment of the Consideration

The Consideration has been agreed to by the Parties on the basis that the Company will use its reasonable endeavours to procure the CHQ Restructuring and the Hutai Restructuring (each term as defined in paragraphs 3.10(a) and 3.10(b) below), as required by the Purchaser. Accordingly, the Parties have agreed that the Initial Consideration shall be adjusted (“**Adjusted Consideration**”) in the following manner:

- (a) by deducting an amount equal to the total liabilities of LKNII, Hutai and Copthorne Hotel Qingdao Co., Ltd. as at the end of business on the Completion Date (but excluding the SC Bank Loans, the CHQ Shareholder’s Loan (each term as defined below), deferred tax liabilities of LKNII as at the date of the SPA and intercompany balances between LKNII and Hutai as at the end of business on the Completion Date); and
- (b) adding an amount equal to the aggregate cash balance of LKNII, Hutai and Copthorne Hotel Qingdao Co., Ltd. as at the end of business on the Completion Date,

provided that (i) the Adjusted Consideration shall not in any event exceed the Initial Consideration (i.e. there will not be any upward adjustment of the Initial Consideration), and (ii) any unpaid operating costs and expenses of LKNII, Hutai and Copthorne Hotel Qingdao Co., Ltd. as at the end of business on the Completion Date shall not exceed the amount of cash held by LKNII, Hutai or Copthorne Hotel Qingdao Co., Ltd. (as the case may be). Each of LKNII, Hutai and Copthorne Hotel Qingdao Co., Ltd. shall be entitled to use its funds to pay all or any of its liabilities on or prior to the Completion Date.

The Purchaser shall, within sixty (60) days after Completion, prepare and deliver to the Company a notice setting out the unaudited balance sheets of LKNII, Hutai and Copthorne Hotel Qingdao Co., Ltd. as at the end of business on the Completion Date (“**Completion Balance Sheets**”) and the Adjusted Consideration as calculated by the Purchaser (“**Adjustment Notice**”). The Company shall, within fifteen (15) business days after its receipt of the Adjustment Notice, notify the Purchaser whether or not it agrees with the Adjustment Notice, and the Parties shall use all reasonable efforts to promptly resolve any dispute in connection with the Adjustment Notice. If the Parties fail to reach an agreement in respect of the Adjustment Notice within thirty (30) business days after the Company’s receipt of the same, the Parties agree to appoint a specified accounting firm to prepare the Completion Balance Sheets and determine the Adjusted Consideration.

If the Adjusted Consideration is lower than the Initial Consideration, the difference between the Adjusted Consideration and the Initial Consideration (“**Adjustment Amount**”) shall be paid by the Company within ten (10) business days after the determination of the Adjusted Consideration by returning the relevant portion of the General Retention Amount to the Purchaser as mentioned in paragraph 3.5(a) below and (if the Adjustment Amount exceeds the General Retention Amount) paying the difference to the Purchaser at the same time.

LETTER TO SHAREHOLDERS

3.4 CHQ Creditors Fund

The Parties have agreed that unless the LKNII's CHQ Disposal (as defined below) takes place, the CHQ Creditors Fund shall be used for the repayment of all the debts and liabilities of Copthorne Hotel Qingdao Co., Ltd., including all outstanding amounts owing by Copthorne Hotel Qingdao Co., Ltd. to Equatorial Hotel Management Pte. Ltd. (a wholly-owned subsidiary of the Company) and other liabilities owing by Copthorne Hotel Qingdao Co., Ltd. to the Company or its affiliates, but excluding the SC Bank Loans and the CHQ Shareholder's Loan. Any balance of the CHQ Creditors Fund shall be retained by the Company, subject to Completion taking place.

3.5 General Retention Amount

The General Retention Amount may be utilised for the following purposes:

- (a) the Adjustment Amount (if any) will be deducted from the General Retention Amount and returned to the Purchaser;
- (b) if any costs of the Hutai Restructuring are paid by Hutai instead of the Company, an amount equivalent to such costs paid by Hutai shall be deducted from the General Retention Amount and returned to the Purchaser; and
- (c) if upon Completion, there are Remaining CHQ Employees (as defined below) and such employees are not retrenched by 31 December 2017, the Purchaser is entitled to deduct from the General Retention Amount all reasonable costs required to retrench such Remaining CHQ Employees.

The balance of the General Retention Amount (together with all interest accrued thereon) shall be paid to the Company on 31 December 2017. In the event that the aggregate amount of the costs incurred in paragraphs 3.5(b) and (c) above exceeds the General Retention Amount, the Purchaser has a right to claim against the Company for any shortfall.

3.6 Tax Retention Amount

The Tax Retention Amount shall be released in the following manner:

- (a) the Escrow Agent shall release the Tax Retention Amount (together with all interest accrued thereon) to the Company within three (3) business days after the Company completes the filing and payment of the taxes payable in the PRC in respect of the sale of the Sale Shares ("**Taxes**") and provides evidence of the same to the Purchaser; and
- (b) in the event the Company fails to pay the Taxes, the Taxes may be paid by LKNII and the Purchaser shall, after consultation with the Company, be entitled to instruct the Escrow Agent to release from the Tax Retention Amount an equivalent sum to pay the Taxes. The balance of the Tax Retention Amount (if any) shall be released by the Escrow Agent to the Company within three (3) business days after such payment is made by the Escrow Agent to the tax authority of the PRC.

3.7 CHQ Shareholder's Loan

The Parties agree that the existing outstanding shareholder's loan of a principal amount of RMB21.9 million (which is equivalent to approximately S\$4.42 million) and all interest thereon owing by Copthorne Hotel Qingdao Co., Ltd. to LKNII ("**CHQ Shareholder's Loan**") will not be repaid prior to or upon Completion and will continue after Completion (except that if LKNII disposes of the LKNII's 60% of CHQ pursuant to the LKNII's CHQ Disposal as described in paragraph 3.9 below, the CHQ Shareholder's Loan shall (subject to negotiations) be repaid by the CHQ Equity Interest Winning Bidder according to the terms of the Bidder SPA). Prior to the Completion Date, neither the Company nor Copthorne Hotel Qingdao Co., Ltd. shall be entitled to use any funds held thereby to repay the CHQ Shareholder's Loan and interest thereon.

LETTER TO SHAREHOLDERS

3.8 SC Bank Loans owing by Copthorne Hotel Qingdao Co., Ltd.

In addition to the Consideration, the Purchaser undertakes to procure the repayment of the outstanding loans of a principal amount of approximately US\$8.74 million (which is equivalent to approximately S\$11.86 million) and a principal amount of RMB85.91 million (which is equivalent to approximately S\$17.35 million) owing by Copthorne Hotel Qingdao Co., Ltd. to Standard Chartered Bank (China) Limited, Qingdao branch (“**SC Bank**”) (collectively, the “**SC Bank Loans**”) on Completion (except that if LKNII disposes of the LKNII’s 60% of CHQ pursuant to the LKNII’s CHQ Disposal as described in paragraph 3.9 below, the CHQ Equity Interest Winning Bidder shall assume the repayment of the SC Bank Loans).

The Company shall bear all the interest and all other amounts under the SC Bank Loans which fall due before the Completion Date and shall ensure such interest and amounts shall be paid to SC Bank not later than the Completion Date. As at the Latest Practicable Date, the Company estimates that such interest and all other amounts will not exceed RMB3.4 million (which is equivalent to approximately S\$0.69 million) assuming Completion takes place by 31 October 2017. For the avoidance of doubt, Copthorne Hotel Qingdao Co., Ltd. shall be entitled to use the amounts in the interest reserve account with SC Bank (which amounted to approximately RMB5.8 million (which is equivalent to approximately S\$1.17 million) as at the Latest Practicable Date) to pay all the interest and all other amounts which fall due before the Completion Date subject to SC Bank’s consent.

3.9 LKNII’s CHQ Disposal

(a) Disposal of the LKNII’s 60% of CHQ under the Public Tender Process

The Parties have agreed that prior to Completion, LKNII may list the LKNII’s 60% of CHQ (“**LKNII’s CHQ Disposal**”), together with the listing of the CAAC’s 40% of CHQ (collectively, the “**CHQ Equity Interest**”), for sale by way of public tender (“**Public Tender Process**”) on the Shanghai United Assets and Equity Exchange (“**SUAEE**”) (collectively, the “**CHQ Disposal**”).

A summary of the Public Tender Process is as follows:

- (i) Under the listing procedures of the SUAEE, LKNII and CAAC may list the CHQ Equity Interest on the SUAEE for a period of 20 business days during which interested parties will be invited to bid for the CHQ Equity Interest. In the event that there are no qualified bidders for the first round of listing, LKNII and CAAC may re-list the CHQ Equity Interest on the SUAEE for a second round of listing for another period of 20 business days, during which LKNII and CAAC have the option to reduce the reserve or floor price for the CHQ Disposal by up to 10%.
- (ii) Upon the expiry of the listing period, SUAEE will inform LKNII and CAAC whether any bidders have been qualified to participate in the Public Tender Process. 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 rules of the SUAEE.
- (iii) The SUAEE, LKNII and CAAC will evaluate the bids submitted by the qualified bidders and select the successful qualified bidder (if any) for the CHQ Equity Interest (“**CHQ Equity Interest Winning Bidder**”). Thereafter, LKNII and CAAC will negotiate and enter into a sale and purchase agreement with the CHQ Equity Interest Winning Bidder for the sale of the CHQ Equity Interest (“**Bidder SPA**”).
- (iv) Within five (5) business days from the signing of the Bidder SPA, the CHQ Equity Interest Winning Bidder will be required to pay the balance of the consideration for the CHQ Equity Interest (less the amount of deposit paid) to the SUAEE for the benefit of LKNII and CAAC, in proportion to their respective equity interests in Copthorne Hotel Qingdao Co., Ltd..

Please refer to paragraphs 3.9(e), 5.2(c) and 5.2(d) below for more information on the LKNII’s CHQ Disposal.

LETTER TO SHAREHOLDERS

(b) **Terms and Conditions of the LKNII's CHQ Disposal**

The Parties have agreed that the LKNII's CHQ Disposal shall be on such terms and conditions as LKNII may determine in its sole and absolute discretion, provided that, *inter alia*:

- (i) the consideration for the LKNII's CHQ Disposal ("**CHQ 60% Consideration**") is not less than RMB169.00 million (which is equivalent to approximately S\$34.12 million) ("**Minimum CHQ 60% Consideration**"), which is an amount mutually agreed by the Parties after arm's length negotiations taking into consideration the CHQ Valuation; and
- (ii) the CHQ Equity Interest Winning Bidder shall assume the repayment of the SC Bank Loans and the repayment of the CHQ Shareholder's Loan on terms to be agreed between LKNII and the CHQ Equity Interest Winning Bidder.

(c) **Hutai Consideration and CHQ 60% Disposal Proceeds, and Sharing of Upside with the Purchaser**

The Parties have further agreed that:

- (i) **Hutai Consideration and CHQ 60% Disposal Proceeds:** In the event that LKNII disposes of the LKNII's 60% of CHQ pursuant to the LKNII's CHQ Disposal, Copthorne Hotel Qingdao Co., Ltd. shall be excluded from the Proposed Disposal and the relevant provisions of the SPA and the Initial Consideration shall be adjusted to RMB395.00 million² (which is equivalent to approximately S\$79.75 million) ("**Hutai Consideration**"). The Hutai Consideration is the amount of Consideration allocated to Hutai as mutually agreed by the Parties after arm's length negotiations taking into consideration the Hutai Valuation. In addition to the Hutai Consideration of RMB395.00 million, the Company shall also be entitled to receive the CHQ 60% Consideration and the repayment of the CHQ Shareholder's Loan by the CHQ Equity Interest Winning Bidder (collectively, the "**CHQ 60% Disposal Proceeds**"), in the manner as described in paragraphs 3.9(d)(i) and 3.9(d)(ii) below.
- (ii) **Purchaser's Share of Upside:** In the event that the CHQ 60% Consideration exceeds the Minimum CHQ 60% Consideration of RMB169.00 million, the Parties agree that the excess will be shared between the Company and Purchaser in the proportion of 40% and 60%, respectively, after deducting tax, and relevant expenses and certain agreed items. The portion which the Purchaser is entitled to receive ("**Purchaser's Share of Upside**") is calculated as follows:

$$\text{Purchaser's Share of Upside} = 60\% \times (\text{CHQ 60\% Consideration (less tax and relevant expenses)} - \text{Minimum CHQ 60\% Consideration} - \text{amount of CHQ Restructuring Fund which has been used})$$

Accordingly, the aggregate amount which the Company will be entitled to receive (before deducting tax and relevant expenses) for the Proposed Disposal and the LKNII's CHQ Disposal would be the Hutai Consideration of RMB395.00 million (which is equivalent to approximately S\$79.75 million) and the CHQ 60% Disposal Proceeds less the Purchaser's Share of Upside.

Illustration

For illustrative purposes, assuming that the CHQ 60% Consideration is RMB214.35 million (which is equivalent to approximately S\$43.28 million) (based on the reserve or floor price as stated in the Company's announcement dated 3 July 2017 in relation to the second round of listing of the LKNII's 60% of CHQ) and the CHQ Restructuring Fund has not been utilised, the Purchaser's Share of Upside will be calculated as follows:

$$60\% \times (\text{CHQ 60\% Consideration of RMB214.35 million} - \text{estimated taxes and relevant expenses of approximately RMB11.41 million} - \text{Minimum CHQ 60\% Consideration of RMB169.00 million}) = \text{RMB20.37 million (which is equivalent to approximately S\$4.11 million)}$$

² With consequential adjustments to be made to the amounts of the Second Payment, the General Retention Amount, the Tax Retention Amount and the Balance Payment.

LETTER TO SHAREHOLDERS

Without taking into account any repayment of the CHQ Shareholder's Loan by the CHQ Equity Interest Winning Bidder, the total amount which the Company will be entitled to receive (before deducting tax and relevant expenses) will be calculated as follows:

Hutai Consideration of RMB395.00 million + CHQ 60% Disposal Proceeds of RMB214.35 million – Purchaser's Share of Upside of RMB20.37 million = RMB588.98 million (which is equivalent to approximately S\$118.91 million)

(d) **Distribution of the CHQ 60% Disposal Proceeds by LKNII to the Company**

In the event that the Bidder SPA is executed prior to Completion, the Parties have agreed to the following distributions:

(i) If the CHQ 60% Disposal Proceeds are received by LKNII before Completion

In the event that the CHQ 60% Disposal Proceeds are received by LKNII prior to Completion:

- (1) In addition to the Hutai Consideration which shall be paid by the Purchaser to the Company on Completion, the Parties shall procure LKNII to distribute the CHQ 60% Disposal Proceeds to the Company (either before or after Completion) by way of a combination of dividends and reduction of capital of LKNII ("**LKNII Capital Reduction**") in the manner prescribed in the SPA.
- (2) If the CHQ 60% Consideration exceeds the Minimum CHQ 60% Consideration, the Purchaser is entitled to receive the Purchaser's Share of Upside from the Company within seven (7) business days after the Company's receipt of the distribution of the CHQ 60% Disposal Proceeds.
- (3) On Completion, the Company shall return to the Purchaser the amount of CHQ Creditors Fund and CHQ Restructuring Fund that has been used (if any).

(ii) If the CHQ 60% Disposal Proceeds are received by SUAEE (but not LKNII) before Completion

In the event that the CHQ 60% Disposal Proceeds are received by SUAEE (but not LKNII) before Completion, the Parties agree that the following payments shall be made as between the Company and the Purchaser (so as to put the Company in the same position as if the CHQ 60% Disposal Proceeds were distributed to the Company under paragraph 3.9(d)(i) above):

- (1) The Initial Consideration will remain as RMB550.00 million. However, pending the receipt of the CHQ 60% Disposal Proceeds by LKNII, upon Completion, an amount of RMB155.00 million (which is equivalent to approximately S\$31.29 million) ("**CHQ Retention Amount**") shall be withheld from the Balance Payment to be paid by the Purchaser to the Company and shall be held by the Escrow Agent on the terms of the Escrow Agreement. The CHQ Retention Amount is the amount of Consideration allocated to Copthorne Hotel Qingdao Co., Ltd. as mutually agreed by the Parties after arm's length negotiations.
- (2) Within five (5) business days of LKNII's receipt of the full amount of the CHQ 60% Disposal Proceeds, the Parties shall instruct the Escrow Agent to release the CHQ Retention Amount to the Company. In addition, the Purchaser shall pay to the Company an amount equivalent to the CHQ 60% Disposal Proceeds less the CHQ Retention Amount and after deducting the Purchaser's Share of Upside (which the Purchaser is entitled to).

LETTER TO SHAREHOLDERS

(iii) If the CHQ 60% Disposal Proceeds are not received by the SUAEE or LKNII before Completion

In the event that (1) SUAEE and LKNII have not received the CHQ 60% Disposal Proceeds in full within one (1) month after the date of the Bidder SPA, and (2) the Company is of the opinion that LKNII is not entitled or able for any reason to terminate the Bidder SPA under the terms of the Bidder SPA, the Parties agree that they shall not proceed with Completion. In such event, the SPA shall forthwith terminate and cease to have further effect (save for certain specified provisions of the SPA (“**Surviving Provisions**”)) and each Party shall have no claims against the other Party for costs, damages, compensation or otherwise.

For the avoidance of doubt, in the event that LKNII has lawfully terminated the Bidder SPA by the Long-Stop Date, the Parties shall proceed with Completion in accordance with the terms and conditions of the SPA on the basis that the LKNII’s CHQ Disposal will not be undertaken.

(e) **Status of the LKNII’s CHQ Disposal**

As announced by the Company on 20 June 2017 and 27 June 2017, while there were two (2) bidders which had been qualified to participate in the Public Tender Process for the CHQ Equity Interest following the expiry of the period for the listing of the CHQ Equity Interest on the SUAEE on 19 June 2017, these two (2) bidders had subsequently withdrawn from participating in the Public Tender Process for the CHQ Equity Interest. Accordingly, 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.

As announced by the Company on 3 July 2017, pursuant to the application made by LKNII and CAAC, the CHQ Equity Interest was relisted on the SUAEE for sale pursuant to the Public Tender Process with effect from 4 July 2017 for another period of 20 business days i.e. until 31 July 2017. For this second round of listing, the Company and CAAC have reduced the reserve or floor price for the CHQ Disposal by 10% from RMB396.95 million (as stated in the Company’s announcement dated 19 May 2017) to RMB357.25 million (which is equivalent to approximately S\$72.13 million). Accordingly, the reserve or floor price for the LKNII’s CHQ Disposal, being 60% of the reserve or floor price for the CHQ Disposal, was reduced from RMB238.17 million to RMB214.35 million (which is equivalent to approximately S\$43.28 million).

As announced by the Company on 1 August 2017, SUAEE had informed the Company that two (2) bidders have been qualified to participate in the Public Tender Process for the CHQ Equity Interest following the second round of listing. Please refer to paragraphs 5.2(c) and 5.2(d) below for more information on the LKNII’s CHQ Disposal. Please also refer to further announcements as may be released by the Company on the SGXNET from time to time after the Latest Practicable Date in relation to the LKNII’s CHQ Disposal.

3.10 Pre-Completion Matters

The CHQ Restructuring and the Hutai Restructuring, as required by the Purchaser, will be undertaken as described below:

(a) **CHQ Restructuring**

- (i) The Company shall use reasonable endeavours to procure Copthorne Hotel Qingdao Co., Ltd. to use reasonable endeavours to:
- (1) terminate the employment of all the employees of Copthorne Hotel Qingdao Co., Ltd. as at the date of the SPA (“**CHQ Employees**”) in accordance with the laws of the PRC, prior to the Completion Date, with the date of termination of their employment being on or before the Completion Date, and fully pay all retrenchment payments, damages and other amounts payable to such employees as required by the laws of the PRC; and

LETTER TO SHAREHOLDERS

- (2) execute lease termination agreements with all the tenants of Copthorne Hotel Qingdao Co., Ltd. who have entered into lease agreements with Copthorne Hotel Qingdao Co., Ltd. as at the date of the SPA (“**CHQ Tenants**”) in respect of the termination of their tenancies entered into with Copthorne Hotel Qingdao Co., Ltd., prior to 31 August 2017, with the date of termination of their leases being on or before 31 December 2017, and ensure that all the CHQ Tenants vacate Copthorne Hotel Qingdao on or before 31 December 2017,

(collectively, “**CHQ Restructuring**”).

As at the Latest Practicable Date, there were eight (8) CHQ Tenants.

Upon Completion, if there are still CHQ Employees who have not terminated their employment with Copthorne Hotel Qingdao Co., Ltd. (“**Remaining CHQ Employees**”), the Company shall (subject to reasonable assistance being provided by the Purchaser and CAAC) use reasonable endeavours to complete, as soon as practicable but in any event not later than 31 December 2017, the retrenchment of the Remaining CHQ Employees.

- (ii) Neither the Company nor Copthorne Hotel Qingdao Co., Ltd. is obliged to (1) commence the CHQ Restructuring until and unless the board resolution of Copthorne Hotel Qingdao Co., Ltd. approving the CHQ Restructuring, as referred to in paragraph 3.11(g)(ii)(1) below, has been passed by all the directors of Copthorne Hotel Qingdao Co., Ltd.; and (2) undertake the CHQ Restructuring if the CHQ Equity Interest Winning Bidder wins the bid for the CHQ Equity Interest and has executed the Bidder SPA prior to Completion.
- (iii) The costs of the CHQ Restructuring shall be borne by the Purchaser for up to a maximum amount of RMB12.00 million (which is equivalent to approximately S\$2.42 million) (“**CHQ Restructuring Fund**”). The costs of the CHQ Restructuring are estimated to be in the region of approximately RMB17 million (which is equivalent to approximately S\$3.43 million). The Company shall bear the additional costs relating to the CHQ Restructuring in excess of the CHQ Restructuring Fund, provided that the costs to be incurred by Copthorne Hotel Qingdao Co., Ltd. for the CHQ Restructuring (1) shall not exceed the costs which Copthorne Hotel Qingdao Co., Ltd. is required to pay under applicable laws, and (2) when aggregated with the amount of claims by third parties against Copthorne Hotel Qingdao Co., Ltd. or Hutai arising out of the CHQ Restructuring or the Hutai Restructuring (as the case may be), and the costs of the Hutai Restructuring, shall not exceed RMB20.00 million (which is equivalent to approximately S\$4.04 million).

(b) **Hutai Restructuring**

- (i) The Company shall procure Hutai to:
 - (1) use reasonable endeavours to terminate the employment of all the employees of Hutai as at the date of the SPA (“**Hutai Employees**”) in accordance with the laws of the PRC, prior to the Completion Date, with the date of termination of their employment being on or before the Completion Date, and fully pay all retrenchment payments, damages and other amounts payable to such employees as required by the laws of the PRC; and
 - (2) execute lease termination agreements with all the tenants of Hutai who have entered into lease agreements with Hutai as at the date of the SPA (“**Hutai Tenants**”) in respect of the termination of their tenancies entered into with Hutai, prior to 31 August 2017, with the date of termination of their leases being on or before 31 December 2017, and ensure that all the Hutai Tenants vacate Elite Residences on or before 31 December 2017,

(collectively, “**Hutai Restructuring**”).

As at the Latest Practicable Date, there were two (2) Hutai Tenants.

LETTER TO SHAREHOLDERS

- (ii) The Hutai Restructuring shall be commenced by no later than the commencement of the CHQ Restructuring, provided that in the event that the CHQ Equity Interest Winning Bidder has won the bid for the CHQ Equity Interest, the Hutai Restructuring shall be commenced by no later than the first business day following the date of the Bidder SPA.
- (iii) The Company shall bear the costs of the Hutai Restructuring. The costs of the Hutai Restructuring are estimated to be in the region of approximately RMB5 million (which is equivalent to approximately S\$1.01 million).

3.11 Conditions Precedent

Completion of the Proposed Disposal shall be conditional upon the following conditions (“**Conditions Precedent**”) being satisfied or (subject to applicable laws and regulations and the rules of SGX-ST) waived by the relevant Party(ies) in accordance with the terms of the SPA:

- (a) **Shareholders’ approval:** the approval of the Shareholders for the sale of the Sale Shares on the terms and subject to the conditions set out in the SPA, being obtained at an extraordinary general meeting to be convened by the Company no later than the date falling three (3) months after the date of the SPA (or such later date as may be agreed by the Parties in writing) and such approval remaining in full force and effect and not having been revoked or varied on or before the Completion Date;
- (b) **No regulatory prohibitions:** the transactions contemplated under the SPA not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any statute, order, rule, regulation, ruling, directive or request promulgated or made, whether or not having the force of law, by any legislative, executive or regulatory body or authority (including without limitation SGX-ST);
- (c) **No material adverse change:** there being no material adverse change since the date of the SPA which causes damage to or destruction of the properties owned by Hutai and Copthorne Hotel Qingdao Co., Ltd. that are not rectified before Completion and the cost to repair is reasonably expected to exceed 10% of the Initial Consideration;
- (d) **Waiver from SC Bank:** in relation to the repayment of the SC Bank Loans upon Completion, the Company having received the waiver letter from SC Bank addressed to Copthorne Hotel Qingdao Co., Ltd. for the waiver of the relevant provisions of the loan agreement relating to the SC Bank Loans in connection with the sale and purchase of the Sale Shares;
- (e) **CHQ Restructuring:** with respect to the CHQ Restructuring:
 - (i) (1) Copthorne Hotel Qingdao Co., Ltd. having retrenched at least 85% of the CHQ Employees in accordance with the laws of the PRC; (2) (if applicable) receipt by Copthorne Hotel Qingdao Co., Ltd. of all relevant approvals, consents and/or waivers from all competent government authorities which are required for the economic retrenchment of the CHQ Employees, and where any such approvals, consents and/or waivers are subject to conditions, such conditions being acceptable to Copthorne Hotel Qingdao Co., Ltd. and/or LKNII (as the case may be), and such conditions being fulfilled before the commencement of the CHQ Restructuring, and such approvals, consents and/or waivers remaining in full force and effect and not having been revoked or varied before the completion of the CHQ Restructuring; and (3) Copthorne Hotel Qingdao Co., Ltd. having fully paid the retrenchment payments, damages and other amounts payable to such employees as required under the laws of the PRC; and
 - (ii) (1) Copthorne Hotel Qingdao Co., Ltd. having used reasonable endeavours to enter into lease termination agreements prior to 31 August 2017 with all the CHQ Tenants with the date of termination of their leases on or before 31 December 2017, and all CHQ Tenants having vacated Copthorne Hotel Qingdao on or before 31 December 2017; and (2) Copthorne Hotel Qingdao Co., Ltd. having duly and fully paid the liquidated damages, compensation and other expenses for the early termination of the leases;

LETTER TO SHAREHOLDERS

- (f) **Hutai Restructuring:** with respect to the Hutai Restructuring:
- (i) (1) Hutai having retrenched all the Hutai Employees in accordance with the laws of the PRC; (2) (if applicable) receipt by Hutai of all relevant approvals, consents and/or waivers from all competent government authorities which are required for the economic retrenchment of Hutai Employees, and where any such approvals, consents and/or waivers are subject to conditions, such conditions being acceptable to Hutai and/or LKNII (as the case may be), and such conditions being fulfilled before the commencement of the Hutai Restructuring, and such approvals, consents and/or waivers remaining in full force and effect and not having been revoked or varied before the completion of the Hutai Restructuring; and (3) Hutai having fully paid the retrenchment payments, damages and other amounts payable to such employees as required under the laws of the PRC; and
 - (ii) (1) Hutai having used reasonable endeavours to enter into lease termination agreements prior to 31 August 2017 with all the Hutai Tenants with the date of termination of their leases on or before 31 December 2017, and all Hutai Tenants having vacated Elite Residences on or before 31 December 2017; and (2) Hutai having duly and fully paid the liquidated damages, compensation and other expenses for the early termination of the leases; and
- (g) **CHQ Corporate Documents:** with respect to Copthorne Hotel Qingdao Co., Ltd.:
- (i) the Company having obtained the duly signed amendment to the Articles of Association of Copthorne Hotel Qingdao Co., Ltd., which contains, *inter alia*, the written approval by the shareholders of Copthorne Hotel Qingdao Co., Ltd. for the change of name of Copthorne Hotel Qingdao Co., Ltd. arising from the change in LKNII's shareholding pursuant to the terms of the SPA; and
 - (ii) all the directors of Copthorne Hotel Qingdao Co., Ltd. having passed effective board resolutions approving in writing (1) the CHQ Restructuring, and (2) the nomination by the Purchaser of four (4) directors to the board of Copthorne Hotel Qingdao Co., Ltd., representing a majority of the board, with effect from Completion, and such resolutions not being revoked or amended on or before Completion.

The Company shall use its reasonable endeavours to procure the satisfaction of all the Conditions Precedent (except for the Condition Precedent in paragraph (b) above) and the Parties shall use their reasonable endeavours to procure the satisfaction of the Condition Precedent in paragraph (d) above.

In the event that either Party anticipates that any of the Conditions Precedent is unable to be fulfilled on or before 31 October 2017 or such other date as may be mutually agreed between the Parties in writing ("**Long-Stop Date**") and such Condition Precedent is not waived by the relevant Party(ies) within fifteen (15) days after the Long-Stop Date, the SPA (other than the Surviving Provisions) shall terminate and cease to have further effect and each Party shall have no claims against the other Party for costs, damages, compensation or otherwise, provided that:

- (i) if the non-fulfilment of the Condition(s) Precedent is not due to the fault of either Party, the Company shall within ten (10) business days after the termination of the SPA, fully return (including causing the Escrow Agent to return) all sums and amounts paid by the Purchaser together with all interest accrued thereon (if any) in accordance with the terms of the SPA; or
- (ii) if the non-fulfilment of the Condition(s) Precedent is:
 - (1) due to the fault or breach by the Company, all amounts paid by the Purchaser together with all interest accrued thereon (if any) shall be fully refunded to the Purchaser within seven (7) business days from the date of termination, and the Company shall further pay to the Purchaser an amount equivalent to 10% of the Initial Consideration (as may be adjusted in accordance with the SPA) as liquidated damages; or

LETTER TO SHAREHOLDERS

- (2) due to the fault or breach by the Purchaser, none of the amounts paid by the Purchaser together with all interest accrued thereon (if any) shall be refunded to the Purchaser (and the Company shall be entitled to retain the same), and the Purchaser shall further pay to the Company an amount equivalent to (x) 10% of the Initial Consideration (as may be adjusted in accordance with the SPA) less (y) the sum of all the amounts paid by the Purchaser to the Company, as liquidated damages.

As at the Latest Practicable Date, all of the above Conditions Precedents were outstanding. The Condition Precedent in paragraph 3.11(a) will be fulfilled once the ordinary resolution set out in the Notice of EGM is passed at the EGM. The Condition Precedent in paragraph 3.11(e) is not required to be satisfied in the event that the CHQ Equity Interest Winning Bidder (if any) executes the Bidder SPA before Completion. With respect to the Condition Precedent in paragraph 3.11(d), it is contemplated that the Parties will obtain the waiver from SC Bank no later than two (2) business days before Completion upon deposit of funds by the Purchaser into a bank account opened with SC Bank for the repayment of the SC Bank Loans as described in paragraph 3.8.

3.12 Completion

Completion shall take place on the date falling five (5) business days after the date on which all the Conditions Precedent are satisfied or waived in accordance with the SPA or such other date as may be agreed in writing between the Parties.

3.13 Indemnities by the Company

The Company shall, subject to certain limitations of liability set out in the SPA, fully indemnify and keep indemnified the Purchaser, LKNII, Copthorne Hotel Qingdao Co., Ltd. and Hutai (collectively, the “**Indemnified Parties**”) from and against any and all losses suffered or reasonably incurred by the Indemnified Parties as a result of:

- (a) (in the event that paragraph 3.9(d)(i) or paragraph 3.9(d)(ii) applies) any claims by the CHQ Equity Interest Winning Bidder against LKNII in relation to the LKNII’s CHQ Disposal, provided that the Company shall only be liable to indemnify the Indemnified Parties for such losses which are in excess of the Purchaser’s Share of Upside, save where such losses arise from fraud or wilful concealment by the Company before Completion; and
- (b) any claims by third parties against Copthorne Hotel Qingdao Co., Ltd. or Hutai arising from the CHQ Restructuring or the Hutai Restructuring (as the case may be).

3.14 Undertakings of the Purchaser

- (a) The Purchaser undertakes with the Company that it shall no later than the date falling three (3) months after the Completion Date:
- (i) change the logos of “Elite Residences” and “Copthorne Hotel Qingdao”, such that the new logos of “Elite Residences” and “Copthorne Hotel Qingdao” shall not resemble or be confusingly similar to the current logos of “Elite Residences” and “Copthorne Hotel Qingdao” or “Copthorne” or “Equatorial” or any name, mark, initials or logo of the Company or any of its related corporations (including the Hong Leong group of companies) (collectively, “**Company’s Names and Logos**”); and
- (ii) change the name of Copthorne Hotel Qingdao Co., Ltd., such that the new name of Copthorne Hotel Qingdao Co., Ltd. shall not contain any reference to the Company’s Names and Logos including the initials “HL” or to the name “Hong Leong” or “Copthorne” or “Equatorial” or any name or initials which could reasonably be deemed to be a colourable imitation thereof or which resembles the same or which might be confusingly similar thereto or which represents any affiliation to the Company’s Names and Logos.
- (b) The Purchaser further undertakes with the Company that it shall not, and shall procure that none of LKNII, Hutai or Copthorne Hotel Qingdao Co., Ltd. shall, from the date falling three (3) months after the Completion Date:

LETTER TO SHAREHOLDERS

- (i) use or display (including on or in its business stationery, documents, signs, promotional materials or website) any name, mark or logo which is the same as or similar to, or is likely to be confused or associated with the current logos of “Elite Residences” and “Copthorne Hotel Qingdao” or “Equatorial” or the Company’s Names and Logos; and
- (ii) represent that the Company or any of its related corporations (including the Hong Leong group of companies) retains any connection or affiliation with LKNII, Hutai or Copthorne Hotel Qingdao Co., Ltd..

3.15 Governing Law

The SPA shall be governed by the laws of Singapore.

4. FURTHER EXTENSION OF CURE PERIOD TO EXIT THE WATCH-LIST

The Company was placed on the Watch-List on 4 June 2014. On 31 May 2016, SGX-ST granted the Company an extension of time of up to 12 months to 3 June 2017 to meet the financial exit criteria as set out in Rule 1314(1) of the Listing Manual (“**Financial Exit Criteria**”). On 1 August 2017, SGX-ST granted the Company a further time extension of 12 months to 3 June 2018 to meet the Financial Exit Criteria and apply for removal from the Watch-List, subject to the conditions as set out in the Company’s announcement dated 1 August 2017. The Financial Exit Criteria will be met if the Company records consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts) and has an average daily market capitalisation of S\$40 million or more over the last six (6) months. Please refer to the Company’s announcement dated 1 August 2017 for further details.

Should the Company be unable to meet the requirements of the Financial Exit Criteria by 3 June 2018, SGX-ST may either remove the Company from its Official List, or suspend trading of the Shares with a view to removing the Company from its Official List. In the event that SGX-ST exercises its powers to remove the Company from its Official List at such time, any exit alternative offered by the Company may or may not be reasonable and the Shareholders may lose some or all their investment in the Company.

5. RATIONALE FOR THE PROPOSED DISPOSAL

5.1 LKNII had proposed to dispose of the LKNII’s 60% of CHQ as it is an under-performing asset and such disposal would allow the Group to realise and unlock the value of its investment in Copthorne Hotel Qingdao Co., Ltd.. Copthorne Hotel Qingdao Co., Ltd. has been loss-making for most years since it commenced operations in 1997. Its performance has in recent years deteriorated further in view of the oversupply of hotel rooms in Qingdao, the PRC, and the austerity measures imposed in the PRC. As a result, the financial performance of the Group has been adversely affected. The net loss after tax attributable to the LKNII’s 60% of CHQ from FY2012 to FY2016 amounted to approximately S\$7.2 million, based on the audited consolidated accounts of the Group for FY2012 to FY2016 (prepared in accordance with the SFRS).

5.2 LKNII had taken the following steps:

- (a) as announced by the Company on 22 February 2016, 22 March 2016 and 26 April 2016, LKNII had listed the LKNII’s 60% of CHQ on the SUAEE, together with the CAAC’s 40% of CHQ, for sale under the Public Tender Process for two bidding periods. However, no bid had been received for the LKNII’s 60% of CHQ, notwithstanding a 10% reduction in the reserve price for the second round of bidding;
- (b) as announced by the Company on 4 August 2016, LKNII and CAAC had, after studying the available options in relation to the proposed disposal of their respective interests in Copthorne Hotel Qingdao Co., Ltd., decided to proceed with another round of bidding for the disposal of Copthorne Hotel Qingdao Co., Ltd. under the Public Tender Process, and the parties were in the process of undertaking a re-valuation of Copthorne Hotel Qingdao Co., Ltd.. The Company subsequently announced on 3 November 2016 that CAAC was in the process of obtaining approval for the re-valuation price of Copthorne Hotel Qingdao Co., Ltd.;

LETTER TO SHAREHOLDERS

- (c) as announced by the Company on 19 May 2017, following a pre-listing on the SUAEE, LKNII and CAAC had effected the formal listing of the LKNII's 60% of CHQ and the CAAC's 40% of CHQ on the SUAEE with effect from 22 May 2017 for sale pursuant to the Public Tender Process. As announced by the Company on 20 June 2017 and 27 June 2017, while there were two (2) bidders which have been qualified to participate in the Public Tender Process for the CHQ Equity Interest following the expiry of the period of the formal listing on 19 June 2017, these two (2) bidders had subsequently withdrawn from participating in the Public Tender Process for the CHQ Equity Interest. Accordingly, 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; and
- (d) as announced by the Company on 3 July 2017, pursuant to the application made by LKNII and CAAC, the CHQ Equity Interest was relisted on the SUAEE with effect from 4 July 2017 for another period of 20 business days for sale pursuant to the Public Tender Process i.e. until 31 July 2017. For this second round of listing, LKNII and CAAC reduced the reserve or floor price for the CHQ Disposal by 10% from RMB396.95 million (as stated in the Company's announcement dated 19 May 2017) to RMB357.25 million (which is approximately S\$72.13 million). Accordingly, the reserve or floor price for the LKNII's CHQ Disposal, being 60% of the reserve or floor price for the CHQ Disposal, has been reduced from RMB238.17 million to RMB214.35 million (which is approximately S\$43.28 million). As announced by the Company on 1 August 2017, SUAEE had informed the Company that two (2) bidders have been qualified to participate in the Public Tender Process for the CHQ Equity Interest following the second round of listing. Such 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. The SUAEE, LKNII and CAAC will then evaluate the bids submitted by the qualified bidders and select the CHQ Equity Interest Winning Bidder (if any). Thereafter, LKNII and CAAC will negotiate and enter into the Bidder SPA with the CHQ Equity Interest Winning Bidder. Please refer to the Company's announcements dated 3 July 2017 and 1 August 2017 on the LKNII's CHQ Disposal for more information. Please also refer to further announcements as may be released by the Company on the SGXNET from time to time after the Latest Practicable Date in relation to the LKNII's CHQ Disposal.

5.3 In line with the Company's intention to dispose of LKNII's interest in Copthorne Hotel Qingdao Co., Ltd., the Company decided to also separately explore and pursue the alternative of the Proposed Disposal whereby the Company will instead dispose of LKNII, which is the Company's investment holding company for the LKNII's 60% of CHQ and 100% equity interest in Hutai. The Board considered that a "packaged deal" consisting of both LKNII's 60% of CHQ and 100% equity interest in Hutai, which is a profit-making asset, may be more appealing to potential buyers than the option of acquiring LKNII's 60% of CHQ on a standalone basis. Both Copthorne Hotel Qingdao Co., Ltd. and Hutai are engaged in hospitality operations in the PRC.

5.4 The Board is of the view that the Proposed Disposal is in the interests of the Company for the following reasons:

- (a) The Proposed Disposal will enable the Group to dispose of, *inter alia*, the LKNII's 60% of CHQ. Given the recurring losses of Copthorne Hotel Qingdao Co., Ltd., it is critical for the Company to undertake the LKNII's CHQ Disposal so that the Company can stem such losses, which would otherwise negate or materially reduce any positive financial impact arising from any acquisition, RTO or asset injection which may be undertaken by the Company. The Board is of the view that it is essential that the Company undertakes such disposal as the first key step prior to pursuing and undertaking any acquisition, RTO or asset injection. With the Proposed Disposal, the recurring losses of Copthorne Hotel Qingdao Co., Ltd. will no longer appear in subsequent consolidated financial results of the Group.

LETTER TO SHAREHOLDERS

- (b) Under the Proposed Disposal and as mentioned in paragraph 3.9 above, the Parties have agreed that LKNII may proceed with the LKNII's CHQ Disposal pursuant to the Public Tender Process on the SUAEE. In the event that Copthorne Hotel Qingdao Co., Ltd. is not sold pursuant to the Public Tender Process, the Company would still have the assurance of disposing of the LKNII's 60% of CHQ to the Purchaser pursuant to the Proposed Disposal.
- (c) The Proposed 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 Copthorne Hotel Qingdao Co., Ltd., and is also part of the Company's on-going efforts to strengthen its balance sheet. Based on the unaudited net book value of the Sale Shares as at 31 March 2017 and the Initial Consideration, it is expected that the Company will realise a significant net gain on disposal from the Proposed Disposal.
- (d) The Company was placed on the Watch-List on 4 June 2014. On 31 May 2016, SGX-ST granted the Company an extension of time of up to 12 months to 3 June 2017 to meet the Financial Exit Criteria. On 1 August 2017, SGX-ST granted the Company a further time extension of 12 months to 3 June 2018 to meet the Financial Exit Criteria and apply for removal from the Watch-List. The Company expects that the Proposed Disposal will have a positive effect on the financial performance of the Group going forward, and will enable the Company to satisfy the pre-tax profit requirement under the Financial Exit Criteria for FY2017 for the removal of the Company from the Watch-List.

5.5 The sale proceeds from the Proposed Disposal may be used for (a) funding any suitable acquisitions of new businesses and assets to improve the Company's earnings as stated in paragraph 7 below; (b) the repayment of the outstanding unsecured loan of S\$68.00 million that is owing by the Company to Venture Lewis Limited ("**Venture Lewis**") (which is a wholly-owned subsidiary of Grace Star Services Ltd., a controlling shareholder of the Company) ("**Venture Lewis Loan**"), which would lower the gearing of the Group, resulting in a healthier balance sheet; and (c) for the Group's working capital purposes, in each case, as the Board may deem fit in the interests of the Company.

6. THE GROUP'S BUSINESSES FOLLOWING THE PROPOSED DISPOSAL

6.1 Following the Proposed Disposal, the core businesses of the Group will still comprise hospitality operations, property development and investment holding. The main investments and properties of the Group remaining after the completion of the Proposed Disposal would be as follows:

- (a) 100% equity interests in Augustland Hotel Sdn. Bhd. which owns and operates Copthorne Hotel Cameron Highlands, a hotel in Cameron Highlands, Malaysia;
- (b) 100% equity interests in Victory Heights which owns the land located at lot 981 KBVII Daerah Melaka, Tengah Malaysia. Victory Heights had entered into a joint venture agreement dated 2 November 2012 with Heritage Hallmark Sdn Bhd to establish a joint venture company in Malaysia (which is held as to 60% by Victory Heights) to, *inter alia*, develop the land into a mixed development comprising retail lots, business suites, corporate offices and serviced apartments;
- (c) 49% equity interest in Shanghai Hengshan Equatorial Hotel Management Co Ltd which provides management services to Equatorial Hotel Shanghai; and
- (d) two (2) pieces of land of approximately 8,400 square metres in Cameron Highlands, Malaysia.

6.2 Following the Proposed Disposal, the Directors intend to explore and pursue opportunities to acquire sustainable and viable businesses to improve the financial performance of the Group.

LETTER TO SHAREHOLDERS

7. USE OF PROCEEDS

It is estimated that the Company will receive net proceeds of approximately S\$98.00 million from the Proposed Disposal based on the following:

- (a) assuming that there are no adjustments to the Initial Consideration of RMB550.00 million from the Proposed Disposal;
- (b) taking into account the utilisation of the CHQ Creditors Fund for repayment of all the debts and liabilities of Copthorne Hotel Qingdao Co., Ltd.;
- (c) taking into account the estimated costs of the CHQ Restructuring and the Hutai Restructuring (as stated in paragraphs 3.10(a)(iii) and 3.10(b)(iii), respectively) to be borne by the Company; and
- (d) taking into account tax expense, legal fees and other transaction costs in connection with the Proposed Disposal,

(collectively, the “**Net Proceeds**”). The Company intends to use the Net Proceeds for:

- (i) repayment of the Venture Lewis Loan pursuant to the terms of the loan agreement dated 8 February 2017 entered into between the Company and Venture Lewis (“**Venture Lewis Loan Agreement**”). Pursuant to the terms of the Venture Lewis Loan Agreement, there is a negative pledge undertaking by the Company which restricts the Group from selling, transferring or disposing 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 Venture Lewis Loan Agreement. As a condition to Venture Lewis’ consent for the disposal of assets by the Group, Venture Lewis may require the Company to apply or to procure the application of the net proceeds from such disposal (or part thereof) towards prepayment of the Venture Lewis Loan, subject to compliance with applicable laws, rules and regulations (including the Listing Manual) and the Company’s Constitution. As a condition to Venture Lewis’ consent for the Proposed Disposal, Venture Lewis has requested the Company to apply part of the Net Proceeds from the Proposed Disposal in repayment of the Venture Lewis Loan in full;
- (ii) working capital of the Group; and
- (iii) funding acquisition(s) of new businesses and assets that may be identified by the Company following the Proposed Disposal,

in each case, as the Board may deem fit in the interests of the Company.

8. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 IN RELATION TO THE PROPOSED DISPOSAL

8.1 Relative Figures under Rule 1006

The relative figures computed on the basis of Rule 1006 of the Listing Manual in respect of the Proposed Disposal, based on the latest announced unaudited consolidated financial statements of the Group for 1Q2017 and the Initial Consideration of RMB550.00 million (which is equivalent to approximately S\$111.31 million based on the exchange rate of S\$1: RMB4.941 as at 30 May 2017), are as follows:

| Rule | Basis | Size of relative figures |
|---------|---|--------------------------|
| 1006(a) | Net asset value of the assets being disposed of, compared with the Group's net asset value ⁽¹⁾ | (411.1)% |
| 1006(b) | Net profits/(loss) attributable to the assets disposed of, compared with the Group's consolidated net profits/(loss) ⁽²⁾ | (70.3)% |

LETTER TO SHAREHOLDERS

| Rule | Basis | Size of relative figures |
|---------|--|-------------------------------|
| 1006(c) | Aggregate value of consideration received, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares ⁽³⁾ | 431.4% |
| 1006(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 ⁽⁴⁾ |

Notes:

- (1) Based on LKNII's unaudited net asset value as at 31 March 2017 of approximately S\$25.9 million (after taking into account the written down value of investment in Copthorne Hotel Qingdao Co., Ltd.) and the Group's unaudited net liabilities of approximately S\$6.3 million as at 31 March 2017.
- (2) Based on LKNII's unaudited net profit for 1Q2017 of approximately S\$0.45 million (before payment of dividend for 1Q2017) and the Group's unaudited net loss of approximately S\$0.64 million for 1Q2017.
- (3) Based on the Initial Consideration of RMB550.00 million (which is equivalent to approximately S\$111.31 million based on the exchange rate of S\$1: RMB4.941 as at 30 May 2017) and the market capitalisation of the Company of approximately S\$25.8 million (which is determined by multiplying the existing number of issued Shares in the Company excluding treasury Shares (i.e. 96,321,318 Shares) by S\$0.268, being the weighted average price of the Shares transacted on 29 May 2017. There was no transaction in the Shares on the SGX-ST on 30 May 2017, the market day preceding the date of the SPA).
- (4) This is not an acquisition and there is no issuance of equity securities by the Company.

8.2 Major Transaction

As the relative figures computed on the bases set out in Rules 1006(a), (b) and (c) exceed 20%, the Proposed Disposal amounts to a major transaction under Chapter 10 of the Listing Manual and is subject to and conditional upon the approval of the Shareholders at a general meeting to be convened.

In addition, Section 160 of the Companies Act provides that the directors of a company shall not carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property unless those proposals have been approved by the company in general meeting. As the Proposed Disposal represents substantially the whole of the undertaking of the Company, the Company is also required under Section 160 of the Companies Act to obtain the approval of the Shareholders for the Proposed Disposal.

8.3 Voting Undertaking

Grace Star Services Ltd., which holds approximately 48.91% of the total number of issued Shares, has undertaken to vote in favour of the Proposed Disposal and not to sell, transfer or otherwise dispose such Shares until the conclusion of the EGM.

9. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The pro forma financial effects of the Proposed Disposal set out below are for illustrative purposes only and should not be taken as an indication of the actual future financial performance or position of the Group following the Proposed Disposal, nor a projection of the future financial performance or position of the Group after completion of the Proposed Disposal.

The pro forma financial effects of the Proposed Disposal are based on the Company's audited financial statements for FY2016:

LETTER TO SHAREHOLDERS

9.1 Net tangible assets (“NTA”) / Net liabilities

Assuming that the Proposed Disposal had been completed on 31 December 2016, the NTA or net liabilities per Share of the Group would be as follows:

| | Before the Proposed Disposal | After the Proposed Disposal |
|---|---------------------------------|--------------------------------|
| NTA/(net liabilities) (S\$’000) | (4,933) | 70,643 |
| Number of issued Shares (excluding ESOS Trust Shares⁽¹⁾) (’000) | 93,902 | 93,902 |
| NTA/(net liabilities) per Share (S\$) | (0.05) | 0.75 |

Notes:

⁽¹⁾ The ESOS Trust Shares are accounted for as treasury shares in the consolidated financial statements of the Company, as disclosed in note 3.27 to the consolidated financial statements of the Company for FY2016. As such, the ESOS Trust Shares are excluded from the computation of the NTA or net liabilities per Share of the Group. However, the ESOS Trust Shares are not regarded as treasury shares under the Companies Act.

9.2 Earnings / (loss) per Share (“EPS”)

Assuming that the Proposed Disposal had been effected on 1 January 2016, the EPS of the Group would be as follows:

| | Before the Proposed Disposal | After the Proposed Disposal |
|--|---------------------------------|--------------------------------|
| Net profit/(loss) after tax (S\$’000) | (151) | 82,533 |
| Weighted average number of issued Shares (excluding ESOS Trust Shares⁽¹⁾) (’000) | 93,901 | 93,901 |
| Earnings/(loss) per Share (Singapore cents) | (0.16) | 87.89 |

Notes:

⁽¹⁾ The ESOS Trust Shares are accounted for as treasury shares in the consolidated financial statements of the Company, as disclosed in note 3.27 to the consolidated financial statements of the Company for FY2016. As such, the ESOS Trust Shares are excluded from the computation of the EPS of the Group. However, the ESOS Trust Shares are not regarded as treasury shares under the Companies Act.

9.3 Gain from the Proposed Disposal

For illustrative purposes only, based on the unaudited net book value of LKNII as at 31 March 2017 of approximately S\$25.9 million (after taking into account the written down value of investment in Copthorne Hotel Qingdao Co., Ltd.) as reflected in the Group’s unaudited consolidated financial statements for 1Q2017 and assuming that the Proposed Disposal is effected at the Initial Consideration of RMB550.00 million (which is equivalent to approximately S\$111.04 million), it is expected that the Proposed Disposal will result in an estimated net gain (after taking into account the gain arising from reclassification of the exchange translation reserve in respect of Copthorne Hotel Qingdao Co., Ltd. from equity to the Group’s income statement on disposal, and after deducting tax and related expenses) of approximately S\$76.6 million.

LETTER TO SHAREHOLDERS

10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

10.1 Interests of Directors in Issued Shares

Based on information as recorded in the Register of Directors' Shareholdings of the Company, none of the Directors had any interest in the Shares as at the Latest Practicable Date.

10.2 Interests of Substantial Shareholders in Issued Shares

As at the Latest Practicable Date, the interests of Substantial Shareholders of the Company in the Shares, based on information as recorded in the Register of Substantial Shareholders of the Company, were as follows:

| Name of Substantial Shareholder | Direct Interest | | Deemed Interest | | Total Interest | |
|--|------------------|------------------|---------------------------|------------------|------------------|------------------|
| | Number of Shares | % ⁽¹⁾ | Number of Shares | % ⁽¹⁾ | Number of Shares | % ⁽¹⁾ |
| Grace Star Services Ltd ("Grace Star") | 47,107,707 | 48.91 | – | – | 47,107,707 | 48.91 |
| Constellation Star Holdings Limited | – | – | 47,107,707 ⁽²⁾ | 48.91 | 47,107,707 | 48.91 |
| China Yuchai International Limited | – | – | 47,107,707 ⁽²⁾ | 48.91 | 47,107,707 | 48.91 |
| HL Technology Systems Pte Ltd | – | – | 47,107,707 ⁽²⁾ | 48.91 | 47,107,707 | 48.91 |
| Hong Leong (China) Limited | – | – | 47,107,707 ⁽²⁾ | 48.91 | 47,107,707 | 48.91 |
| Hong Leong Asia Ltd. | – | – | 47,107,707 ⁽²⁾ | 48.91 | 47,107,707 | 48.91 |
| Hong Leong Corporation Holdings Pte Ltd | – | – | 47,107,707 ⁽²⁾ | 48.91 | 47,107,707 | 48.91 |
| Hong Leong Enterprises Pte. Ltd. | – | – | 47,107,707 ⁽²⁾ | 48.91 | 47,107,707 | 48.91 |
| Hong Leong Investment Holdings Pte. Ltd. | – | – | 47,107,707 ⁽²⁾ | 48.91 | 47,107,707 | 48.91 |
| Davos Investment Holdings Private Limited | – | – | 47,107,707 ⁽²⁾ | 48.91 | 47,107,707 | 48.91 |
| Kwek Holdings Pte Ltd | – | – | 47,107,707 ⁽²⁾ | 48.91 | 47,107,707 | 48.91 |
| DBS Bank Ltd. ("DBSB") | 11,545,425 | 11.99 | – | – | 11,545,425 | 11.99 |
| DBS Group Holdings Ltd ("DBSGH") | – | – | 11,545,425 ⁽³⁾ | 11.99 | 11,545,425 | 11.99 |
| Temasek Holdings (Private) Limited ("Temasek") | – | – | 11,545,425 ⁽⁴⁾ | 11.99 | 11,545,425 | 11.99 |

Notes:

- ⁽¹⁾ The percentage of Shares held is based on 96,321,318 Shares as at the Latest Practicable Date.
- ⁽²⁾ Each of these companies is deemed under Section 4 of the SFA to have an interest in the 47,107,707 Shares held directly by Grace Star, by reason of each of these companies being entitled, directly or indirectly, to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in Grace Star.
- ⁽³⁾ DBSGH is deemed under Section 4 of the SFA to have an interest in the 11,545,425 Shares held directly by DBSB.
- ⁽⁴⁾ Temasek is deemed under Section 4 of the SFA to have an interest in the 11,545,425 Shares in which DBSGH has a deemed interest.

LETTER TO SHAREHOLDERS

10.3 Interests in the Proposed Disposal

None of the Directors nor (so far as the Directors are aware) Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal (other than the Substantial Shareholders' direct or indirect shareholdings in the Company).

11. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal and no service contract is proposed to be entered into by the Company and any such person in connection with the Proposed Disposal.

12. DIRECTORS' RECOMMENDATION

The Directors, having considered, *inter alia*, the rationale for and benefits of the Proposed Disposal, are of the opinion that the Proposed Disposal is in the interests of the Company and accordingly, recommend that Shareholders **vote in favour** of the ordinary resolution relating to the Proposed Disposal, as set out in the Notice of EGM.

13. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 31 and 32 of this Circular, will be held at Marquis & Duke Room, Level 2, Copthorne King's Hotel, 403 Havelock Road, Singapore 169632 on 29 August 2017 at 11.00 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolution as set out in the Notice of EGM.

14. ACTION TO BE TAKEN BY THE SHAREHOLDERS

14.1 Appointment of Proxies

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote on their behalf are requested to complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 156 Cecil Street, #09-01, Far Eastern Bank Building, Singapore 069544 not less than 48 hours before the time fixed for holding the EGM. The completion and lodgement of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the EGM.

14.2 When Depositor is regarded as Shareholder

A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register as at 72 hours before the time fixed for holding the EGM.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who have delegated detailed supervision of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

LETTER TO SHAREHOLDERS

16. CONSENTS

- (a) Shanghai Lixin has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, and all references to it and the CHQ Valuation, in the form and context in which they respectively appear in this Circular.
- (b) Sino City has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, and all references to it and the Hutai Valuation, in the form and context in which they respectively appear in this Circular.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection by Shareholders at the registered office of the Company at 156 Cecil Street, #09-01 Far Eastern Bank Building, Singapore 069544, during normal business hours from the date of this Circular up to and including 31 August 2017:

- (a) the Constitution of the Company;
- (b) the annual report of the Company for FY2016;
- (c) the SPA;
- (d) the valuation report in respect of the CHQ Valuation issued by Shanghai Lixin; and
- (e) the valuation report in respect of the Hutai Valuation issued by Sino City.

Yours faithfully

For and on behalf of the Board of Directors of
HL GLOBAL ENTERPRISES LIMITED

Dato' Gan Khai Choon
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING

HL GLOBAL ENTERPRISES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 196100131N)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of HL Global Enterprises Limited (the “**Company**”) will be held at Marquis & Duke Room, Level 2, Copthorne King’s Hotel, 403 Havelock Road, Singapore 169632 on 29 August 2017 at 11.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following Ordinary Resolution:

ORDINARY RESOLUTION – PROPOSED DISPOSAL OF 100% OF THE ISSUED SHARES IN THE CAPITAL OF LKN INVESTMENT INTERNATIONAL PTE. LTD.

THAT:

- (a) approval be and is hereby given to the Company for the disposal of 100% of the issued shares in the capital of LKN Investment International Pte. Ltd. at the price of RMB550.00 million and on such terms and conditions of the sale and purchase agreement dated 31 May 2017 entered into between the Company and Natural Apex Limited (“**Proposed Disposal**”); and
- (b) the Directors of the Company and each of them be authorised to exercise such discretion to complete and do all such acts and things (including without limitation, executing all such documents and ancillary agreements and to make all such amendments, alterations or modifications thereto as may be required in connection with the Proposed Disposal) as they or each of them deem desirable, necessary or expedient in the interests of the Company to give full effect to the Proposed Disposal and/or this Ordinary Resolution.

All capitalised terms used in this Notice of EGM which are not defined herein shall, unless the context otherwise requires, have the same meanings ascribed to them in the circular to the shareholders of the Company dated 14 August 2017.

BY ORDER OF THE BOARD

Nor Aishah Binte Nasit
Yeo Swee Gim, Joanne

Company Secretaries

Singapore

14 August 2017

NOTICE OF EXTRAORDINARY GENERAL MEETING

Meeting Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the EGM (the “**Meeting**”). Where such member’s form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member’s form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“**relevant intermediary**” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”).
2. A proxy need not be a member of the Company.
3. The form of proxy must be deposited at the registered office of the Company at 156 Cecil Street, #09-01, Far Eastern Bank Building, Singapore 069544, not less than 48 hours before the time fixed for holding the Meeting.
4. Completion and return of the form of proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the form of proxy to the Meeting.
5. Pursuant to Rule 730(A)(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Ordinary Resolution proposed at the Meeting shall be voted on by way of a poll.
6. With poll voting, members present in person or represented by proxy at the Meeting will be entitled to vote on a ‘one-share, one-vote’ basis. The detailed procedures for the poll voting will be explained at the Meeting.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

- (a) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable legislation, the Listing Manual of SGX-ST and/or other regulatory guidelines (collectively, the “**Purposes**”);
- (b) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

Statement Pursuant to Section 64A of the Companies Act

Non-Redeemable Convertible Cumulative Preference Shares (“**NCCPS**”)

Class Meetings: Holders of NCCPS shall be entitled to attend, speak and vote at any class meetings of the holders of the NCCPS. Every holder of a NCCPS who is present in person (or by proxy or attorney or in the case of a corporation, a representative) at such class meetings shall have, on a show of hands, one vote and on a poll, one vote for every NCCPS of which he is the holder.

General Meetings: Holders of NCCPS shall be entitled to attend (in person or by proxy or attorney or in the case of a corporation, a representative) any general meeting of the Company and shall have, on a show of hands, one vote and on a poll, one vote in respect of each NCCPS of which he is the holder if (i) dividends with respect to the NCCPS (or any part thereof) due and payable and accrued is in arrears and has remained unpaid for at least six months; (ii) the resolution in question varies the rights attached to the NCCPS; or (iii) the resolution in question is for the winding up of the Company.

Except as provided above, holders of NCCPS shall not be entitled to attend or vote at general meetings of the Company.

HL GLOBAL ENTERPRISES LIMITED

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

IMPORTANT:

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the EGM.
2. This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold ordinary shares through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 14 August 2017.

PROXY FORM for EXTRAORDINARY GENERAL MEETING

*I/We, (name) _____ with NRIC/Passport No. _____
of (address) _____

being *a member/members of HL GLOBAL ENTERPRISES LIMITED (the "**Company**") hereby appoint:

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---------|-------------------|-----------------------------|---|
| | | No. of Shares | % |
| Address | | | |

*and/or

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---------|-------------------|-----------------------------|---|
| | | No. of Shares | % |
| Address | | | |

as *my/our *proxy/proxies to attend, speak and vote on *my/our behalf at the Extraordinary General Meeting of the Company (the "**EGM**") to be held at Marquis & Duke Room, Level 2, Copthorne King's Hotel, 403 Havelock Road, Singapore 169632 on Tuesday, 29 August 2017 at 11.00 a.m. and at any adjournment thereof in the following manner as specified below.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolution to be proposed at the EGM as indicated hereunder. If no specified direction as to voting is given, the *proxy/proxies may vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the EGM and at any adjournment thereof.

NOTE: Voting on the Resolution will be conducted by poll. If you wish to exercise 100% of your votes **For** or **Against** the Resolution, please tick with "✓" in the corresponding box against the Resolution. If you wish to split your votes, please indicate the number of votes **For** and/or **Against** the Resolution.

| ORDINARY RESOLUTION | For | Against |
|--|-----|---------|
| To approve the proposed disposal of 100% of the issued shares in the capital of LKN Investment International Pte. Ltd. | | |

Dated this _____ day of _____ 2017

| |
|---------------------------------|
| Total No. of Shares Held |
| |

Signature(s) of Member(s)/Common Seal

* Delete accordingly

NOTES: SEE OVERLEAF



NOTES:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the EGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
2. A proxy need not be a member of the Company.
3. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
4. This form of proxy must be signed by the appointor or his attorney duly authorised in writing. Where the form of proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where a form of proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the form of proxy, failing which, the form of proxy may be treated as invalid.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. Completion and return of this form of proxy shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this form of proxy to the EGM.
7. This form of proxy must be deposited at the registered office of the Company at 156 Cecil Street, #09-01, Far Eastern Bank Building, Singapore 069544, not less than 48 hours before the time fixed for holding the EGM.
8. The Company shall be entitled to reject the form of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the form of proxy (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject any form of proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM as certified by The Central Depository (Pte) Limited to the Company.

Fold Here

PROXY FORM

Affix
Postage
Stamp

HL GLOBAL ENTERPRISES LIMITED

156 Cecil Street, #09-01,
Far Eastern Bank Building,
Singapore 069544

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HL GLOBAL ENTERPRISES LIMITED

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

ANNOUNCEMENT

DESPATCH OF CIRCULAR IN RELATION TO THE PROPOSED DISPOSAL OF 100% OF THE ISSUED SHARES IN THE CAPITAL OF LKN INVESTMENT INTERNATIONAL PTE. LTD.

1. INTRODUCTION

The Board of Directors of HL Global Enterprises Limited ("**HLGE**" or the "**Company**", and together with its subsidiaries, the "**Group**") refers to the announcement made by the Company on 31 May 2017 (the "**Previous Announcement**") in relation to the sale and purchase agreement dated 31 May 2017 entered into by the Company with Natural Apex Limited in relation to the proposed disposal of 100% of the issued shares in the capital of LKN Investment International Pte. Ltd. (the "**Proposed Disposal**").

Capitalised terms not defined herein shall bear the same meaning ascribed to them in the Previous Announcement.

2. DESPATCH OF CIRCULAR

The Board wishes to announce that the Company has today despatched to shareholders of the Company ("**Shareholders**") a circular dated 14 August 2017 ("**Circular**") in relation to the Proposed Disposal. The Circular contains, *inter alia*, information on the Proposed Disposal and a notice convening an extraordinary general meeting of the Company ("**EGM**") for the purpose of seeking Shareholders' approval for the Proposed Disposal.

Shareholders who do not receive the Circular within seven days from the date of this announcement should contact the Company at its registered office at 156 Cecil Street, #09-01 Far Eastern Bank Building, Singapore 069544, during normal business hours on any day (other than a public holiday, Saturday or Sunday).

Copies of the Circular and the notice of EGM are available on the website of the Singapore Exchange Securities Trading Limited at <http://www.sgx.com>.

3. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution when dealing with the shares of the Company as there is no assurance that the Proposed Disposal will be undertaken 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 stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

BY ORDER OF THE BOARD

Foo Yang Hym
Chief Financial Officer
HL Global Enterprises Limited

14 August 2017
Singapore