HL GLOBAL ENTERPRISES LIMITED

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

ANNOUNCEMENT

PROPOSED DISPOSAL OF 100% OF THE ISSUED AND PAID-UP SHARE CAPITAL IN LKN INVESTMENT INTERNATIONAL PTE. LTD.

1. INTRODUCTION

The Board of Directors (the "**Board**") of HL Global Enterprises Limited ("**HLGE**" or the "**Company**", and together with its subsidiaries, the "**Group**") refers to the announcements made by the Company on 13 February 2017, 28 February 2017, 15 March 2017 and 16 April 2017 (the "**Previous Announcements**") in relation to the memorandum of understanding dated 13 February 2017 entered into by the Company with Jingrui Properties (Group) Co., Ltd (which is an indirect wholly-owned subsidiary of Jingrui Holdings Limited ("**Jingrui Holdings**")) in connection with 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**").

Further to the Previous Announcements, the Board is pleased to announce that the Company has on 31 May 2017 entered into a conditional sale and purchase agreement (the "**SPA**") with Natural Apex Limited ("**Purchaser**"), an affiliate of Jingrui Properties, pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares for an aggregate cash consideration of Renminbi ("**RMB**") 550.00 million (which is equivalent to approximately S$111.31 million[1]) on the terms and subject to the conditions set out in the SPA (the "**Proposed Disposal**").

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

2. BACKGROUND INFORMATION ON LKNII 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 Shanghai Hutai Real Estate Development Co., Ltd ("**Hutai**") and 60% equity interest in Copthorne Hotel Qingdao Co., Ltd. ("**CHQ**") ("**LKNII's CHQ Equity Interest**"). The remaining 40% equity interest in CHQ ("**CAAC Equity Interest**") is held by CAAC East China Regional Administration Authority Service Center ("**CAAC**").

Hutai was incorporated in November 1992 in the People's Republic of China ("**PRC**") to invest in, construct and manage a serviced apartment building which is now known as "Elite Residences" in Shanghai, the PRC. Elite Residences has 106 refurbished apartment units and is located near Shanghai's central district. As at the date of this announcement, Hutai has a registered capital of approximately RMB79.5 million.

CHQ was established by LKNII and CAAC in 1994 as the joint venture company to jointly invest in, construct and manage a hotel, which is now known as "Copthorne Hotel Qingdao" in Qingdao, the PRC. 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. As at the date of

[1] Based on the exchange rate of S$1:RMB4.941 as at 30 May 2017 ("**Exchange Rate**").

this announcement, CHQ has a registered capital of approximately RMB217.4 million, of which 60% is held by LKNII and 40% is held by CAAC.

2.2 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[2], which is listed on the Stock Exchange of Hong Kong. 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.

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 Disposal Proceeds (as defined below) as provided in the SPA and described in paragraph 3.9(b) below).

In the event the LKNII Capital Reduction (as defined in paragraph 3.9(b) below) is undertaken prior to Completion to effect the distribution of the CHQ 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$111.31 million[1]) ("**Initial Consideration**") subject to adjustments pursuant to terms of the SPA and as described in paragraphs 3.3 and 3.9(b) below. The Initial Consideration shall be paid 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 US$ equivalent of RMB55.00 million (which is equivalent to approximately S$11.13 million[1]) (the "**Initial Payment**"), of which:

   (i) US$ equivalent of RMB20.00 million (which is equivalent to approximately S$4.05 million[1]) 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) US$ equivalent of RMB35.00 million (which is equivalent to approximately S$7.08 million[1]) 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 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, an amount of US$ equivalent of RMB55.00 million (which is equivalent to approximately S$11.13 million[1]) (**"Second Payment"**) shall be paid by the Purchaser into the Escrow Account;

[2] Based on the 2016 Annual Report of Jingrui Holdings.

(c) **CHQ Creditors Fund:** an amount of US$ equivalent of RMB15.00 million (which is equivalent to approximately S$3.04 million[1]) ("**CHQ Creditors Fund**") shall be paid by the Purchaser to the Company within seven (7) business days after CHQ having 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

(d) **Balance of the Consideration:** the balance of the Consideration shall be paid by the Purchaser in the following manner:

(i) **General Retention Amount:** US$ equivalent of RMB20.00 million (which is equivalent to approximately S$4.05 million[1]) (**"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:** US$ equivalent of RMB34.71 million (which is equivalent to approximately S$7.02 million[1]) ("**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:** US$ equivalent of the balance amount of RMB370.29 million (which is equivalent to approximately S$74.94 million[1]) ("**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 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 below) as described in paragraphs 3.10(a) and 3.10(b) below. 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 CHQ 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 CHQ 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, (ie. there will not be any upward adjustment of the Initial Consideration), and (ii) any unpaid operating costs and expenses of LKNII, Hutai and CHQ as at the end of business on the Completion Date shall not exceed the amount of cash held by LKNII, Hutai or CHQ (as the case may be). Each of LKNII, Hutai and CHQ 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 CHQ 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.

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 CHQ, including all outstanding amounts owing by CHQ to Equatorial Hotel Management Pte. Ltd. (a wholly-owned subsidiary of the Company) and other liabilities owing by CHQ 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.

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$4.43 million[1]) and all interest thereon owing by CHQ to LKNII ("**CHQ Shareholder's Loan**") will not be repaid prior to or upon Completion and will continue after Completion (except that if the LKNII's CHQ Disposal takes place, 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 (each term as defined below)). Prior to the Completion Date, neither the Company nor CHQ shall be entitled to use any funds held thereby to repay the CHQ Shareholder's Loan and interest thereon.

3.8 SC Bank Loans owing by CHQ

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$12.13 million[3]) and a principal amount of RMB85.91 million (which is equivalent to approximately S$17.39 million[1]) owing by CHQ to Standard Chartered Bank (China) Limited, Qingdao branch ("**SC Bank**") (collectively, the "**SC Bank Loans**") on Completion. The Company shall bear all the interest and all other amounts under 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.

3.9 LKNII's CHQ Disposal

(a) **Disposal of the LKNII's CHQ Equity Interest under the Public Tender Process**

The Parties have agreed that prior to Completion, LKNII may list the LKNII's CHQ Equity Interest ("**LKNII's CHQ Disposal**"), together with the listing of CAAC Equity Interest in 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**"), 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$34.20 million[1]) ("**Minimum CHQ 60% Consideration**"); and

(ii) any bidder who wins the bid for the CHQ Equity Interest ("**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.

(b) **Distribution of CHQ Disposal Proceeds by LKNII**

In the event that prior to Completion, the CHQ Equity Interest Winning Bidder has executed the definitive agreements with LKNII and CAAC for the CHQ Disposal ("**Bidder SPA**"), the Parties have agreed to the following distributions:

(i) <u>If CHQ Disposal Proceeds are received by LKNII before Completion</u>

In the event that the CHQ 60% Consideration and the repayment of the CHQ Shareholder's Loan (collectively, the "**CHQ Disposal Proceeds**") are received by LKNII prior to Completion:

(1) CHQ shall be excluded from the relevant provisions of the SPA and the Initial

[3] Based on the exchange rate of US$1:S$1.388 as at 30 May 2017.

Consideration shall be adjusted to RMB395.00 million[4] (which is equivalent to approximately S$79.94 million[1]). The Company shall be entitled to the CHQ Disposal Proceeds, and the Parties shall procure LKNII to distribute the CHQ 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 from the Company, within seven (7) business days after the Company's receipt of the distribution of the CHQ Disposal Proceeds, an amount calculated as follows ("**Purchaser's 60% Amount**"):

Purchaser's 60% Amount = 60% x (CHQ 60% Consideration (less tax and relevant expenses) – Minimum CHQ 60% Consideration – CHQ Restructuring Fund (as defined below) used)

(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) <u>If CHQ Disposal Proceeds are received by SUAEE (and not LKNII) before Completion</u>

In the event that the CHQ Disposal Proceeds are received by SUAEE (but not LKNII) before Completion, the Initial Consideration will remain as RMB550.00 million. Upon Completion, a sum of RMB155.00 million (which is equivalent to approximately S$31.37 million[1]) ("**CHQ Retention Amount**") shall be withheld from the Balance Payment and shall be held by the Escrow Agent on the terms of the Escrow Agreement. Within five (5) business days of LKNII's receipt of the full amount of the CHQ 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 Disposal Proceeds less the CHQ Retention Amount and after deducting the Purchaser's 60% Amount (which the Purchaser is entitled to).

(iii) <u>If CHQ Disposal Proceeds are not received by the SUAEE or LKNII before Completion</u>

In the event that (1) SUAEE and LKNII have not received the CHQ 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.

3.10 Pre-Completion Matters

(a) CHQ Restructuring

(i) The Company shall use reasonable endeavours to procure CHQ to use reasonable endeavours to (1) terminate employment of all the employees of CHQ ("**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

[4] With consequential adjustments to the amounts of the Second Payment, the General Retention Amount, the Tax Retention Amount and the Balance Payment.

to such employees as required by the laws of the PRC; and (2) execute lease termination agreements with all the tenants of CHQ ("**CHQ Tenants**") in respect of the termination of their tenancies entered into with CHQ, 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**"). Upon Completion, if there are still CHQ Employees who have not terminated their employment with CHQ ("**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 no event later than 31 December 2017, the retrenchment of the Remaining CHQ Employees.

(ii) The costs of the CHQ Restructuring shall be borne by the Purchaser up to a maximum amount of RMB12.00 million (which is equivalent to approximately S$2.43 million[1]) ("**CHQ Restructuring Fund**"). 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 CHQ for the CHQ Restructuring shall not (1) exceed the costs which CHQ is required to pay under applicable laws, and (2) when aggregated with the amount of claims by third parties against CHQ or Hutai arising out of the CHQ Restructuring or the Hutai Restructuring (as the case may be), and costs of the Hutai Restructuring, shall not exceed RMB20.00 million (which is equivalent to approximately S$4.05 million[1]).

(b) **Hutai Restructuring**

(i) The Company shall procure Hutai to (1) use reasonable endeavours to terminate employment of all the employees of Hutai ("**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 the tenants of Hutai ("**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**").

(ii) The Company shall bear the costs of the Hutai Restructuring.

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 Singapore Exchange Securities Trading Limited ("**SGX-ST**")) waived by the relevant Party(ies) in accordance with the terms of the SPA:

(a) **Shareholders' approval:** the approval of the shareholders of the Company ("**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 extra-ordinary general meeting ("**EGM**") 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 CHQ 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 repayment of the SC Bank Loans upon Completion, the Company having received the waiver letter from SC Bank addressed to CHQ 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) CHQ having retrenched at least 85% of the CHQ Employees in accordance with the laws of the PRC; (2) (if applicable) receipt by CHQ of all relevant approvals, consents and/or waivers from all competent government authorities which are required for the economic retrenchment of CHQ Employees; and (3) CHQ having fully paid retrenchment payments, damages and other amounts payable to such employees as required under the laws of the PRC; and

(ii) (1) CHQ having used reasonable endeavours to enter into lease termination agreements with all the CHQ Tenants as described above, and all CHQ Tenants vacate Copthorne Hotel Qingdao on or before 31 December 2017; and (2) CHQ having duly and fully paid the liquidated damages, compensation and other expenses for the early termination of the leases;

(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 (3) Hutai having fully paid 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 with all the Hutai Tenants as described above, and all Hutai Tenants vacate 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 CHQ:

(i) the Company having obtained the duly signed amendment to the Articles of Association of CHQ, which contains, *inter alia*, the written approval by the shareholders of CHQ for the change of name of CHQ arising from the change in LKNII's shareholding pursuant to the SPA; and

(ii) all the directors of CHQ 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 CHQ, 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 not 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:

(a) if the non-fulfilment of the Condition(s) Precedent is not due to the fault of either Party, the Company shall 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

(b) 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 in accordance with the terms of the SPA, 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

(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.

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 Governing Law

The SPA shall be governed by the laws of Singapore.

4. RATIONALE FOR THE PROPOSED DISPOSAL

4.1 As previously announced by the Company, LKNII had proposed to dispose of LKNII's CHQ Equity Interest in 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 CHQ. CHQ has been loss-making 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 CHQ Equity Interest from the financial year ended 31 December ("**FY**") 2012 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 Singapore Financial Reporting Standards ("**SFRS**")).

4.2 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 CHQ Equity Interest on the SUAEE, together with the CAAC Equity Interest, for sale under the Public Tender Process for two bidding periods. However, no bid had been received for the LKNII's CHQ Equity Interest, 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 CHQ, decided to proceed with another round of bidding for the disposal of CHQ under the Public Tender Process, and the parties were in the process of undertaking a re-valuation of CHQ. The Company subsequently announced on 3 November 2016 that CAAC was in the process of obtaining approval for the re-valuation price of CHQ; and

(c) as announced by the Company on 19 May 2017 (“**Formal Listing Announcement**”), following a pre-listing on the SUAEE, LKNII and CAAC had effected the formal listing of the LKNII’s CHQ Equity Interest and the CAAC Equity Interest on the SUAEE with effect from 22 May 2017 for sale pursuant to the Public Tender Process (“**Formal Listing**”). At the Formal Listing stage, interested parties will be invited to bid for the LKNII’s CHQ Equity Interest and the CAAC Equity Interest in accordance with the transaction rules of the SUAEE. The first round of bidding for the Formal Listing will take place for a period of 20 business days, and will expire on 19 June 2017. Please refer to the Formal Listing Announcement for more information.

4.3 In line with the Company’s intention to dispose of its interest in CHQ, 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 CHQ Equity Interest and 100% equity interest in Hutai. The Board considered that a "packaged deal" consisting of both LKNII's CHQ Equity Interest and 100% equity interest in Hutai, which is a profit-making asset, may be more appealing to potential buyers than the option of acquiring LKNII's CHQ Equity Interest on a standalone basis. Both CHQ and Hutai are engaged in hospitality operations in the PRC.

4.4 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 CHQ Equity Interest. Given the recurring losses of CHQ, 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, reverse takeover of the Company ("**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 CHQ will no longer appear in subsequent consolidated financial results of the Group.

(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 CHQ is not sold pursuant to the Public Tender Process, the Company would still have the assurance of disposing of the LKNII’s CHQ Equity Interest 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 CHQ, 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 had been placed on the SGX-ST watch-list ("**Watch-List**") on 4 June 2014. The SGX-ST had on 31 May 2016 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**"). 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. The Company has submitted an application to SGX-ST for a further extension of time of up to 12 months to 3 June 2018 to meet the Financial Exit Criteria for removal from the Watch-List ("**Extension Application**"). The Company will make a further announcement to update Shareholders on the outcome of the Extension Application in due course.

(e) The sale proceeds from the Proposed Disposal may be used for (i) funding any suitable acquisitions of new businesses and assets to improve the Company's earnings as stated in paragraph 5.2 below; (ii) the repayment of the outstanding unsecured loan of S$68.00 million that is owing by the Company to Venture Lewis Limited, which would lower the gearing of the Group, resulting in a healthier balance sheet; and (iii) for the Group's working capital purposes, in each case, as the Board may deem fit in the interests of the Company.

5. THE GROUP'S BUSINESSES FOLLOWING THE PROPOSED DISPOSAL

5.1 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 Sdn. Bhd. ("**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 will be 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 the 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.

5.2 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.

6. THE CONSIDERATION AND USE OF PROCEEDS

6.1 Basis of the Consideration

The Consideration was arrived at after arm's length negotiations on a willing seller-willing buyer basis and after taking into consideration, *inter alia*, (a) the valuation of CHQ as at 30 June 2016 pursuant to the valuation report dated 2 January 2017 by Shanghai Li Xin Asset Valuation Co Ltd, which valuation was commissioned by LKNII and CAAC, and (b) the valuation of Hutai as at 31 October 2016 pursuant to the valuation report dated 21 November 2016 by Sino City Alliance (Shanghai) Real Estate Valuation Co Ltd, which valuation was commissioned by the Company.

6.2 Use of Proceeds

It is estimated that the Company will receive net proceeds of approximately S$98 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 CHQ;

(c) estimated costs of the CHQ Restructuring and the Hutai Restructuring to be borne by the Company; and

(d) 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 (a) repayment of the unsecured loan of S$68.00 million that is owing by the Company to Venture Lewis Limited (which is a subsidiary of the controlling shareholder of the Company); (b) working capital of the Group; and (c) 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.

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

7.1 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 the first quarter ended 31 March 2017 ("**1Q2017**") and the Initial Consideration of RMB550.00 million (which is equivalent to approximately S$111.31 million[1]), 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)%
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)]

<u>Notes:</u>

(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 CHQ) 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[1], based on the Exchange Rate) 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 Company's shares transacted on 29 May 2017. There was no transaction in the

Company’s shares on SGX-ST on 30 May 2017, the market day preceding the date of this Announcement).

(4) This is not an acquisition and there is no issuance of equity securities by the Company.

7.2 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, Chapter 50 of Singapore ("**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.

7.3 Voting Undertaking

Grace Star Services Ltd., which holds approximately 48.91% of the total number of issued shares of the Company, 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.

8. FINANCIAL EFFECTS

The pro forma financial effects of the Proposed Disposal set out in this announcement 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:

8.1 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$'000)	(4,933)	70,643
Number of issued shares (excluding treasury shares) ('000)	93,902	93,902
NTA/(net liabilities) per share (S$)	(0.05)	0.75

8.2 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 treasury shares) ('000)	93,901	93,901
Earnings/(loss) per share (Singapore cents)	(0.16)	87.89

8.3 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 CHQ) 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$111.31 million[1]), 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 CHQ from equity to the Group's income statement on disposal, and after deducting tax and related expenses) of approximately S$76.6 million.

9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

10. 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.

11. CIRCULAR TO SHAREHOLDERS

A circular containing further details on the Proposed Disposal, together with notice of the EGM, for the purpose of seeking Shareholders' approval for the Proposed Disposal will be despatched to Shareholders in due course.

12. DOCUMENTS FOR INSPECTION

A copy of the SPA is 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 for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD
Foo Yang Hym
Chief Financial Officer
HL Global Enterprises Limited
31 May 2017
Singapore