

HL GLOBAL ENTERPRISES LIMITED

Company Registration No.: 196100131N

Unaudited First Quarter Financial Statement Announcement for the period ended 31 March 2017**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) A statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	1Q 2017 \$'000	Group 1Q 2016 \$'000	Change %
Revenue		2,628	3,329	(21.1)
Cost of sales		(1,132)	(1,427)	(20.7)
Gross profit		1,496	1,902	(21.3)
Other income	(i)	132	151	(12.6)
Selling and marketing expenses	(ii)	(53)	(83)	(36.1)
Administrative expenses	(iii)	(115)	(165)	(30.3)
Finance costs	(iv)	(654)	(717)	(8.8)
Other expenses	(v)	(1,319)	(1,388)	(5.0)
Share of results of joint ventures (net of tax)	(vi)	23	(828)	NM
Loss before tax		(490)	(1,128)	(56.6)
Income tax	(vii)	(149)	(120)	24.2
Loss for the period attributable to owners of the Company		(639)	(1,248)	(48.8)

Notes:**(i) Other income**

	1Q 2017 \$'000	Group 1Q 2016 \$'000	Change %
Interest income	57	64	(10.9)
Licence fee	69	68	1.5
Sundry income	6	19	(68.4)
	132	151	(12.6)

(ii) Selling and marketing expenses

The decrease in selling and marketing expenses was mainly due to the reduction in advertising expenses and resignation of staff.

(iii) Administrative expenses

The decrease in administrative expenses for 1Q 2017 was mainly due to the legal fee incurred in 1Q 2016 for the sale of lands at Punggol 17th Avenue ("Punggol Land") which was reclassified under "other asset" as at 31 December 2016 and will be transferred to the profit or loss upon completion of the sale.

(iv) Finance costs

	1Q 2017 \$'000	Group 1Q 2016 \$'000	Change %
Interest expense	(381)	(400)	(4.8)
Currency exchange loss-net	(273)	(317)	(13.9)
	(654)	(717)	(8.8)

The net currency exchange loss of approximately \$0.3 million for 1Q 2017 was due to the revaluation of the net foreign currency monetary assets and liabilities arising mainly from the weakening of the Malaysian Ringgit, Renminbi and US Dollar against the Singapore Dollar.

(v) Other expenses

	1Q 2017 \$'000	Group 1Q 2016 \$'000	Change %
Depreciation of property, plant and equipment	(499)	(532)	(6.2)
Staff costs/directors' fee	(498)	(538)	(7.4)
Others	(322)	(318)	1.3
	(1,319)	(1,388)	(5.0)

NM: Not meaningful

(vi) Share of results of joint ventures (net of tax)

The Company's wholly-owned subsidiary, LKN Investment International Pte Ltd, together with the joint venture partner of Copthorne Hotel Qingdao Co Ltd ("CHQ"), had on 23 February 2016, listed the entire equity interest in CHQ on the Shanghai United Assets and Equity Exchange for sale. As a result, the investment in CHQ was reclassified as asset held for sale and the Group discontinued the use of equity method to recognize the interest in CHQ. Consequently, the Group did not share the loss incurred by CHQ for 1Q 2017.

(vii) Income tax

There was no over provision or under provision of taxation in respect of prior years for 1Q 2017.
(1Q 2016: There was no over provision or under provision of taxation.)

The tax expense of \$0.1 million for 1Q 2017 arose mainly from the income derived from overseas which could not be offset against the losses incurred by other entities within the Group.

(viii) Statement of comprehensive income

	1Q 2017 \$'000	Group 1Q 2016 \$'000	Change %
Loss for the period	(639)	(1,248)	(48.8)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(718)	(178)	303.4
Total comprehensive loss for the period attributable to owners of the Company	(1,357)	(1,426)	(4.8)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

		Group 31/03/2017 \$'000	Group 31/12/2016 \$'000	Company 31/03/2017 \$'000	Company 31/12/2016 \$'000
Non-current assets					
Property, plant and equipment		36,074	37,140	-	-
Investment property		2,070	2,109	-	-
Subsidiaries		-	-	68,945	68,945
Associate		58	59	-	-
Joint ventures		542	533	-	-
Non-trade receivables		329	330	5	5
Other asset	1	62	54	-	-
		<u>39,135</u>	<u>40,225</u>	<u>68,950</u>	<u>68,950</u>
Current assets					
Inventories		105	91	-	-
Development properties		4,784	4,858	-	-
Trade and other receivables		6,349	6,723	898	187
Prepayment	2	142	69	54	23
Cash and bank balances		<u>19,290</u>	<u>19,806</u>	<u>3,382</u>	<u>4,005</u>
		<u>30,670</u>	<u>31,547</u>	<u>4,334</u>	<u>4,215</u>
Asset of disposal group classified as held for sale		30	30	-	-
Total assets		<u>69,835</u>	<u>71,802</u>	<u>73,284</u>	<u>73,165</u>
Equity					
Share capital		129,793	129,793	129,793	129,793
Equity capital contributed by parent		3,980	3,980	3,980	3,980
Reserves		(143,195)	(141,838)	(132,849)	(133,031)
Reserve of disposal group classified as held for sale		3,132	3,132	-	-
Total equity attributable to owners of the Company		<u>(6,290)</u>	<u>(4,933)</u>	<u>924</u>	<u>742</u>
Non-current liabilities					
Other payables	1	890	590	2,772	2,851
Loans and borrowings	4a	71,084	71,384	68,000	68,000
Deferred tax liabilities		147	147	-	-
		<u>72,121</u>	<u>72,121</u>	<u>70,772</u>	<u>70,851</u>

		Group 31/03/2017 \$'000	Group 31/12/2016 \$'000	Company 31/03/2017 \$'000	Company 31/12/2016 \$'000
Current liabilities					
Trade and other payables	3	3,274	3,804	1,581	1,563
Loans and borrowings	4	479	569	-	-
Current tax payable		251	241	7	9
		4,004	4,614	1,588	1,572
Total liabilities		76,125	76,735	72,360	72,423
Total equity and liabilities		69,835	71,802	73,284	73,165

Notes:

- The increase was due to additional legal fee paid for the sale of the Punggol Land.
Whereas other payable relates to progress payments received for the sale of the said lands.
Both deferred expenses and income will be transferred to Profit or Loss upon completion of the sale.
- The increase was due to prepayment made for insurance, trustee fee and listing fee.
- Decrease arose mainly due to the decline in revenue, payment of staff bonus and creditors.
- The movement was mainly due to:
 - a) reclassification of secured loan of \$0.2 million from non-current liabilities to current liabilities; and
 - b) repayment of secured loan of \$0.3 million.

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

- (a) the amount repayable in one year or less, or on demand;
- (b) the amount repayable after one year;
- (c) whether the amounts are secured or unsecured; and
- (d) details of any collaterals.

Amount repayable in one year or less, or on demand

	Group	
	31/03/2017 \$'000	31/12/2016 \$'000
Unsecured	5	5
Secured	474	564

Amount repayable after one year

	Group	
	31/03/2017 \$'000	31/12/2016 \$'000
Unsecured	68,002	68,003
Secured	3,082	3,381

The secured loan as at 31 March 2017 was secured on a subsidiary's freehold land and building.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	1Q 2017 \$'000	1Q 2016 \$'000
Cash flows from operating activities		
Loss before tax	(490)	(1,128)
Adjustments for:		
Depreciation of property, plant and equipment	499	532
Interest expense	381	400
Interest income	(57)	(64)
Property, plant and equipment written off	5	-
Share of results of joint ventures (net of tax)	(23)	828
Unrealised foreign exchange loss-net	271	316
Write-back of impairment on trade receivables	-	(3)
Write-back of trade and other payables	(2)	-
Operating cash flows before changes in working capital	584	881
Inventories	(12)	(15)
Trade and other payables	(223)	(284)
Trade and other receivables	153	(182)
Cash from operating activities	502	400

	Group	
	1Q 2017	1Q 2016
	\$'000	\$'000
Income tax paid	(131)	(113)
Interest paid	(387)	(404)
Interest received	41	56
Net cash from/(used in) operating activities	25	(61)
Cash flows from investing activities		
Amount due from a joint venture	-	(1,646)
Purchase of property, plant and equipment	(105)	(86)
Net cash used in investing activities	(105)	(1,732)
Cash flows from financing activities		
Repayment of borrowings	(316)	(255)
Repayment of finance lease liabilities	-	(2)
Net cash used in financing activities	(316)	(257)
Net decrease in cash and cash equivalents	(396)	(2,050)
Cash and cash equivalents at beginning of the period	19,806	22,487
Effect of exchange rate changes on balances held in foreign currencies	(120)	7
Cash and cash equivalents at end of the period	19,290	20,444

1(d)(i) **A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Share capital	Equity capital contributed by parent	Preference shares	Special reserve	Premium paid on acquisition of non-controlling interests	Currency translation reserve	Accumulated losses	Reserve held for sale	Total equity
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2017	129,790	3,980	3	8,529	(192)	(2,454)	(147,721)	3,132	(4,933)
Loss for the period	-	-	-	-	-	-	(639)	-	(639)
<u>Other comprehensive loss, net of tax</u>									
Foreign currency translation differences for foreign operations	-	-	-	-	-	(718)	-	-	(718)
Total comprehensive loss for the period	-	-	-	-	-	(718)	(639)	-	(1,357)
At 31 March 2017	129,790	3,980	3	8,529	(192)	(3,172)	(148,360)	3,132	(6,290)

	Share capital	Equity capital contributed by parent	Preference shares	Special reserve	Premium paid on acquisition of non-controlling interests	Currency translation reserve	Accumulated losses	Reserve held for sale	Total equity
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2016	129,790	3,980	3	8,529	(192)	1,893	(147,570)	-	(3,567)
Loss for the period	-	-	-	-	-	-	(1,248)	-	(1,248)
<u>Other comprehensive loss, net of tax</u>									
Foreign currency translation differences for foreign operations	-	-	-	-	-	(178)	-	-	(178)
Total comprehensive loss for the period	-	-	-	-	-	(178)	(1,248)	-	(1,426)
Others									
Reserve held for sale	-	-	-	-	-	(3,132)	-	3,132	-
At 31 March 2016	129,790	3,980	3	8,529	(192)	(1,417)	(148,818)	3,132	(4,993)

Company	Share capital \$'000	Equity capital contributed by parent \$'000	Preference shares \$'000	Special reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2017	129,790	3,980	3	12,471	(145,502)	742
Profit for the period, representing total comprehensive income for the period	-	-	-	-	182	182
At 31 March 2017	129,790	3,980	3	12,471	(145,320)	924

Company	Share capital \$'000	Equity capital contributed by parent \$'000	Preference shares \$'000	Special reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2016	129,790	3,980	3	12,471	(159,337)	(13,093)
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	(487)	(487)
At 31 March 2016	129,790	3,980	3	12,471	(159,824)	(13,580)

- 1(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Movements in the Share Capital

During the three months ended 31 March 2017, there was no change in the Company's issued ordinary share capital and non-redeemable convertible cumulative preference share ("NCCPS") capital.

Ordinary shares

At 1 January 2017 and 31 March 2017
(As per Accounting and Corporate Regulatory Authority's records)
Trust Shares
At 1 January 2017 and 31 March 2017

Number of shares	Share Capital \$'000
96,321,318	133,770
(2,418,917)	(3,980)
93,902,401	129,790

NCCPS

At 1 January 2017 and 31 March 2017

Number of shares	Share Capital \$'000
129,396	3

As at 31 March 2017, no ordinary shares may be issued arising from the conversion of NCCPS as the NCCPS are non-convertible. (As at 31 March 2016, the maximum number of ordinary shares that could be issued upon full conversion of all the NCCPS was 15,839 ordinary shares).

In accordance with the terms and conditions of the NCCPS, the rights of NCCPS holders to convert all or any of their NCCPS into fully paid ordinary shares in the capital of the Company had lapsed on 4 July 2016 (being the date of expiry of the NCCPS Conversion Period). NCCPS are perpetual securities and there is no mandatory conversion of the NCCPS upon the expiry of the NCCPS Conversion Period.

The Company did not hold any treasury shares as at 31 March 2017 and as at 31 March 2016.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Total number of issued shares	
	31/3/2017	31/12/2016
Ordinary Shares	96,321,318	96,321,318
NCCPS	129,396	129,396

The Company did not hold any treasury shares as at 31 March 2017 and as at 31 December 2016.

The ordinary shares issued includes 2,418,917 ordinary shares held as Trust Shares by Amicorp Trustees (Singapore) Limited as trustee of the Trust established by the Company to facilitate the implementation of the HL Global Enterprises Share Option Scheme 2006 (the "Share Option Scheme").

Pursuant to the terms of the Trust Deed, the Trustee will, *inter alia*, acquire and hold existing shares in the capital of the Company (collectively, the "Trust Shares") for the benefit of participants who are employees of the Company and/or its subsidiaries and who have been granted share options under the Share Option Scheme (the "Beneficiaries") and transfer such Trust Shares to the Beneficiaries upon the exercise of their share options under the Share Option Scheme.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the three months ended 31 March 2017.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

The figures have not been audited or reviewed by the auditors.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation as in the Group's most recently audited annual financial statements.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

There has been no change in the accounting policies and methods of computation adopted by the Group.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	1Q 2017	1Q 2016
	¢	¢
Loss per share		
(Based on the weighted average number of ordinary shares in issue)		
- Basic and diluted	(0.68)	(1.33)
(1Q 2017: 93,902,401, 1Q 2016: 93,899,502)		

The diluted loss per share was shown as the same amount as the basic loss per share as the preference shares were considered anti-dilutive and disregarded in the computation of diluted loss per share.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and**
(b) immediately preceding financial year.

	Group 31/03/2017	Group 31/12/2016	Company 31/03/2017	Company 31/12/2016
	\$	\$	\$	\$
Net (liabilities)/assets value per issued share, excluding Trust Shares	(0.07)	(0.05)	0.01	0.01

The net liabilities/asset value per issued share, excluding Trust Shares is computed based on 93,902,401 issued ordinary shares as at 31 March 2017 and 31 December 2016.

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group's revenue for the 3 months ended 31 March ("1Q") 2017 was \$2.6 million compared to \$3.3 million for 1Q 2016. The decline was due to the influx of new hotel rooms and apartments in the vicinity of Copthorne Hotel Cameron Highlands and the implementation of the value added tax in China in May 2016 which had been absorbed by Elite Residences Shanghai.

The decrease in the Group's revenue resulted in a lower operating profit before the share of results of joint ventures, other income and finance costs of \$9,000 for 1Q 2017 *vis-a-vis* an operating profit of \$266,000 for the same period in 2016.

The Group's investment in Copthorne Hotel Qingdao Co., Ltd. ("CHQ") has been re-classified as asset held for sale since February 2016 as the Group remains committed to the sale of its equity interest in CHQ. The Group has discontinued the use of equity method to recognise the interest in CHQ, as such the Group did not take into account the loss incurred by CHQ in the share of the results of joint ventures. Compared to a net loss after tax from joint ventures of \$828,000 in 1Q 2016, the Group shared a net profit after tax of \$23,000 from a joint venture in 1Q 2017.

Other income comprised licence fee and interest income. The Group incurred interest expense of \$381,000 for 1Q 2017. There was an exchange loss of \$273,000 which was largely due to the revaluation of net foreign currency monetary assets and liabilities arising from the weakening of the Malaysian Ringgit, Renminbi and US Dollar against the Singapore Dollar.

The net loss attributable to shareholders of the Company for 1Q 2017 was \$0.6 million compared to a net loss of \$1.2 million recorded for 1Q 2016.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's performance for the period under review is in line with its expectations as disclosed in the Company's announcement of its results for the full year ended 31 December 2016 which was released on 15 February 2017.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group's hospitality operations in Shanghai and Qingdao, China and Cameron Highlands, Malaysia continue to be impacted by the challenges faced by the highly competitive hospitality industry.

As announced on 16 April 2017, the memorandum of understanding dated 13 February 2017 (the "MOU") entered into by the Company with Jingrui Properties (Group) Co., Ltd in connection with the proposed disposal of all the issued shares in the capital of LKN Investment International Pte. Ltd. had lapsed on 15 April 2017. The lapse of the MOU will not have any material financial impact on the Group. The Group will continue its efforts to explore suitable business opportunities.

The Group also continues to be exposed to currency fluctuation risks as its assets and operations are substantially located in China and Malaysia.

The Company was placed on the watch-list of SGX-ST with effect from 4 June 2014 (the "Watch-list"). SGX-ST had, on 31 May 2016, granted the Company an extension of 12 months up to 3 June 2017 to meet the requirements of Rule 1314 of the Listing Manual ("Rule 1314") and apply for removal from the Watch-list. Should the Company be unable to meet the requirements of Rule 1314, SGX-ST may either remove the Company from its Official List, or suspend trading of the ordinary shares in the capital of the Company.

11 If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No.

(b)(i) Amount per share cents

(ii) Previous corresponding period cents

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect.

No dividend is declared (recommended) for the period under review.

13 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

3 months ended 31 March 2017

Revenue

- external revenue

- inter-segment revenue

Elimination

Reportable segment results

Other income (excluding interest income)

Interest income

Interest expense

Exchange loss

Share of results of joint venture

(Loss)/profit before tax

Income tax expense

Loss for the period

Investments and others	Hospitality and restaurant	Property development	Total
\$'000	\$'000	\$'000	\$'000
22	2,606	-	2,628
-	-	10	10
22	2,606	10	2,638
			(10)
			2,628
(287)	367	(71)	9
71	-	4	75
2	53	2	57
(325)	(56)	-	(381)
(3)	(225)	(45)	(273)
-	23	-	23
(542)	162	(110)	(490)
			(149)
			(639)

3 months ended 31 March 2016

Revenue

- external revenue

- inter-segment revenue

Elimination

Reportable segment results

Other income (excluding interest income)

Interest income

Interest expense

Exchange (loss)/gain

Share of results of joint ventures

Loss before tax

Income tax expense

Loss for the period

Investments and others	Hospitality and restaurant	Property development	Total
\$'000	\$'000	\$'000	\$'000
35	3,294	-	3,329
-	-	11	11
35	3,294	11	3,340
			(11)
			3,329
(252)	656	(138)	266
86	-	1	87
20	41	3	64
(316)	(84)	-	(400)
(3)	(386)	72	(317)
-	(827)	(1)	(828)
(465)	(600)	(63)	(1,128)
			(120)
			(1,248)

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current financial period.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 14 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

- 15 A breakdown of sales as follows:**

Not applicable.

- 16 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:**

(a) Ordinary
(b) Preference
(c) Total

Not applicable.

- 17 Interested persons transactions**

The Company has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Manual").

- 18 Undertakings with regard to Directors and Executive Officers**

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in compliance with Rule 720(1) of the Listing Manual and according to the format set out in Appendix 7.7 of the Listing Manual.

BY ORDER OF THE BOARD

Foo Yang Hym
Chief Financial Officer

Singapore
2 May 2017

Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the Group's unaudited interim financial results for the period ended 31 March 2017 to be false or misleading.

On behalf of the Board of Directors

Gan Khai Choon
Chairman

Philip Ting Sii Tien
Director

Singapore
2 May 2017