

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::THIRD QUARTER RESULTS

Issuer & Securities

Issuer/ Manager

HL GLOBAL ENTERPRISES LIMITED

Securities

HL GLOBAL ENTERPRISES LIMITED - SG1AI6000003 - AVX

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Announcement Details

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Designation

Chief Financial Officer

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Please refer to the attachment.

Additional Details

For Financial Period Ended

30/09/2016

Attachments

[HLGE 3Q results.pdf](#)

Total size =399K MB

HL GLOBAL ENTERPRISES LIMITED

Company Registration No.: 196100131N

Unaudited Third Quarter and Nine Months Financial Statement Announcement for the period ended 30 September 2016**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	Group					
		3Q 2016	3Q 2015	Change	YTD	YTD	Change
		\$'000	\$'000	%	3Q 2016	3Q 2015	%
Revenue		3,685	3,730	(1.2)	10,203	9,622	6.0
Cost of sales		(1,399)	(1,404)	(0.4)	(4,187)	(3,865)	8.3
Gross profit		2,286	2,326	(1.7)	6,016	5,757	4.5
Other income	(i)	224	171	31.0	515	523	(1.5)
Selling and marketing expenses		(72)	(94)	(23.4)	(234)	(269)	(13.0)
Administrative expenses	(ii)	(127)	(99)	28.3	(481)	(357)	34.7
Finance costs	(iii)	(339)	(20)	1,595.0	(1,704)	(1,483)	14.9
Other expenses	(iv)	(1,362)	(1,362)	-	(4,140)	(4,203)	(1.5)
Share of results of associate and joint ventures (net of tax)	(v)	35	(598)	NM	(751)	(1,919)	(60.9)
Profit/(loss) before tax		645	324	99.1	(779)	(1,951)	(60.1)
Income tax	(vi)	(141)	(153)	(7.8)	(369)	(398)	(7.3)
Profit/(loss) for the period attributable to owners of the Company		504	171	194.7	(1,148)	(2,349)	(51.1)

Notes:**(i) Other income**

	Group					
	3Q 2016	3Q 2015	Change	YTD	YTD	Change
	\$'000	\$'000	%	3Q 2016	3Q 2015	%
Interest income	149	94	58.5	280	200	40.0
Licence fee	69	68	1.5	207	218	(5.0)
Sundry income	6	9	(33.3)	28	29	(3.4)
Gain on liquidation of a joint venture	-	-	-	-	76	NM
	224	171	31.0	515	523	(1.5)

(ii) Administrative expenses

The increase in administrative expenses for 3Q 2016 was mainly due to the increase in expenses related to corporate exercise.

(iii) Finance costs

	Group					
	3Q 2016	3Q 2015	Change	YTD	YTD	Change
	\$'000	\$'000	%	3Q 2016	3Q 2015	%
Interest expense	(406)	(415)	(2.2)	(1,204)	(1,253)	(3.9)
Currency exchange gain/(loss)-net	67	395	(83.0)	(500)	(230)	117.4
	(339)	(20)	1,595.0	(1,704)	(1,483)	14.9

The net currency exchange gain of approximately \$67,000 for 3Q 2016 was due to the revaluation of the net foreign currency monetary assets and liabilities arising mainly from the strengthening of the Renminbi against the Singapore Dollar.

(iv) Other expenses

	Group					
	3Q 2016	3Q 2015	Change	YTD	YTD	Change
	\$'000	\$'000	%	3Q 2016	3Q 2015	%
Depreciation of property, plant and equipment	(515)	(543)	(5.2)	(1,573)	(1,678)	(6.3)
Staff costs/directors' fee	(536)	(527)	1.7	(1,618)	(1,632)	(0.9)
Others	(311)	(292)	6.5	(949)	(893)	6.3
	(1,362)	(1,362)	-	(4,140)	(4,203)	(1.5)

(v) Share of results of associate and 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 only shared the loss incurred by CHQ up to 23 February 2016 instead of 30 September 2016. The Group remains committed to the sale of the equity interest in CHQ.

NM: Not meaningful

(vi) Income tax

There was an overprovision of taxation of \$4,000 in respect of prior years for YTD 3Q 2016.
(YTD 3Q 2015: There was an overprovision of taxation amounting to \$1,000.)

The tax expense of \$0.4 million for YTD 3Q 2016 arose mainly from the income derived from overseas which could not be offset against the losses incurred by other entities within the Group.

(vii) Statement of comprehensive income

	Group					
	3Q 2016	3Q 2015	Change	YTD	YTD	Change
	\$'000	\$'000	%	3Q 2016	3Q 2015	%
				\$'000	\$'000	
Profit/(loss) for the period	504	171	194.7	(1,148)	(2,349)	(51.1)
Other comprehensive loss						
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	(89)	(936)	(90.5)	(1,126)	(654)	72.2
Realisation of foreign currency translation reserves upon liquidation of a joint venture	-	-	-	-	(64)	NM
Other comprehensive loss for the period, net of tax	(89)	(936)	(90.5)	(1,126)	(718)	56.8
Total comprehensive income/(loss) for the period attributable to owners of the Company	415	(765)	NM	(2,274)	(3,067)	(25.9)

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		Company	
		30/09/2016	31/12/2015	30/09/2016	31/12/2015
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment		37,443	39,954	1	4
Investment property		1,605	1,602	-	-
Subsidiaries		-	-	56,643	56,643
Associate		61	62	-	-
Joint ventures	1	475	1,421	-	-
Non-trade receivables	2	1,713	327	30	32
		41,297	43,366	56,674	56,679
Current assets					
Inventories		91	85	-	-
Development properties		4,877	4,870	-	-
Trade and other receivables	2	5,131	3,050	136	287
Prepayment	3	121	75	41	22
Cash and bank balances		19,400	22,487	4,532	4,567
		29,620	30,567	4,709	4,876
Asset held for sale	1	30	-	-	-
Total assets		70,947	73,933	61,383	61,555
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		(142,746)	(137,340)	(144,691)	(146,866)
Reserve held for sale	1	3,132	-	-	-
Total equity attributable to owners of the Company		(5,841)	(3,567)	(10,918)	(13,093)
Non-current liabilities					
Loans and borrowings	4a	3,713	72,451	-	68,000
Deferred tax liabilities		120	120	-	-
		3,833	72,571	-	68,000

		Group 30/09/2016 \$'000	Group 31/12/2015 \$'000	Company 30/09/2016 \$'000	Company 31/12/2015 \$'000
Current liabilities					
Trade and other payables		4,043	3,632	4,294	6,635
Loans and borrowings	4	68,665	997	68,000	-
Current tax payable		247	300	7	13
		<u>72,955</u>	<u>4,929</u>	<u>72,301</u>	<u>6,648</u>
Total liabilities		<u>76,788</u>	<u>77,500</u>	<u>72,301</u>	<u>74,648</u>
Total equity and liabilities		<u>70,947</u>	<u>73,933</u>	<u>61,383</u>	<u>61,555</u>

Notes:

- 1 Investment in CHQ was reclassified as asset held for sale as the Company had listed its entire equity interest in CHQ on the Shanghai United Assets and Equity Exchange for sale on 23 February 2016.
The decrease in the investment in CHQ was due to the recognition of losses incurred by CHQ.
- 2 The increase was mainly due to advances to a joint venture.
- 3 The increase was mainly due to prepayment made for insurance and listing expenses.
- 4 The movement was due to:
 - a) reclassification of unsecured loan and secured loan totalling \$68.7 million from non-current liabilities to current liabilities; and
 - b) repayment of secured loan of \$1 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	
	30/09/2016 \$'000	31/12/2015 \$'000
Unsecured	68,006	10
Secured	659	987

Amount repayable after one year

	Group	
	30/09/2016 \$'000	31/12/2015 \$'000
Unsecured	5	68,009
Secured	3,708	4,442

The secured loan as at 30 September 2016 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			
	3Q 2016 \$'000	3Q 2015 \$'000	YTD 3Q 2016 \$'000	YTD 3Q 2015 \$'000
Cash flows from operating activities				
Profit/(loss) before tax	645	324	(779)	(1,951)
Adjustments for:				
Depreciation of property, plant and equipment	515	543	1,573	1,678
Gain on liquidation of a joint venture	-	-	-	(76)
Impairment loss on trade receivables	-	1	-	2
Interest expense	406	415	1,204	1,253
Interest income	(149)	(94)	(280)	(200)
Loss on disposal of property, plant and equipment	-	-	-	1
Property, plant and equipment written off	-	1	1	3
Share of results of associate and joint ventures (net of tax)	(35)	598	751	1,919
Unrealised foreign exchange (gain)/loss-net	(69)	(650)	498	(113)
Write-back of impairment on trade receivables	-	-	(3)	-
Operating cash flows before changes in working capital	<u>1,313</u>	<u>1,138</u>	<u>2,965</u>	<u>2,516</u>

	Group			
	3Q 2016	3Q 2015	YTD 3Q 2016	YTD 3Q 2015
	\$'000	\$'000	\$'000	\$'000
Development properties	-	(28)	-	(28)
Inventories	15	(4)	(6)	(1)
Trade and other payables	626	145	320	(318)
Trade and other receivables	(230)	(196)	(567)	(421)
Cash from operating activities	1,724	1,055	2,712	1,748
Income tax paid	(118)	(126)	(337)	(334)
Interest paid	(388)	(403)	(1,190)	(1,245)
Interest received	192	120	292	282
Net cash from operating activities	1,410	646	1,477	451
Cash flows from investing activities				
Amount due from a joint venture	-	(1,094)	(3,127)	(1,094)
Capital injection in joint ventures	-	(308)	-	(308)
Dividend received from a joint venture	124	260	124	260
Net cash inflow on liquidation of a joint venture	-	-	-	385
Purchase of property, plant and equipment	(160)	(13)	(287)	(82)
Net cash used in investing activities	(36)	(1,155)	(3,290)	(839)
Cash flows from financing activities				
Repayment of borrowings	(580)	(248)	(1,089)	(1,053)
Repayment of finance lease liabilities	(2)	(3)	(8)	(14)
Net cash used in financing activities	(582)	(251)	(1,097)	(1,067)
Net increase/(decrease) in cash and cash equivalents	792	(760)	(2,910)	(1,455)
Cash and cash equivalents at beginning of the period	18,660	22,524	22,487	23,288
Effect of exchange rate changes on balances held in foreign currencies	(52)	38	(177)	(31)
Cash and cash equivalents at end of the period	19,400	21,802	19,400	21,802

Net asset disposed on liquidation of a joint venture as follows:

	Group			
	3Q 2016	3Q 2015	YTD 3Q 2016	YTD 3Q 2015
	\$'000	\$'000	\$'000	\$'000
Carrying value of net assets	-	-	-	373
Add: Gain on liquidation of a joint venture	-	-	-	76
Realisation of foreign currency translation reserves upon liquidation of a joint venture	-	-	-	(64)
Net cash inflow on liquidation of a joint venture	-	-	-	385

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.**

Group	Share capital \$'000	Equity capital contributed by parent \$'000	Preference shares \$'000	Special reserve \$'000	Premium paid on acquisition of non- controlling interests \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Reserve held for sale \$'000	Total equity \$'000
At 1 January 2016	129,790	3,980	3	8,529	(192)	1,893	(147,570)	-	(3,567)
Loss for the period	-	-	-	-	-	-	(1,652)	-	(1,652)
<u>Other comprehensive loss, net of tax</u>									
Foreign currency translation differences for foreign operations	-	-	-	-	-	(1,037)	-	-	(1,037)
Total comprehensive loss for the period	-	-	-	-	-	(1,037)	(1,652)	-	(2,689)
Others									
Reserve held for sale	-	-	-	-	-	(3,132)	-	3,132	-
Contributions by owners									
Conversion of non-redeemable convertible cumulative preference shares ("NCCPS")	#	-	(#)	-	-	-	-	-	-
At 30 June 2016 and 1 July 2016	129,790	3,980	3	8,529	(192)	(2,276)	(149,222)	3,132	(6,256)
# less than \$1,000									

Group	Share capital \$'000	Equity capital contributed by parent \$'000	Preference shares \$'000	Special reserve \$'000	Premium paid on acquisition of non- controlling interests \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Reserve held for sale \$'000	Total equity \$'000
At 30 June 2016 and 1 July 2016	129,790	3,980	3	8,529	(192)	(2,276)	(149,222)	3,132	(6,256)
Profit for the period	-	-	-	-	-	-	504	-	504
<u>Other comprehensive loss, net of tax</u>									
Foreign currency translation differences for foreign operations	-	-	-	-	-	(89)	-	-	(89)
Total comprehensive (loss)/ income for the period	-	-	-	-	-	(89)	504	-	415
<u>Contributions by owners</u>									
Conversion of NCCPS	#	-	(#)	-	-	-	-	-	-
At 30 September 2016	129,790	3,980	3	8,529	(192)	(2,365)	(148,718)	3,132	(5,841)

Group	Share capital \$'000	Equity capital contributed by parent \$'000	Preference shares \$'000	Special reserve \$'000	Premium paid on acquisition of non- controlling interests \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 January 2015	129,790	3,980	3	8,529	(192)	3,039	(145,374)	(225)
Loss for the period	-	-	-	-	-	-	(2,520)	(2,520)
<u>Other comprehensive income/(loss), net of tax</u>								
Foreign currency translation differences for foreign operations	-	-	-	-	-	282	-	282
Realisation of foreign currency translation reserves upon liquidation of a joint venture	-	-	-	-	-	(64)	-	(64)
Other comprehensive income for the period, net of tax	-	-	-	-	-	218	-	218
Total comprehensive income/(loss) for the period	-	-	-	-	-	218	(2,520)	(2,302)
At 30 June 2015 and 1 July 2015	129,790	3,980	3	8,529	(192)	3,257	(147,894)	(2,527)
Profit for the period	-	-	-	-	-	-	171	171
<u>Other comprehensive loss, net of tax</u>								
Foreign currency translation differences for foreign operations	-	-	-	-	-	(936)	-	(936)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(936)	171	(765)
At 30 September 2015	129,790	3,980	3	8,529	(192)	2,321	(147,723)	(3,292)

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)
Profit for the period, representing total comprehensive income for the period	-	-	-	-	2,718	2,718
Contributions by owners						
Conversion of NCCPS	#	-	(#)	-	-	-
At 30 June 2016 and 1 July 2016	129,790	3,980	3	12,471	(156,619)	(10,375)
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	(543)	(543)
Contributions by owners						
Conversion of NCCPS	#	-	(#)	-	-	-
At 30 September 2016	129,790	3,980	3	12,471	(157,162)	(10,918)

Company	Share capital \$'000	Equity capital contributed by parent \$'000	Preference shares \$'000	Special reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2015	129,790	3,980	3	12,471	(166,836)	(20,592)
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	(1,062)	(1,062)
At 30 June 2015 and 1 July 2015	129,790	3,980	3	12,471	(167,898)	(21,654)
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	(514)	(514)
At 30 September 2015	129,790	3,980	3	12,471	(168,412)	(22,168)

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 30 September 2016, the Company issued a total of 300 new ordinary shares pursuant to the conversion of 3,000 non-redeemable convertible cumulative preference shares ("NCCPS"), at an issue price of \$0.02 for each NCCPS, thus bringing the total issued and paid-up ordinary share capital as at 30 September 2016 to \$133,770,764.03 comprising 96,321,318 ordinary shares. The NCCPS Conversion Ratio was one (1) new ordinary share for every ten (10) NCCPS converted.

Ordinary shares

	Number of shares	Share Capital \$'000
At 1 July 2016	96,321,018	133,770
(As per Accounting and Corporate Regulatory Authority's records)		
New ordinary shares issued arising from the conversion of NCCPS	300	#
	96,321,318	133,770
Trust Shares	(2,418,917)	(3,980)
At 30 September 2016 (see note under 1(d)(iii))	93,902,401	129,790

less than \$1,000

NCCPS	Number of shares	Share Capital \$'000
At 1 July 2016	132,396	3
Conversion of NCCPS to new ordinary shares	(3,000)	(#)
At 30 September 2016	129,396	3

In 2015, the Company undertook a share consolidation of every ten (10) existing issued ordinary shares in the share capital of the Company into one (1) consolidated ordinary share, which was approved by the shareholders at the Extraordinary General Meeting of the Company held on 21 April 2015 (the "Share Consolidation").

As at 30 September 2015, the maximum number of ordinary shares that could be issued upon full conversion of all the NCCPS was 15,839 ordinary shares following the Share Consolidation.

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 30 September 2016 and as at 30 September 2015.

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	
	30/09/2016	31/12/2015
Ordinary shares	96,321,318	96,318,419
NCCPS	129,396	158,394

The Company did not hold any treasury shares as at 30 September 2016 and as at 31 December 2015.

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 30 September 2016.

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			
	3Q 2016	3Q 2015	YTD 3Q 2016	YTD 3Q 2015
	€	€	€	€
Earnings/(loss) per share (Based on the weighted average number of ordinary shares in issue)				
- Basic (3Q 2016: 93,899,802, YTD 3Q 2016: 93,900,611) (3Q 2015, YTD 3Q 2015: 93,899,502)	0.54	0.18	(1.22)	(2.50)
- Diluted (3Q 2016: 93,912,441, YTD 3Q 2016: 93,900,611) (3Q 2015: 93,915,341, YTD 3Q 2015: 93,899,502)	0.54	0.18	(1.22)	(2.50)

The diluted loss per share for YTD 3Q 2016 and YTD 3Q 2015 were 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 30/09/2016	Group 31/12/2015	Company 30/09/2016	Company 31/12/2015
	\$	\$	\$	\$
Net liabilities value per issued share, excluding Trust Shares	(0.06)	(0.04)	(0.12)	(0.14)

The net liabilities value per issued share, excluding Trust Shares is computed based on 93,902,401 issued ordinary shares as at 30 September 2016 and 93,899,502 issued ordinary shares as at 31 December 2015.

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.

3 months ended 30 September ("3Q") 2016

The Group's revenue of \$3.7 million for 3Q 2016 was comparable to 3Q 2015. Over the same period, the Group's operating profit (before the share of results of associate and joint ventures, other income and finance costs) also decreased slightly by \$46,000 to \$0.7 million.

The Company's wholly-owned subsidiary, LKN Investment International Pte Ltd ("LKNII"), 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 for sale on the Shanghai United Assets and Equity Exchange ("Public Tender Process"). 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 only shared the loss incurred by CHQ up to 23 February 2016. The Group's share of net profit after tax in associate and joint ventures was \$35,000 for 3Q 2016 *vis-à-vis* a net loss after tax in associate and joint ventures of \$0.6 million in 3Q 2015 using the equity method. Following the said reclassification, the investment in CHQ is measured at the lower of carrying amount and fair value, less cost of sale.

Other income consisted of mainly interest income and licence fee. Interest expense for 3Q 2016 was \$0.4 million. The Group recognised an exchange gain of \$67,000 mainly due to the revaluation of the net foreign currency monetary assets and liabilities arising from the strengthening of Renminbi against the Singapore Dollar during 3Q 2016.

The net profit attributable to shareholders of the Company was \$0.5 million for 3Q 2016 compared to \$0.2 million for 3Q 2015.

9 months ended 30 September (“YTD 3Q”) 2016

The Group reported a higher revenue of \$10.2 million for YTD 3Q 2016 compared to \$9.6 million for YTD 3Q 2015. The growth in occupancy and average room rate at Copthorne Hotel Cameron Highlands contributed to the increase in the Group's revenue, which resulted in a higher Group operating profit (before the share of results of associate and joint ventures, other income and finance costs) of \$1.2 million for YTD 3Q 2016 *vis-à-vis* \$0.9 million of the same period in 2015.

The share of net loss after tax from associate and joint ventures for YTD 3Q 2016 decreased by \$1.2 million to \$0.8 million as the Group's share of loss incurred by CHQ was recognised up to 23 February 2016.

Other income comprised mainly interest income and licence fee. The Group continued to incur interest expense of \$1.2 million. There was an exchange loss amounting to \$0.5 million for YTD 3Q 2016 largely due to the revaluation of net foreign currency monetary assets and liabilities arising from the weakening of Renminbi against the Singapore Dollar.

The net loss attributable to shareholders of the Company was \$1.1 million for YTD 3Q 2016 compared to \$2.3 million for YTD 3Q 2015.

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 second quarter and half year ended 30 June 2016 which was released on 4 August 2016.

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 highly competitive hospitality market resulting from the increased supply of hotel rooms and austerity measures, will continue to adversely impact the Group's operations in Qingdao.

Further to the Company's announcement dated 31 May 2016, LKNII and its joint venture partner in CHQ, CAAC East China Regional Administration Authority Service Center (“CAAC”) had, after studying the available options and pursuant to discussions held, decided to proceed with another round of bidding under the Public Tender Process. CAAC is currently in the process of obtaining approval for the re-valuation price of CHQ. The Company will make further announcements in due course in accordance with the requirements of the Listing Manual of Singapore Exchange Securities Trading Limited (“SGX-ST”).

As the Group's assets are substantially located overseas, it will continue to be exposed to currency fluctuation risks. The Company will continue its efforts to source for sustainable and viable business opportunities under the current difficult economic environment.

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.

	Investments and others	Hospitality and restaurant	Property development	Total
	\$'000	\$'000	\$'000	\$'000
9 months ended 30 September 2016				
Revenue				
- external revenue	105	10,098	-	10,203
- inter-segment revenue	-	-	32	32
	<u>105</u>	<u>10,098</u>	<u>32</u>	<u>10,235</u>
Elimination				(32)
				<u>10,203</u>
Reportable segment results	(866)	2,396	(369)	1,161
Other income (excluding interest income)	233	-	2	235
Interest income	48	138	94	280
Interest expense	(964)	(240)	-	(1,204)
Exchange loss	(2)	(472)	(26)	(500)
Share of results of associate and joint ventures	-	(749)	(2)	(751)
(Loss)/profit before tax	<u>(1,551)</u>	<u>1,073</u>	<u>(301)</u>	<u>(779)</u>
Income tax expense				(369)
Loss for the period				<u><u>(1,148)</u></u>
9 months ended 30 September 2015				
Revenue				
- external revenue	-	9,559	63	9,622
- inter-segment revenue	-	-	38	38
	<u>-</u>	<u>9,559</u>	<u>101</u>	<u>9,660</u>
Elimination				(38)
				<u>9,622</u>
Reportable segment results	(868)	2,083	(287)	928
Other income (excluding interest income)	229	86	8	323
Interest income	38	95	67	200
Interest expense	(943)	(310)	-	(1,253)
Exchange gain/(loss)	3	499	(732)	(230)
Share of results of associate and joint ventures	-	(1,916)	(3)	(1,919)
(Loss)/profit before tax	<u>(1,541)</u>	<u>537</u>	<u>(947)</u>	<u>(1,951)</u>
Income tax expense				(398)
Loss for the period				<u><u>(2,349)</u></u>

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
3 November 2016

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 third quarter and nine months ended 30 September 2016 to be false or misleading.

On behalf of the Board of Directors

Gan Khai Choon
Chairman

Philip Ting Sii Tien
Director

Singapore
3 November 2016