HOTUNG GROUP

HOTUNG INVESTMENT HOLDINGS LIMITED

Third Quarter Financial Statement for the Period Ended 30/9/2016

PART 1 - 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 thecorresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2016

	Group		
	3Q 2016	3Q 2015	Change
	NT$'000	NT$'000	%
Revenue			
Interest income	1,542	740	108
Dividend/distribution income	38,710	46,591	(17)
Losses on sale of held-for-trading investments	(1,143)	-	nm
Gains on sale of available-for-sale investments	244,985	36,570	570
Losses on sale of other financial assets at fair value through profit or loss	-	(1,054)	nm
Changes in fair value of held-for-trading investments	(1,566)	(4,282)	(63)
Changes in fair value of other financial assets at fair value through profit or loss	(16,557)	1,258	nm
Foreign exchange (losses)/gains	(12,814)	5,898	nm
Others	2,305	2,178	6
Total revenue	255,462	87,899	191
Impairment losses			
Impairment losses on available-for-sale investments	(78,722)	(22,876)	244
Total impairment losses	(78,722)	(22,876)	244
Operating expenses			
General and administrative expenses	(42,610)	(30,001)	42
Total operating expenses	(42,610)	(30,001)	42
Profit before tax	134,130	35,022	283
Tax expense	(29,964)	(5,560)	439
Profit after tax	104,166	29,462	254
Other comprehensive (losses)/income:			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(79,157)	170,321	nm
Financial Assets - available-for-sale (AFS):			
- Net change in fair value	(9,198)	200,800	nm
- Reclassification adjustments for impairment losses taken to profit before tax	20,266	7,291	178
- Reclassification adjustments for gains taken to profit before tax from sales of AFS financial assets	(236,441)	(16,732)	1313
Tax relating to components of other comprehensive gains/(losses)	7,371	(6,597)	nm
Other comprehensive (losses)/income for the period, net of tax	(297,159)	355,083	nm
TOTAL COMPREHENSIVE (LOSSES)/INCOME FOR THE PERIOD	(192,993)	384,545	nm
Profit attributable to:			
Owners of the Company	84,200	26,798	214
Non-controlling interests	19,966	2,664	649
	104,166	29,462	254
Total comprehensive (losses)/income for the period attributable to:			
Owners of the Company	(212,959)	381,881	nm
Non-controlling interests	19,966	2,664	649
	(192,993)	384,545	nm

nm: Not Meaningful

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.

STATEMENTS OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2016

	Group			Company		
	30/9/2016	31/12/2015	Change	30/9/2016	31/12/2015	Change
	NT$'000	NT$'000	%	NT$'000	NT$'000	%
Assets						
Non-current assets:						
Investments in subsidiaries	-	-	-	5,255,069	5,255,069	-
Available-for-sale investments	4,278,767	5,033,759	(15)	-	-	-
Other financial assets at fair value through profit or loss	657,155	1,225,459	(46)	-	-	-
Property, plant and equipment	1,041	95	996	-	-	-
Trade and other receivables	9,407	9,847	(4)	-	-	-
	4,946,370	6,269,160	(21)	5,255,069	5,255,069	-
Current assets:						
Held-for-trading investments	42,427	38,714	10	-	-	-
Trade and other receivables	47,326	47,317	-	663	1,611	(59)
Cash and cash equivalents	2,192,023	1,774,550	24	58,022	57,310	1
	2,281,776	1,860,581	23	58,685	58,921	-
Total assets	7,228,146	8,129,741	(11)	5,313,754	5,313,990	-
Equity						
Share capital	5,233,033	5,233,033	-	5,233,033	5,233,033	-
Share premium	1,347,887	1,347,887	-	1,347,887	1,347,887	-
Contributed surplus reserve	406,116	406,116	-	406,116	406,116	-
Currency translation reserve	(13,961)	112,293	nm	-	-	-
Legal reserve	477,508	457,504	4	-	-	-
Special reserve	19,801	19,801	-	-	-	-
Capital surplus - net assets from merger	126,667	126,667	-	-	-	-
Fair value reserve	718,996	1,108,544	(35)	-	-	-
Treasury shares reserve	(208,210)	(188,777)	10	(208,210)	(188,777)	10
Accumulated losses	(1,132,928)	(892,274)	27	(1,483,211)	(1,507,229)	(2)
Equity attributable to owners of the Company	6,974,909	7,730,794	(10)	5,295,615	5,291,030	-
Non-controlling interests	102,262	96,551	6	-	-	-
Total equity	7,077,171	7,827,345	(10)	5,295,615	5,291,030	-
Liabilities						
Non-current liability:						
Deferred tax liability	37,016	101,750	(64)	-	-	-
	37,016	101,750	(64)	-	-	-
Current liabilities:						
Advance receipts	-	59,951	nm	-	-	-
Trade and other payables	59,593	72,249	(18)	18,139	22,960	(21)
Income tax payable	54,366	68,446	(21)	-	-	-
	113,959	200,646	(43)	18,139	22,960	(21)
Total liabilities	150,975	302,396	(50)	18,139	22,960	(21)
Total equity and liabilities	7,228,146	8,129,741	(11)	5,313,754	5,313,990	-

nm: Not Meaningful

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less , or on demand

As at 30/9/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
None	None	None	None

Amount repayable after one year

As at 30/9/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
None	None	None	None

Details of any collateral

None

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.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2016

	GROUP	
	3Q 2016	3Q 2015
	NT$'000	NT$'000
Cash flows from operating activities		
Profit after tax	104,166	29,462
Adjustments for:		
Changes in fair value of other financial assets at fair value through profit or loss	16,557	(1,258)
Dividend/distribution income	(38,710)	(46,591)
Losses on sale of held-for-trading investments	1,143	-
Gains on sale of available-for-sale investments	(244,985)	(36,570)
Losses on sale of other financial assets at fair value through profit or loss	-	1,054
Impairment losses on available-for-sale investments	78,722	22,876
Depreciation expense	63	13
Interest income	(1,542)	(740)
Tax expense	29,964	5,560
	(54,622)	(26,194)
Changes to:		
Held-for-trading investments	(40,175)	4,282
Trade and other receivables	(34,082)	(5,313)
Trade and other payables	18,599	(1,833)
Cash used in operations	(110,280)	(29,058)
Interest received	850	820
Tax paid	(24,141)	(101)
Net cash used in operating activities	(133,571)	(28,339)
Cash flows from investing activities		
Acquisition of available-for-sale investments	(39,572)	(47,090)
Acquisition of other financial assets at fair value through profit or loss	(58,319)	(83,399)
Proceeds from disposal of available-for-sale investments	481,032	81,377
Proceeds from disposal of other financial assets at fair value through profit or loss	51,125	2,445
Dividend/distribution income received from investments	52,434	59,268
Cash and cash equivalents acquired on control of an subsidiary	-	160,356
Net cash from investing activities	486,700	172,957
Net increase in cash and cash equivalents	353,129	144,618
Cash and cash equivalents at July 1	1,854,957	840,640
Effect of exchange rate on cash and cash equivalents	(16,809)	12,364
Cash and cash equivalents at September 30	2,191,277	997,622
Supplemental disclosure of cash flow information		
Cash and cash equivalent in the statement of cash flows	2,191,277	997,622
Cash held by trustee	746	10,744
Cash and cash equivalent in the statement of financial position	2,192,023	1,008,366

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 STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2016

	Attributable to owners of the Company												
	Share capital	Share premium	Contributed surplus reserve	Currency translation reserve	Legal reserve	Special reserve	Capital surplus - net assets from merger	Fair value reserve	Treasury shares reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000
At July 1, 2016	5,233,033	1,347,887	406,116	65,196	477,508	19,801	126,667	936,998	(208,210)	(1,217,128)	7,187,868	82,296	7,270,164
Total comprehensive (losses)/income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	84,200	84,200	19,966	104,166
Exchange differences on translation of foreign operations	-	-	-	(79,157)	-	-	-	-	-	-	(79,157)	-	(79,157)
Financial Assets - available-for-sale (AFS)	-	-	-	-	-	-	-	(218,002)	-	-	(218,002)	-	(218,002)
Total other comprehensive losses	-	-	-	(79,157)	-	-	-	(218,002)	-	-	(297,159)	-	(297,159)
Total comprehensive (losses)/income for the period	-	-	-	(79,157)	-	-	-	(218,002)	-	84,200	(212,959)	19,966	(192,993)
Transactions with owners, recognised directly in equity													
Contributions by and distributions to owners													
Total transactions with owner	-	-	-	-	-	-	-	-	-	-	-	-	-
At September 30, 2016	5,233,033	1,347,887	406,116	(13,961)	477,508	19,801	126,667	718,996	(208,210)	(1,132,928)	6,974,909	102,262	7,077,171

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2015

	Attributable to owners of the Company												
	Share capital	Share premium	Contributed surplus reserve	Currency translation reserve	Legal reserve	Special reserve	Capital surplus - net assets from merger	Fair value reserve	Treasury shares reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000
At July 1, 2015	5,233,034	1,347,887	406,116	(58,907)	457,504	19,801	126,667	612,063	(188,777)	(1,112,367)	6,843,021	389	6,843,410
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	26,798	26,798	2,664	29,462
Exchange differences on translation of foreign operations	-	-	-	170,321	-	-	-	-	-	-	170,321	-	170,321
Financial Assets - available-for-sale (AFS)	-	-	-	-	-	-	-	184,762	-	-	184,762	-	184,762
Total other comprehensive income	-	-	-	170,321	-	-	-	184,762	-	-	355,083	-	355,083
Total comprehensive income for the period	-	-	-	170,321	-	-	-	184,762	-	26,798	381,881	2,664	384,545
Transactions with owners, recognised directly in equity													
Contributions by and distributions to owners													
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	82,787	82,787
Total transactions with owner	-	-	-	-	-	-	-	-	-	-	-	82,787	82,787
At September 30, 2015	5,233,034	1,347,887	406,116	111,414	457,504	19,801	126,667	796,825	(188,777)	(1,085,569)	7,224,902	85,840	7,310,742

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2016

	Share capital	Share premium	Contributed surplus reserve	Treasury shares reserve	Accumulated losses	Total
	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000
At July 1, 2016	5,233,033	1,347,887	406,116	(208,210)	(1,475,485)	5,303,341
Total comprehensive losses for the period						
Losses for the period	-	-	-	-	(7,726)	(7,726)
Total other comprehensive losses for the period	-	-	-	-	-	-
Total comprehensive losses for the period	-	-	-	-	(7,726)	(7,726)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Total transactions with owner	-	-	-	-	-	-
At September 30, 2016	5,233,033	1,347,887	406,116	(208,210)	(1,483,211)	5,295,615

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2015

	Share capital	Share premium	Contributed surplus reserve	Treasury shares reserve	Accumulated losses	Total
	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000
At July 1, 2015	5,233,034	1,347,887	406,116	(188,777)	(1,498,919)	5,299,341
Total comprehensive losses for the period						
Losses for the period	-	-	-	-	(3,067)	(3,067)
Total other comprehensive losses for the period	-	-	-	-	-	-
Total comprehensive losses for the period	-	-	-	-	(3,067)	(3,067)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Total transactions with owner	-	-	-	-	-	-
At September 30, 2015	5,233,034	1,347,887	406,116	(188,777)	(1,501,986)	5,296,274

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.

Pursuant to the general mandate obtained from the General Meeting held on April 21, 2016, the Company continued with its share buy-back exercise. During the period from April 21, 2016 to September 30, 2016, the number of shares purchased by way of market acquisition was 577,500 (in total representing 0.58% of the Company's issued share capital as at the date of the share buy-back mandate was obtained), for an aggregated

consideration of NT$19,433,504. Pursuant to the Bye-laws of the Company, the shares purchased are treated as treasury shares.

As at September 30, 2016, the issued share capital less treasury shares of the Company was 98,805,382 shares (104,660,662 issued shares less 5,855,280 treasury shares) and the issued capital amounted to NT$5,233,033,100.

As at December 31, 2015, the issued share capital less treasury shares of the Company was 99,382,882 shares (104,660,662 issued shares less 5,277,780 treasury shares) and the issued capital amounted to NT$5,233,033,100.

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.

	30/9/2016	31/12/2015
Total number of issued shares, excluding treasury shares	98,805,382	99,382,882

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.

	Number of Shares
At January 1, 2016	5,277,780
Shares bought back as treasury shares	577,500
At September 30, 2016	5,855,280

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

Figures have not been audited or reviewed.

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

Not applicable.

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

The revised and/or new International Financial Reporting Standards (IFRS) effective in FY2016 have no significant impact on the Group.

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.**

Not applicable.

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		
	NT$	
	3Q 2016	3Q 2015
Earnings per ordinary share after deducting any provisions for preference dividends :		
		(Restated)*
(a) Based on weighted average number of ordinary shares on issue; and	0.85	0.27
(b) On a fully diluted basis	0.85	0.27
Earnings per ordinary share has been computed on the following weighted average number of shares :		
(a) Basic	98,805,382	99,382,898
(b) Diluted	98,805,382	99,382,898

*On 9 December 2015, the Company consolidated every 10 ordinary shares into 1 ordinary share in the capital of the Company and earnings per share for 3Q2015 has been adjusted for the effect of the share consolidation for comparison purposes.

7. **Net asset value (for the issuer and group) per ordinary share based on 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		Company	
		30/9/2016	31/12/2015	30/9/2016	31/12/2015
Net asset value (attributable to owners of the Company) per share based on issued share capital at end of the period/year	NT$	70.59	77.79	53.60	53.24
	S$	3.07	3.35	2.33	2.29

Note : Exchange rate of S$1: NT$22.97 for 2016.9.30 and S$1:NT$23.25 for 2015.12.31

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group 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.

(a)

1. The Group's revenue of NT$255.5 million came primarily from divestment and dividend as follows:

   i. Gains of NT$245.0 million (3Q2015: gains of NT$36.6 million) on sales of available-for sale investments;
   ii. Dividend/distribution income of NT$38.7 million (3Q2015: NT$46.6 million) received including investment fund distribution of NT$14.2 million (3Q2015: NT$1.5 million);
   iii. Due to an unfavourable market prices for FVTPL portfolios at the end of 3Q2016, the mark to market revaluation result with losses of NT$16.6 million (3Q2015: gains of NT$1.3 million);
   iv. Foreign exchange losses of NT$12.8 million due to the depreciation of US dollar against NT dollar during 3Q2016 (3Q2015: gains of NT$5.9 million); and
   v. Tax expense of NT$30.0 million (3Q2015:NT$5.6 million) was mainly NT$18.5 million of withholding income tax on capital gains for a divestment.

2. The Group identified impairment provision of NT$78.7 million for 3Q2016 (3Q2015: NT$22.9 million) as follows:

   i. Certain quoted investments were impaired by NT$39.6 million mainly due to market prices being significantly lower than investment costs.
   ii. NT$39.1 million of impairment loss for unquoted investments since certain investee companies were loss-making for prolonged periods without any sign of improvement or changes to operational strategies that would turn around the companies.

3. The Group's other comprehensive losses of NT$297.2 million (3Q2015: gains of NT$355.1 million) came mainly from the following items:
   i. The net losses of NT$9.2 million of unfavorable change on fair value of available-for-sale assets (3Q2015: gains of NT$200.8 million);
   ii. The reclassification adjustments of impairments losses taken to P/L of NT$20.3 million from fair value reserve due to impairment. (3Q2015 losses of NT$7.3 million);
   iii. The reclassification adjustments for gains on sales taken to P/L of NT$236.4 million (3Q2015:gains of NT$16.7 million); and
   iv. Losses on the exchange difference on translation of foreign operations of NT$79.2 million due to the depreciation of US dollar against NT dollar during 3Q2016 (3Q2015: gains of NT$170.3 million).

(b)

1. The decrease in the Group's available-for-sale investments from NT$5,033.8 million to NT$4,278.8 million was mainly due to divestments during 2016.

2. The decrease in the Group's FVTPL investments from NT$1,225.5 million to NT$657.2 million was mainly due to divestments in 1Q2016.

3. The increase in the Group's held-for-trading investments from NT$38.7 million to NT$42.4 million was mainly due to increased trading activities during the quarter.

4. Group cash balance increased from NT$1,774.6 million to NT$2,192.0 million mainly due to proceeds received from divestments.

5. The decrease in the Group's deferred tax liability from NT$101.8 million to NT$37.0 million was mainly to adjust the deferred tax liability per outstanding investments in Taiwan at the end of 3Q2016.

6. Advance receipts of NT$60.0 million were recognised as the investment was derecognized at the end of 2Q2016.

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

No forecast was previously disclosed in relation to third quarter 2016 results.

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 uncertainty in the global market, exacerbated by the impending exit of Britain from the EU, US presidential election and U.S. Federal Reserve's decision on interest rates, continues to fuel the volatility of the global equities and currency markets.
The Group will continue to tap on its expertise, networks and resources to identify sound investment and divestment opportunities.

11. Dividend

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

N.A.

(d) Books closure date

N.A.

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

N.A.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a shareholder's mandate pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

14. Negative confirmation pursuant to rule 705(5) of the listing manual

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group, comprising the statements of financial position (Group and Company), consolidated statement of comprehensive income, statements of changes in equity (Group and Company) and consolidated statement of cash flows, together with the accompanying information required by Appendix 7.2 of Listing Manual of the Singapore Exchange Securities Trading Limited, for the third quarter ended September 30, 2016, to be false or misleading in any material respect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1) of the listing manual.

The Company has procured undertakings from all its directors and executive officers under Rule 720(1) of the listing manual.

BY ORDER OF THE BOARD

Shu-Hui Lo
Company Secretary
November 10, 2016