



HOTUNG GROUP

HOTUNG INVESTMENT HOLDINGS LIMITED

First Quarter Financial Statement for the Period Ended 31/3/2014

**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 the corresponding period of the immediately preceding financial year.**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED MARCH 31, 2014

	Group		Change %
	1Q 2014 NT\$'000	1Q 2013 NT\$'000	
Revenue			
Interest income	1,471	1,342	10
Dividend income/ distribution income	32,975	-	nm
Gains on sale of held-for-trading investments	13,470	5,381	150
Gains on sale of available-for-sale investments	106,667	204,100	(48)
Changes in fair value of held-for-trading investments	(10,080)	7,480	nm
Changes in fair value of other financial assets at fair value through profit or loss	55,574	(61,288)	nm
Foreign exchange gains	8,047	11,232	(28)
Others	795	113	604
Total Revenue	<u>208,919</u>	<u>168,360</u>	24
Impairment losses			
Impairment losses on available-for-sale investments	(11,082)	(37,053)	(70)
Impairment loss on other financial assets at fair value through profit or loss	(10,055)	-	nm
Total impairment losses	<u>(21,137)</u>	<u>(37,053)</u>	(43)
Operating expenses			
General and administrative expenses	(51,198)	(58,803)	(13)
Total operating expenses	<u>(51,198)</u>	<u>(58,803)</u>	(13)
Share of profits of associates	7,085	8,971	(21)
Profit before tax	143,669	81,475	76
Tax expense	(21,341)	(8,184)	161
Profit after tax	<u>122,328</u>	<u>73,291</u>	67
Other comprehensive income:			
Exchange differences on translation of foreign operations	54,136	63,277	(14)
Financial Assets - available-for-sale (AFS):			
Net change in fair value	139,846	110,300	27
Add: Reclassification adjustments for impairment losses taken to profit before tax	-	641	nm
Less: Reclassification adjustments for gains taken to profit before tax from sales of AFS financial assets	(92,678)	(151,779)	(39)
Share of other comprehensive income of associates	70	84	(17)
Tax relating to components of other comprehensive losses	(11,833)	(22,191)	(47)
Other comprehensive income for the period, net of tax	<u>89,541</u>	<u>332</u>	26870
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>211,869</u>	<u>73,623</u>	188
Profit attributable to:			
Owners of the Company	122,325	73,282	67
Non-controlling interests	3	9	(67)
	<u>122,328</u>	<u>73,291</u>	67
Total comprehensive income attributable to:			
Owners of the Company	211,866	73,614	188
Non-controlling interests	3	9	(67)
	<u>211,869</u>	<u>73,623</u>	188

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 MARCH 31, 2014

	Group			Company		
	31/3/2014 NT\$'000	31/12/2013 NT\$'000	Change %	31/3/2014 NT\$'000	31/12/2013 NT\$'000	Change %
Assets						
Non-current assets:						
Investments in subsidiaries	-	-	-	5,740,951	5,740,951	-
Investments in associates	74,285	67,129	11	8,260	8,260	-
Available-for-sale investments	4,670,910	4,511,114	4	-	-	-
Other financial assets at fair value through profit or loss	746,142	650,449	15	-	-	-
	<u>5,491,337</u>	<u>5,228,692</u>	5	<u>5,749,211</u>	<u>5,749,211</u>	-
Current assets:						
Held-for-trading investments	225,081	195,649	15	-	-	-
Trade and other receivables	35,547	33,313	7	6	712	(99)
Cash and cash equivalents	1,660,019	1,780,996	(7)	159,544	158,427	1
	<u>1,920,647</u>	<u>2,009,958</u>	(4)	<u>159,550</u>	<u>159,139</u>	-
Total assets	<u>7,411,984</u>	<u>7,238,650</u>	2	<u>5,908,761</u>	<u>5,908,350</u>	-
Equity						
Share capital	5,233,034	5,233,034	-	5,233,034	5,233,034	-
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	(88,458)	(142,664)	(38)	-	-	-
Legal reserve	437,112	405,641	8	-	-	-
Special reserve	19,801	19,801	-	-	-	-
Capital surplus - net assets from merger	126,667	126,667	-	-	-	-
Fair value reserve	668,987	633,652	6	-	-	-
Treasury shares reserve	(83,117)	(83,117)	-	(83,117)	(83,117)	-
Accumulated losses	(859,678)	(950,532)	(10)	(1,018,180)	(1,012,462)	1
Equity attributable to owners of the Company	<u>7,208,351</u>	<u>6,996,485</u>	3	<u>5,885,740</u>	<u>5,891,458</u>	-
Non-controlling interests	<u>414</u>	<u>411</u>	1	<u>-</u>	<u>-</u>	-
Total equity	<u>7,208,765</u>	<u>6,996,896</u>	3	<u>5,885,740</u>	<u>5,891,458</u>	-
Liabilities						
Non-current liability:						
Deferred tax liability	63,219	51,386	23	-	-	-
	<u>63,219</u>	<u>51,386</u>	23	<u>-</u>	<u>-</u>	-
Current liabilities:						
Trade and other payables	35,572	100,996	(65)	23,021	16,892	36
Income tax payable	104,428	89,372	17	-	-	-
	<u>140,000</u>	<u>190,368</u>	(26)	<u>23,021</u>	<u>16,892</u>	36
Total liabilities	<u>203,219</u>	<u>241,754</u>	(16)	<u>23,021</u>	<u>16,892</u>	36
Total equity and liabilities	<u>7,411,984</u>	<u>7,238,650</u>	2	<u>5,908,761</u>	<u>5,908,350</u>	-

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

Amount repayable in one year or less , or on demand

As at 31/3/2014		As at 31/12/2013	
Secured	Unsecured	Secured	Unsecured
None	None	None	None

Amount repayable after one year

As at 31/3/2014		As at 31/12/2013	
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 FIRST QUARTER ENDED MARCH 31, 2014

	GROUP	
	1Q	1Q
	2014	2013
	NT\$'000	NT\$'000
Cash flows from operating activities		
Profit before tax	143,669	81,475
Adjustments for:		
Changes in fair value of held-for-trading investments	10,080	(7,480)
Changes in fair value of other financial assets at fair value through profit or loss	(55,574)	61,288
Dividend income/distribution income	(32,975)	-
Gains on sale of available-for-sale investments	(106,667)	(204,100)
Impairment loss on available-for-sale investments	11,082	37,053
Impairment loss on other financial assets at fair value through profit or loss	10,055	-
Interest income	(1,471)	(1,342)
Gains on sale of held-for-trading investments	(13,470)	(5,381)
Share of profits of associates	(7,085)	(8,971)
Operating loss before working capital changes	(42,356)	(47,458)
Acquisition of held-for-trading investments	(118,954)	(69,670)
Proceeds from disposal of held-for-trading investments	50,947	37,406
Trade and other receivables	580	20,422
Trade and other payables	(23,459)	(6,840)
Cash used in operations	(133,242)	(66,140)
Interest received	1,392	1,628
Dividend/distribution received	33,783	7,376
Income tax paid	(6,285)	(249)
Net cash used in operating activities	(104,352)	(57,385)
Cash flows from investing activities:		
Acquisition of available-for-sale investments	(250,547)	(159,355)
Acquisition of other financial assets at fair value through profit or loss	(41,072)	-
Proceeds from disposal of available-for-sale investments	263,206	398,876
Capital reduction of available-for-sale investee entities	1,430	-
Proceeds of liquidating distribution received from investee companies	1,256	-
Net cash(used in)/ from investing activities	(25,727)	239,521
Net (decrease)/increase in cash and cash equivalents	(130,079)	182,136
Cash and cash equivalents at January 1	1,774,456	2,030,574
Effect of exchange rate on cash and cash equivalents	8,956	19,925
Cash and cash equivalents at March 31	1,653,333	2,232,635
Supplemental disclosure of cash flow information		
Cash and cash equivalent in the statement of cash flows	1,653,333	2,232,635
Cash held by trustee	6,686	46,522
Cash and cash equivalent in the statement of financial position	1,660,019	2,279,157

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 FIRST QUARTER ENDED MARCH 31, 2014

	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 January 1, 2014	5,233,034	1,347,887	406,116	(142,664)	405,641	19,801	126,667	633,652	(83,117)	(950,532)	6,996,485	411	6,996,896
Total comprehensive income/(losses) for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	122,325	122,325	3	122,328
Total other comprehensive income/ (losses) for the period	-	-	-	54,206	-	-	-	35,335	-	-	89,541	-	89,541
Total comprehensive income/(losses) for the period	-	-	-	54,206	-	-	-	35,335	-	122,325	211,866	3	211,869
Transactions with owners, recognised directly in equity													
Contributions by and distributions to owners													
Transfer from accumulated losses to legal reserves	-	-	-	-	31,471	-	-	-	-	(31,471)	-	-	-
Total transactions with owner	-	-	-	-	31,471	-	-	-	-	(31,471)	-	-	-
At March 31, 2014	5,233,034	1,347,887	406,116	(88,458)	437,112	19,801	126,667	668,987	(83,117)	(859,678)	7,208,351	414	7,208,765

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED MARCH 31, 2013

	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 January 1, 2013	5,233,034	1,347,887	406,116	(205,052)	388,361	19,801	126,667	796,198	(79,119)	(946,306)	7,087,587	406	7,087,993
Total comprehensive income/(losses) for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	73,282	73,282	9	73,291
Total other comprehensive income/ (losses) for the period	-	-	-	63,361	-	-	-	(63,029)	-	-	332	-	332
Total comprehensive income/(losses) for the period	-	-	-	63,361	-	-	-	(63,029)	-	73,282	73,614	9	73,623
At March 31, 2013	5,233,034	1,347,887	406,116	(141,691)	388,361	19,801	126,667	733,169	(79,119)	(873,024)	7,161,201	415	7,161,616

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED MARCH 31, 2014

	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 January 1, 2014	5,233,034	1,347,887	406,116	(83,117)	(1,012,462)	5,891,458
Total comprehensive income/(losses) for the period						
Losses for the period	-	-	-	-	(5,718)	(5,718)
Total other comprehensive income/(losses) for the period	-	-	-	-	-	-
Total comprehensive income/(losses) for the period					(5,718)	(5,718)
At March 31, 2014	5,233,034	1,347,887	406,116	(83,117)	(1,018,180)	5,885,740

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED MARCH 31, 2013

	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 January 1, 2013	5,233,034	1,347,887	406,116	(79,119)	(1,331,774)	5,576,144
Total comprehensive income/(losses) for the period						
Profit for the period	-	-	-	-	103,761	103,761
Total other comprehensive income/(losses) for the period	-	-	-	-	-	-
Total comprehensive income/(losses) for the period					103,761	103,761
At March 31, 2013	5,233,034	1,347,887	406,116	(79,119)	(1,228,013)	5,679,905

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.

There were no changes in the Company's issued and paid-up capital since the end of the corresponding period of the immediately preceding financial year.

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.

There were no changes in the Company's issued share capital since the end of the previous period reported on.

	31/3/2014	31/12/2013
Total number of issued shares, excluding treasury shares	<u>1,022,855,783</u>	<u>1,022,855,783</u>

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.

	<u>Number of Shares</u>
At January 1, 2014	23,751,000
Shares bought back as treasury shares	<u>-</u>
At March 31, 2014	<u><u>23,751,000</u></u>

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 FY2014 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\$	
	1Q 2014	1Q 2013
Earnings per ordinary share after deducting any provisions for preference dividends :		
(a) Based on weighted average number of ordinary shares on issue; and	0.12	0.07
(b) On a fully diluted basis	0.12	0.07
Earnings per ordinary share has been computed on the following weighted average number of shares :		
(a) Basic	1,022,855,783	1,023,994,783
(b) Diluted	1,022,855,783	1,023,994,783

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	
		31/3/2014	31/12/2013	31/3/2014	31/12/2013
Net asset value (attributable to owners of the Company)	NT\$	7.05	6.84	5.75	5.76
per share based on issued share capital at end of the period/year	S\$	0.292	0.290	0.238	0.244

Note : Exchange rate of S\$1: NT\$24.17 for 2014.3.31 and S\$1:NT\$23.58 for 2013.12.31

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\$ 208.9 million came primarily from divestment and revaluation of its investments as follows:
 - i. Gains of NT\$106.7 million (1Q2013: NT\$204.1 million) on sales of available-for sale investments; in 1Q2013, the gain arose mainly from the disposal of one investment portfolio for a gain of NT\$149.7 million;
 - ii. Gains of NT\$13.5 million (1Q2013: NT\$ 5.4 million) on sales of held-for-trading investments;
 - iii. Dividend income/distribution income of NT\$33.0 million (1Q2013: Nil) was largely attributable to the distribution income of NT\$29.9 million from a fund investment;
 - iv. The unfavorable change in fair value of held-for-trading investments of NT\$10.1 million loss (1Q2013: gains of NT\$ 7.5 million); and

v. The favorable change in fair value of other financial assets at fair value through profit or loss of NT\$55.6 million (1Q2013: losses of NT\$61.3 million) arose mainly from a quoted investment with significantly higher market price at the end of 1Q2014.

2. The Group's impairment losses decreased by 43.0% to NT\$21.1 million at end of 1Q2014 from NT\$37.1 million at 1Q2013, mainly due to the overall favorable stock market trend for the portfolio of quoted investments. In addition, other than the continued impairment of certain unquoted investments which were impaired in prior years, there was no significant impairment of the portfolio of unquoted investments.

3. The increase in the Group's tax expense from NT\$8.2 million to NT\$21.3 million mainly arose from capital gains tax expenses from divestments made by the Taiwan subsidiaries of the Group.

4. The Group's other comprehensive income, a gain of NT\$89.5 million (1Q2013: gains of NT\$0.3 million) came mainly from the following items:

- i. The net gains of NT\$139.8 million in fair value of available-for-sale assets (1Q2013: gains of NT\$110.3 million);
- ii. The reclassification adjustments for gains on sales taken to P/L of NT\$92.7 million (1Q2013: gains of NT\$151.8 million);
- iii. The foreign exchange gain of NT\$54.1 million arising from the depreciation of NT dollar against US dollar during 1Q2014 (1Q2013: gains of NT\$63.3 million); and
- iv. The increase in fair value of AFS investments resulted in a tax impact of NT\$11.8 million (1Q2013: NT\$22.2 million) that was recognised as an increase of deferred tax liability.

(b)

1. The decrease in the Group's trade and other payables from NT\$101.0 million to NT\$35.6 million was mainly due to purchases of quoted equities made at the end of 2013 which were settled in January 2014.

2. The increase in the Group's deferred tax liabilities from NT\$51.4 million to NT\$63.2 million was mainly due to the increase in fair value reserves.

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 full year 2014 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.**

In 2014, we expect the growth of the US market and the recovery of the European markets to continue. Some Asian economies and their currencies will be volatile, exacerbating capital outflow. The potential impact of these factors on businesses will influence our investment decisions during the year.

- 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 first quarter ended March 31, 2014, to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Shu-Hui Lo

Company Secretary

14/5/2014