



HOTUNG GROUP

HOTUNG INVESTMENT HOLDINGS LIMITED

First Quarter Financial Statement for the Period Ended 31/3/2017

**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, 2017

	Group		Change %
	1Q 2017 NT\$'000	1Q 2016 NT\$'000	
Revenue			
Interest income	1,507	1,490	1
Dividend/distribution income	496	51,369	(99)
Gains on sale of held-for-trading investments	452	373	21
Gains on sale of available-for-sale investments	189,696	58,749	223
Gains on sale of other financial assets at fair value through profit or loss	-	64,731	nm
Changes in fair value of held-for-trading investments	8,044	(2,072)	nm
Changes in fair value of other financial assets at fair value through profit or loss	(41,840)	6,440	nm
Foreign exchange losses	(30,068)	(15,713)	91
Others	2,083	2,623	(21)
Total revenue	<u>130,370</u>	<u>167,990</u>	(22)
Impairment losses			
Impairment losses on available-for-sale investments	(16,760)	(37,090)	(55)
Total impairment losses	<u>(16,760)</u>	<u>(37,090)</u>	(55)
Operating expenses			
General and administrative expenses	(31,806)	(40,279)	(21)
Total operating expenses	<u>(31,806)</u>	<u>(40,279)</u>	(21)
Profit before tax	81,804	90,621	(10)
Tax expense	(8,728)	(15,508)	(44)
Profit after tax	<u>73,076</u>	<u>75,113</u>	(3)
Other comprehensive losses:			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations and others	(171,837)	(58,826)	192
Financial Assets - available-for-sale (AFS):			
- Net change in fair value	(39,371)	(236,956)	(83)
- Reclassification adjustments for impairment losses taken to profit before tax	-	4,361	nm
- Reclassification adjustments for gains taken to profit before tax from sale of AFS financial assets	(176,405)	(12,406)	1322
Tax relating to components of other comprehensive income	1,956	29,243	(93)
Other comprehensive losses for the period, net of tax	<u>(385,657)</u>	<u>(274,584)</u>	40
TOTAL COMPREHENSIVE LOSSES FOR THE PERIOD	<u>(312,581)</u>	<u>(199,471)</u>	57
Profit attributable to:			
Owners of the Company	71,261	69,166	3
Non-controlling interests	1,815	5,947	(69)
	<u>73,076</u>	<u>75,113</u>	(3)
Total comprehensive losses for the period attributable to:			
Owners of the Company	(314,396)	(205,418)	53
Non-controlling interests	1,815	5,947	(69)
	<u>(312,581)</u>	<u>(199,471)</u>	57

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, 2017

	Group			Company		
	31/3/2017 NT\$'000	31/12/2016 NT\$'000	Change %	31/3/2017 NT\$'000	31/12/2016 NT\$'000	Change %
Assets						
Non-current assets:						
Investments in subsidiaries	-	-	-	5,255,069	5,255,069	-
Available-for-sale investments	3,771,012	4,214,758	(11)	-	-	-
Other financial assets at fair value through profit or loss	1,198,515	1,144,159	5	-	-	-
Property, plant and equipment	950	1,016	(6)	-	-	-
Trade and other receivables	4,549	4,837	(6)	-	-	-
	<u>4,975,026</u>	<u>5,364,770</u>	(7)	<u>5,255,069</u>	<u>5,255,069</u>	-
Current assets:						
Held-for-trading investments	50,274	46,578	8	-	-	-
Trade and other receivables	58,795	12,686	363	781	42	1,760
Cash and cash equivalents	2,141,257	2,079,545	3	88,995	114,293	(22)
	<u>2,250,326</u>	<u>2,138,809</u>	5	<u>89,776</u>	<u>114,335</u>	(21)
Total assets	<u>7,225,352</u>	<u>7,503,579</u>	(4)	<u>5,344,845</u>	<u>5,369,404</u>	-
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	-
Reserves	1,214,440	1,597,909	(24)	144,803	152,054	(5)
Accumulated losses	(932,578)	(994,400)	(6)	(1,404,510)	(1,393,374)	1
Equity attributable to owners of the Company	<u>6,862,782</u>	<u>7,184,429</u>	(4)	<u>5,321,213</u>	<u>5,339,600</u>	-
Non-controlling interests	115,482	113,667	2	-	-	-
Total equity	<u>6,978,264</u>	<u>7,298,096</u>	(4)	<u>5,321,213</u>	<u>5,339,600</u>	-
Liabilities						
Non-current liability:						
Deferred tax liability	38,448	40,404	(5)	-	-	-
	<u>38,448</u>	<u>40,404</u>	(5)	<u>-</u>	<u>-</u>	-
Current liabilities:						
Advance receipts	55,788	-	nm	-	-	-
Trade and other payables	82,431	103,237	(20)	23,632	29,804	(21)
Income tax payables	70,421	61,842	14	-	-	-
	<u>208,640</u>	<u>165,079</u>	26	<u>23,632</u>	<u>29,804</u>	(21)
Total liabilities	<u>247,088</u>	<u>205,483</u>	20	<u>23,632</u>	<u>29,804</u>	(21)
Total equity and liabilities	<u>7,225,352</u>	<u>7,503,579</u>	(4)	<u>5,344,845</u>	<u>5,369,404</u>	-

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 31/3/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
None	None	None	None

Amount repayable after one year

As at 31/3/2017		As at 31/12/2016	
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, 2017

	GROUP	
	1Q	1Q
	2017	2016
	NT\$'000	NT\$'000
Cash flows from operating activities		
Profit after tax	73,076	75,113
Adjustments for:		
Changes in fair value of other financial assets at fair value through profit or loss	41,840	(6,440)
Dividend/ distribution income	(496)	(51,369)
Gains on sale of held-for-trading investments	(452)	(373)
Gains on sale of available-for-sale investments	(189,696)	(58,749)
Gains on sale of other financial assets at fair value through profit or loss	-	(64,731)
Impairment losses on available-for-sale investments	16,760	37,090
Depreciation expense	66	14
Interest income	(1,507)	(1,490)
Tax expenses	8,728	15,508
	<u>(51,681)</u>	<u>(55,427)</u>
Changes to:		
Held-for-trading investments	(8,771)	35,377
Trade and other receivables	(70)	2,384
Trade and other payables	(7,954)	1,248
Advance receipts	55,788	-
Cash used in operations	<u>(12,688)</u>	<u>(16,418)</u>
Interest received	1,817	948
Tax paid	(149)	(156)
Net cash used in operating activities	<u>(11,020)</u>	<u>(15,626)</u>
Cash flows from investing activities:		
Acquisition of available-for-sale investments	(58,286)	(66,694)
Acquisition of other financial assets at fair value through profit or loss	(140,599)	-
Proceeds from disposal of available-for-sale investments	313,688	127,456
Proceeds from disposal of other financial assets at fair value through profit or loss	4,837	441,986
Dividend/ distribution income received from investments	496	83,619
Acquisition of property, plant and equipment	-	(189)
Net cash from investing activities	<u>120,136</u>	<u>586,178</u>
Cash flows from financing activities:		
Purchase of treasury shares	(14,576)	-
Net cash used in financing activities	<u>(14,576)</u>	<u>-</u>
Net increase in cash and cash equivalents	94,540	570,552
Cash and cash equivalents at January 1	2,078,778	1,766,626
Effect of exchange rate on cash and cash equivalents	(32,783)	(12,642)
Cash and cash equivalents at March 31	<u>2,140,535</u>	<u>2,324,536</u>
Supplemental disclosure of cash flow information		
Cash and cash equivalent in the statement of cash flows	2,140,535	2,324,536
Cash held by trustee	722	1,442
Cash and cash equivalent in the statement of financial position	<u>2,141,257</u>	<u>2,325,978</u>

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, 2017

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus reserve	Currency translation and other reserve	Legal reserve	Special reserve	Capital surplus - net assets from merger	Fair value reserve	Treasury shares reserve	Accumulated losses	Sub-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	NT\$'000
At January 1, 2017	5,233,033	1,347,887	406,116	62,408	477,508	19,801	126,667	759,471	(254,062)	(994,400)	7,184,429	113,667	7,298,096	
Total comprehensive income/(losses) for the period														
Profit for the period	-	-	-	-	-	-	-	-	-	71,261	71,261	1,815	73,076	
Exchange differences on translation of foreign operations and others	-	-	-	(171,837)	-	-	-	-	-	-	(171,837)	-	(171,837)	
Financial Assets - available-for-sale (AFS)	-	-	-	-	-	-	(213,820)	-	-	(213,820)	-	-	(213,820)	
Total other comprehensive losses	-	-	-	(171,837)	-	-	(213,820)	-	-	(385,657)	-	-	(385,657)	
Total comprehensive income/(losses) for the period	-	-	-	(171,837)	-	-	(213,820)	-	-	71,261	(314,396)	1,815	(312,581)	
Transactions with owners, recognised directly in equity														
Contributions by and distributions to owners														
Shares bought back as treasury shares	-	-	-	-	-	-	-	-	(7,251)	-	(7,251)	-	(7,251)	
Transfer to legal reserve of certain subsidiaries	-	-	-	-	9,439	-	-	-	-	(9,439)	-	-	-	
Total transactions with owner	-	-	-	-	9,439	-	-	-	(7,251)	(9,439)	(7,251)	-	(7,251)	
At March 31, 2017	5,233,033	1,347,887	406,116	(109,429)	486,947	19,801	126,667	545,651	(261,313)	(932,578)	6,862,782	115,482	6,978,264	

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED MARCH 31, 2016

	Attributable to owners of the Company												
	Share capital	Share premium	Contributed surplus reserve	Currency translation and other 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, 2016	5,233,033	1,347,887	406,116	112,293	457,504	19,801	126,667	1,108,544	(188,777)	(892,274)	7,730,794	96,551	7,827,345
Total comprehensive income/(losses) for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	69,166	69,166	5,947	75,113
Exchange differences on translation of foreign operations	-	-	-	(58,826)	-	-	-	-	-	-	(58,826)	-	(58,826)
Financial Assets - available-for-sale (AFS)	-	-	-	-	-	-	-	(215,758)	-	-	(215,758)	-	(215,758)
Total other comprehensive losses	-	-	-	(58,826)	-	-	-	(215,758)	-	-	(274,584)	-	(274,584)
Total comprehensive income/(losses) for the period	-	-	-	(58,826)	-	-	-	(215,758)	-	69,166	(205,418)	5,947	(199,471)
Transactions with owners, recognised directly in equity													
Contributions by and distributions to owners													
Total transactions with owner	-	-	-	-	-	-	-	-	-	-	-	-	-
At March 31, 2016	5,233,033	1,347,887	406,116	53,467	457,504	19,801	126,667	892,786	(188,777)	(823,108)	7,525,376	102,498	7,627,874

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED MARCH 31, 2017

	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, 2017	5,233,033	1,347,887	406,116	(254,062)	(1,393,374)	5,339,600
Total comprehensive losses for the period						
Losses for the period	-	-	-	-	(11,136)	(11,136)
Total other comprehensive losses for the period	-	-	-	-	-	-
Total comprehensive losses for the period	-	-	-	-	(11,136)	(11,136)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Shares bought back as treasury shares	-	-	-	(7,251)	-	(7,251)
Total transactions with owner	-	-	-	(7,251)	-	(7,251)
At March 31, 2017	5,233,033	1,347,887	406,116	(261,313)	(1,404,510)	5,321,213

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED MARCH 31, 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 January 1, 2016	5,233,033	1,347,887	406,116	(188,777)	(1,507,229)	5,291,030
Total comprehensive losses for the period						
Losses for the period	-	-	-	-	(6,808)	(6,808)
Total other comprehensive losses for the period	-	-	-	-	-	-
Total comprehensive losses for the period	-	-	-	-	(6,808)	(6,808)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Total transactions with owner	-	-	-	-	-	-
At March 31, 2016	5,233,033	1,347,887	406,116	(188,777)	(1,514,037)	5,284,222

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 January 1, 2017 to March 31, 2017, the number of shares purchased by way of market acquisition was 216,600 (in total representing 0.22% 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\$7,251,317. Pursuant to the Bye-laws of the Company, the shares purchased are treated as treasury shares.

As at March 31, 2017, the issued share capital less treasury shares of the Company was 97,203,782 shares (104,660,662 issued shares less 7,456,880 treasury shares) and the issued capital amounted to NT\$5,233,033,100.

As at December 31, 2016, the issued share capital less treasury shares of the Company was 97,420,382 shares (104,660,662 issued shares less 7,240,280 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.

	<u>31/3/2017</u>	<u>31/12/2016</u>
Total number of issued shares, excluding treasury shares	<u>97,203,782</u>	<u>97,420,382</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.

The movement of treasury share is as follows:

	<u>Number of Shares</u>
At January 1, 2017	7,240,280
Shares bought back as treasury shares	<u>216,600</u>
At March 31, 2017	<u>7,456,880</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 FY2017 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 2017	1Q 2016
Earnings per ordinary share after deducting any provisions for preference dividends :		
(a) Based on weighted average number of ordinary shares on issue; and	0.73	0.70
(b) On a fully diluted basis	0.73	0.70
Earnings per ordinary share has been computed on the following weighted average number of shares :		
(a) Basic	97,219,698	99,382,882
(b) Diluted	97,219,698	99,382,882

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	
		31/3/2017	31/12/2016	31/3/2017	31/12/2016
Net asset value (attributable to owners of the Company)	NT\$	70.60	73.75	54.74	54.81
per share based on issued share capital at end of the period/year	S\$	3.25	3.31	2.52	2.46

Note : Exchange rate of S\$1: NT\$21.71 for 2017.3.31 and S\$1:NT\$22.29 for 2016.12.31

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\$130.4 million came primarily from divestment income as follows:
 - i. Gains of NT\$189.7 million (1Q2016: gains of NT\$58.7 million) on sales of available-for-sale investments;
 - ii. The revaluation result with losses of NT\$41.8 million (1Q2016: gains of NT\$6.4 million) on other financial assets at fair value through profit or loss arose from unfavourable mark to market; and
 - iii. Foreign exchange losses of NT\$30.1 million (1Q2016: losses of NT\$15.7 million) was mainly due to the depreciation of US dollar against NT dollar during 1Q2017.

2. The Group identified provision of NT\$16.8 million (1Q2016: NT\$37.1 million) for impairment as follows:
 - i. Certain quoted investment was impaired by NT\$1.6 million due to market prices being further lower than investment costs; and
 - ii. NT\$15.2 million of impairment loss was recognized for unquoted investments since certain investee companies were in loss-making position 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\$385.7 million (1Q2016: losses of NT\$274.6 million) arose mainly from the following items:
 - i. The net losses of NT\$39.4 million was due to unfavorable change in fair value of available-for-sale investments (1Q2016: losses of NT\$237.0 million);
 - ii. The reclassification adjustments for gains on sales taken to profit or loss amounted to NT\$176.4 million (1Q2016: NT\$12.4 million); and
 - iii. Losses on translation of foreign operations amounted to NT\$171.8 million was a result of depreciation of US dollar against NT dollar during 1Q2017 (1Q2016: losses of NT\$58.8 million).

(b)

1. The decrease in the Group's available-for-sale investments from NT\$4,214.8 million to NT\$3,771.0 million was mainly due to divestments of NT\$351.6 million during 1Q2017.

2. The Group's trade and other receivables of NT\$58.8 million was mainly due to the unsettled proceeds for sold trades as at the end of 1Q2017.

3. The Group's reserves decreased from NT\$1,597.9 million to NT\$1,214.4 million

was mainly due to losses on translation of foreign operations amounted to NT\$171.8 million, reclassification adjustments for gains on sales taken to profit or loss amounted to NT\$176.4 million during 1Q2017 and unfavorable fair value changes of NT\$39.4 million on the existing investments at the end of 1Q2017.

4. The Group's advance receipts of NT\$55.8 million was mainly due to an installment proceeds received.

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 first quarter 2017 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 equity market carried tremendous momentum going into 2017. However due to policy uncertainties in the US, financial market volatilities and disruptions can be expected to persist. We will stay focused on leveraging resources based on sound risks management for investments and divestments.

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, 2017, 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

Hsin-Chieh Chung
Company Secretary
May 11, 2017