



HOTUNG GROUP

HOTUNG INVESTMENT HOLDINGS LIMITED

Third Quarter Financial Statement for the Period Ended 30/9/2018

**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 THIRD QUARTER ENDED SEPTEMBER 30, 2018

	Group		Change %
	3Q 2018 NT\$'000	3Q 2017 NT\$'000	
Revenue			
Interest income	684	1,749	(61)
Dividend/ distribution income	63,776	50,308	27
Gains on sale of available-for-sale investments	-	69,816	nm
Gains on sale of other financial assets at fair value through profit or loss	-	7,030	nm
Changes in fair value of held-for-trading investments	-	1,110	nm
Changes in fair value of other financial assets at fair value through profit or loss	-	26,069	nm
Net gains on financial assets at fair value through profit or loss	79,623	-	nm
Foreign exchange losses	(420)	(1,768)	(76)
Others	2,544	4,371	(42)
Total revenue	<u>146,207</u>	<u>158,685</u>	(8)
Impairment losses			
Impairment losses on available-for-sale investments	-	(16,204)	nm
Total impairment losses	<u>-</u>	<u>(16,204)</u>	nm
Operating expenses			
General and administrative expenses	(38,423)	(34,961)	10
Total operating expenses	<u>(38,423)</u>	<u>(34,961)</u>	10
Profit before tax	107,784	107,520	-
Tax expense	<u>(11,440)</u>	<u>(9,272)</u>	23
Profit after tax	<u>96,344</u>	<u>98,248</u>	(2)
Other comprehensive income/(losses):			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations and others	4,480	(14,292)	nm
Financial assets - available-for-sale (AFS):			
- Net change in fair value	-	(154,527)	nm
- Reclassification adjustments for impairment losses taken to profit before tax	-	(924)	nm
- Reclassification adjustments for gains taken to profit before tax from sale of AFS financial assets	-	(27,395)	nm
Tax relating to components of other comprehensive losses	-	14,329	nm
Other comprehensive income/(losses) for the period, net of tax	<u>4,480</u>	<u>(182,809)</u>	nm
TOTAL COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD	<u>100,824</u>	<u>(84,561)</u>	nm
Profit attributable to:			
Owners of the Company	84,864	93,223	(9)
Non-controlling interests	11,480	5,025	128
	<u>96,344</u>	<u>98,248</u>	(2)
Total comprehensive income/(losses) for the period attributable to:			
Owners of the Company	89,344	(89,586)	nm
Non-controlling interests	11,480	5,025	128
	<u>100,824</u>	<u>(84,561)</u>	nm

nm: Not Meaningful

The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information has not been restated. See Note 4 and 5.

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, 2018

	Group			Company		
	30/9/2018 NTS'000	31/12/2017 NTS'000	Change %	30/9/2018 NTS'000	31/12/2017 NTS'000	Change %
Assets						
Non-current assets:						
Investments in subsidiaries	-	-	-	4,714,147	4,960,021	(5)
Available-for-sale investments	-	2,830,613	nm	-	-	-
Financial assets at fair value through profit or loss	4,954,003	1,928,046	157	-	-	-
Property, plant and equipment	863	1,149	(25)	-	-	-
	<u>4,954,866</u>	<u>4,759,808</u>	4	<u>4,714,147</u>	<u>4,960,021</u>	(5)
Current assets:						
Held-for-trading investments	-	148,075	nm	-	-	-
Financial assets at fair value through profit or loss	198,494	-	nm	-	-	-
Trade and other receivables	15,606	13,758	13	1,402	684	105
Cash and cash equivalents	1,157,981	1,522,667	(24)	46,277	58,100	(20)
	<u>1,372,081</u>	<u>1,684,500</u>	(19)	<u>47,679</u>	<u>58,784</u>	(19)
Total assets	<u>6,326,947</u>	<u>6,444,308</u>	(2)	<u>4,761,826</u>	<u>5,018,805</u>	(5)
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	649,547	504,047	29	105,882	115,016	(8)
Accumulated losses	(1,127,838)	(959,777)	18	(1,945,286)	(1,701,112)	14
Equity attributable to owners of the Company	<u>6,102,629</u>	<u>6,125,190</u>	-	<u>4,741,516</u>	<u>4,994,824</u>	(5)
Non-controlling interests	94,137	101,456	(7)	-	-	-
Total equity	<u>6,196,766</u>	<u>6,226,646</u>	-	<u>4,741,516</u>	<u>4,994,824</u>	(5)
Current liabilities:						
Advance receipts	-	73,748	nm	-	-	-
Trade and other payables	92,089	81,437	13	20,310	23,981	(15)
Income tax payable	38,092	62,477	(39)	-	-	-
	<u>130,181</u>	<u>217,662</u>	(40)	<u>20,310</u>	<u>23,981</u>	(15)
Total liabilities	<u>130,181</u>	<u>217,662</u>	(40)	<u>20,310</u>	<u>23,981</u>	(15)
Total equity and liabilities	<u>6,326,947</u>	<u>6,444,308</u>	(2)	<u>4,761,826</u>	<u>5,018,805</u>	(5)

nm: Not Meaningful

The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information has not been restated. See Note 4 and 5.

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

Amount repayable in one year or less , or on demand

As at 30/9/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
None	None	None	None

Amount repayable after one year

As at 30/9/2018		As at 31/12/2017	
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, 2018

	GROUP	
	3Q	Restated*
	2018	3Q 2017
	NT\$'000	NT\$'000
Cash flows from operating activities		
Profit after tax	96,344	98,248
Adjustments for:		
Changes in fair value of other financial assets at fair value through profit or loss	-	(26,069)
Net gains on financial assets at fair value through profit or loss	(79,623)	-
Dividend/distribution income	(63,776)	(50,308)
Gains on sale of available-for-sale investments	-	(69,816)
Gains on sale of other financial assets at fair value through profit or loss	-	(7,030)
Impairment losses on available-for-sale investments	-	16,204
Depreciation expense	95	70
Interest income	(684)	(1,749)
Tax expense	11,440	9,272
	<u>(36,204)</u>	<u>(31,178)</u>
Changes to:		
Held-for-trading investments	-	(74,429)
Available-for-sale investments	-	92,476
Financial assets at fair value through profit or loss	(106,906)	(48,892)
Trade and other receivables	171	(425)
Trade and other payables	6,949	6,970
Advance receipts	-	19,328
Cash used in operations	<u>(135,990)</u>	<u>(36,150)</u>
Interest received	995	1,410
Dividend/distribution income received	63,776	70,641
Tax paid	(8,995)	(8,965)
Net cash (used in)/from operating activities	<u>(80,214)</u>	<u>26,936</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	-	(429)
Net cash used in investing activities	<u>-</u>	<u>(429)</u>
Cash flows from financing activities:		
Purchase of treasury shares	-	(1,459)
Net cash used in financing activities	<u>-</u>	<u>(1,459)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(80,214)</u>	25,048
Cash and cash equivalents at July 1	1,237,726	1,724,783
Effect of exchange rate on cash and cash equivalents	469	(2,884)
Cash and cash equivalents at September 30	<u>1,157,981</u>	<u>1,746,947</u>
Supplemental disclosure of cash flow information		
Cash and cash equivalent in the statement of cash flows	1,157,981	1,746,947
Cash held by trustee	-	720
Cash and cash equivalent in the statement of financial position	<u>1,157,981</u>	<u>1,747,667</u>

*In 2017, the Group presented its cash flows from available-for-sale investments and financial assets at fair value through profit or loss as cash flows arising from investing activities. In 2018, the Group assessed that as its principal activities pertain to investment and fund management, it is more appropriate to present the relevant cash flows as cash flows from operating activities. The 2017 comparatives have been restated to provide consistency in the presentation of the financial statements.

**The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information has not been restated. See Note 4 and 5.

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, 2018

	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 July 1, 2018	5,233,033	1,347,887	406,116	(115,093)	507,810	19,801	126,667	-	(300,234)	(1,212,702)	6,013,285	82,657	6,095,942
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	84,864	84,864	11,480	96,344
Exchange differences on translation of foreign operations and others	-	-	-	4,480	-	-	-	-	-	-	4,480	-	4,480
Total other comprehensive income	-	-	-	4,480	-	-	-	-	-	-	4,480	-	4,480
Total comprehensive income for the period	-	-	-	4,480	-	-	-	-	-	84,864	89,344	11,480	100,824
Transactions with owners, recognised directly in equity													
Contributions by and distributions to owners													
Total transactions with owner	-	-	-	-	-	-	-	-	-	-	-	-	-
At September 30, 2018	5,233,033	1,347,887	406,116	(110,613)	507,810	19,801	126,667	-	(300,234)	(1,127,838)	6,102,629	94,137	6,196,766

The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information has not been restated. See Note 4 and 5.

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 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 July 1, 2017	5,233,033	1,347,887	406,116	(100,491)	486,947	19,801	126,667	357,710	(280,412)	(1,159,257)	6,438,001	88,317	6,526,318	
Total comprehensive income/(losses) for the period														
Profit for the period	-	-	-	-	-	-	-	-	-	93,223	93,223	5,025	98,248	
Exchange differences on translation of foreign operations and others	-	-	-	(14,292)	-	-	-	-	-	-	(14,292)	-	(14,292)	
Financial Assets - available-for-sale (AFS)	-	-	-	-	-	-	-	(168,517)	-	-	(168,517)	-	(168,517)	
Total other comprehensive losses	-	-	-	(14,292)	-	-	-	(168,517)	-	-	(182,809)	-	(182,809)	
Total comprehensive income/(losses) for the period	-	-	-	(14,292)	-	-	-	(168,517)	-	93,223	(89,586)	5,025	(84,561)	
Transactions with owners, recognised directly in equity														
Contributions by and distributions to owners														
Shares bought back as treasury shares	-	-	-	-	-	-	-	-	(1,459)	-	(1,459)	-	(1,459)	
Total transactions with owner	-	-	-	-	-	-	-	-	(1,459)	-	(1,459)	-	(1,459)	
At September 30, 2017	5,233,033	1,347,887	406,116	(114,783)	486,947	19,801	126,667	189,193	(281,871)	(1,066,034)	6,346,956	93,342	6,440,298	

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2018

	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, 2018	5,233,033	1,347,887	406,116	(300,234)	(1,938,629)	4,748,173
Total comprehensive losses for the period						
Losses for the period	-	-	-	-	(6,657)	(6,657)
Total other comprehensive losses for the period	-	-	-	-	-	-
Total comprehensive losses for the period	-	-	-	-	(6,657)	(6,657)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Total transactions with owner	-	-	-	-	-	-
At September 30, 2018	5,233,033	1,347,887	406,116	(300,234)	(1,945,286)	4,741,516

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 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 July 1, 2017	5,233,033	1,347,887	406,116	(280,412)	(1,688,432)	5,018,192
Total comprehensive losses for the period						
Losses for the period	-	-	-	-	(6,391)	(6,391)
Total other comprehensive loss for the period	-	-	-	-	-	-
Total comprehensive losses for the period	-	-	-	-	(6,391)	(6,391)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Shares bought back as treasury shares	-	-	-	(1,459)	-	(1,459)
Total transactions with owner	-	-	-	(1,459)	-	(1,459)
At September 30, 2017	5,233,033	1,347,887	406,116	(281,871)	(1,694,823)	5,010,342

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

	Number of Shares	
	3Q 2018	3Q 2017
Issued ordinary shares :		
As at beginning of period	104,660,662	104,660,662
Issued during the period	-	-
As at end of period	<u>104,660,662</u>	<u>104,660,662</u>
Treasury shares :		
As at beginning of period	8,374,580	7,941,080
Purchase of treasury shares	-	32,400
As at end of period	<u>8,374,580</u>	<u>7,973,480</u>
Issued ordinary shares excluding treasury shares	<u><u>96,286,082</u></u>	<u><u>96,687,182</u></u>

The Company has no subsidiary holdings as at 30 September 2018 and 30 September 2017.

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.

	30/9/2018	31/12/2017
Total number of issued shares, excluding treasury shares	<u><u>96,286,082</u></u>	<u><u>96,485,482</u></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:

	Number of Shares
At January 1, 2018	8,175,180
Shares bought back as treasury shares	199,400
At September 30, 2018	<u><u>8,374,580</u></u>

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company has no subsidiary holdings as at 30 September 2018.

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 Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as those applied in the audited financial statements for the year ended 31 December 2017 except for the adoption of the revised and/or new International Financial Reporting Standards (IFRS) effective in FY2018. The adoption of these revised and/or new IFRS have no significant impact on the Group's financial statements except as described in note 5 below.

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.

IFRS 9 is effective on 1 January 2018. The Group's financial assets in relation to the portfolio of available-for-sale financial assets have been designated as fair value through profit or loss (FVTPL) and the associated balances of the fair value reserve have been reclassified to retained earnings on the initial date of application of IFRS 9. Under the transition method chosen, comparative information has not been restated.

The impact of the adoption of IFRS 9 on the Group's equity as at 1 January 2018 is summarised below.

NTS'000	As reported at 31 December 2017	Adjustments due to adoption of IFRS 9	Adjusted opening balance at 1 January 2018
Fair value reserve	(63,181)	63,181	–
Accumulated losses	(959,777)	(63,181)	(1,022,958)

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 2018	3Q 2017
Earnings per ordinary share after deducting any provisions for preference dividends :		
(a) Based on weighted average number of ordinary shares on issue; and	0.88	0.96
(b) On a fully diluted basis	0.88	0.96
Earnings per ordinary share has been computed on the following weighted average number of shares :		
(a) Basic	96,286,082	96,715,708
(b) Diluted	96,286,082	96,715,708

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	
		30/9/2018	31/12/2017	30/9/2018	31/12/2017
Net asset value (attributable to owners of the Company)	NT\$	63.38	63.48	49.24	51.77
per share based on issued share capital at end of the period/year	S\$	2.84	2.85	2.21	2.33

Note : Exchange rate of S\$1: NT\$22.33 for 2018.9.30 and S\$1:NT\$22.26 for 2017.12.31

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 net gains on financial assets at fair value through profit or loss of NT\$79.6 million arose mainly due to the change in fair value of FVTPL investments and the gains on divestment.
 2. Dividend/distribution income of NT\$63.8 million (3Q2017: NT\$50.3 million) received, including distribution proceeds from fund investments of NT\$28.4 million (3Q2017: NT\$18.8 million).
- (b)
1. The decrease of NT\$364.7 million in the Group's Cash balance from NT\$1,522.7

million to NT\$1,158 million was mainly due to the payment of the 2017 dividend NT\$329.3 million to Shareholders in June 2018.

2. The Group has designated the portfolio of held-for-trading financial assets (2017: NT\$148.1 million) as FVTPL (current) on initial application of IFRS 9 as of 1 January 2018.
3. The portfolio of available-for-sale financial assets of NT\$2,830.6 million at the end of 2017 have been designated as FVTPL when initially applied IFRS 9 as at 1 January 2018.
4. The increase of NT\$145.5 million in the Group's reserves from NT\$504 million to NT\$649.5 million was mainly due to the translation of foreign operations at the end of 3Q2018.
5. Advance receipts of NT\$73.7 million as at the end of year 2017 were recognised as the investment was derecognized at 1Q2018.
6. The decrease in the Group's income tax payables of NT\$24.4 million was mainly due to the payment of 2017 income tax for the Group's Taiwan subsidiaries in May 2018.

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 2018 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.

As the US Federal Reserve continues to raise interest rates, there arises an expectation of capital flight from emerging markets resulting in a dampening effect on emerging market valuations. The intensifying trade war between the U.S. and China, unless resolved, will negatively impact both Taiwan's and China's electronics industry.

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 sought 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, 2018, 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
November 8, 2018