



HOTUNG GROUP

HOTUNG INVESTMENT HOLDINGS LIMITED

Third Quarter Financial Statement for the Period Ended 30/9/2014

**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 THIRD QUARTER ENDED SEPTEMBER 30, 2014

	Group		
	3Q 2014 NT\$'000	3Q 2013 NT\$'000	Change %
Revenue			
Interest income	1,142	1,306	(13)
Dividend income/ distribution income	44,258	60,669	(27)
Gains on sale of held-for-trading investments	8,178	9,821	(17)
Gains on sale of available-for-sale investments	74,434	121,420	(39)
Losses on sale of other financial assets at fair value through profit or loss	(11,751)	-	nm
Changes in fair value of held-for-trading investments	(16,280)	8,246	nm
Changes in fair value of other financial assets at fair value through profit or loss	27,209	(25,602)	nm
Foreign exchange gains/ (losses)	2,189	(5,251)	nm
Others	282	126	124
Total Revenue	129,661	170,735	(24)
Impairment losses			
Impairment losses on available-for-sale investments	(1,282)	(36,959)	(97)
Total impairment losses	(1,282)	(36,959)	(97)
Operating expenses			
General and administrative expenses	(49,703)	(48,649)	2
Total operating expenses	(49,703)	(48,649)	2
Share of profits of associates	5,319	5,089	5
Profit before tax	83,995	90,216	(7)
Tax expense	(8,260)	(15,109)	(45)
Profit after tax	75,735	75,107	1
Other comprehensive income/(losses):			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	43,667	(34,128)	nm
Financial Assets - available-for-sale (AFS):			
- Net change in fair value	132,931	316,101	(58)
- Reclassification adjustments for impairment losses taken to profit before tax	(370)	-	nm
- Reclassification adjustments for gains taken to profit before tax from sales of AFS financial assets	(86,306)	(109,743)	(21)
Share of other comprehensive income/ (losses) of associates	59	(46)	nm
Tax relating to components of other comprehensive losses	(615)	(15,511)	(96)
Other comprehensive income for the period, net of tax	89,366	156,673	(43)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	165,101	231,780	(29)
Profit attributable to:			
Owners of the Company	75,732	75,101	1
Non-controlling interests	3	6	(50)
	75,735	75,107	1
Total comprehensive income for the period attributable to:			
Owners of the Company	165,098	231,774	(29)
Non-controlling interests	3	6	(50)
	165,101	231,780	(29)

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, 2014

	Group			Company		
	30/9/2014	31/12/2013	Change	30/9/2014	31/12/2013	Change
	NT\$'000	NT\$'000	%	NT\$'000	NT\$'000	%
Assets						
Non-current assets:						
Investments in subsidiaries	-	-	-	5,544,252	5,740,951	(3)
Investments in associates	66,577	67,129	(1)	8,260	8,260	-
Available-for-sale investments	4,837,117	4,511,114	7	-	-	-
Other financial assets at fair value through profit or loss	731,112	650,449	12	-	-	-
	<u>5,634,806</u>	<u>5,228,692</u>	8	<u>5,552,512</u>	<u>5,749,211</u>	(3)
Current assets:						
Held-for-trading investments	223,434	195,649	14	-	-	-
Trade and other receivables	12,500	33,313	(62)	1,371	712	93
Cash and cash equivalents	1,304,311	1,780,996	(27)	96,083	158,427	(39)
	<u>1,540,245</u>	<u>2,009,958</u>	(23)	<u>97,454</u>	<u>159,139</u>	(39)
Total assets	<u>7,175,051</u>	<u>7,238,650</u>	(1)	<u>5,649,966</u>	<u>5,908,350</u>	(4)
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	(93,262)	(142,664)	(35)	-	-	-
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	675,100	633,652	7	-	-	-
Treasury shares reserve	(123,885)	(83,117)	49	(123,885)	(83,117)	49
Accumulated losses	(1,051,806)	(950,532)	11	(1,229,580)	(1,012,462)	21
Equity attributable to owners of the Company	<u>6,976,764</u>	<u>6,996,485</u>	-	<u>5,633,572</u>	<u>5,891,458</u>	(4)
Non-controlling interests	409	411	-	-	-	-
Total equity	<u>6,977,173</u>	<u>6,996,896</u>	-	<u>5,633,572</u>	<u>5,891,458</u>	(4)
Liabilities						
Non-current liability:						
Advance receipts	12,729	-	nm	-	-	-
Deferred tax liability	61,931	51,386	21	-	-	-
	<u>74,660</u>	<u>51,386</u>	45	<u>-</u>	<u>-</u>	-
Current liabilities:						
Trade and other payables	46,296	100,996	(54)	16,394	16,892	(3)
Income tax payable	76,922	89,372	(14)	-	-	-
	<u>123,218</u>	<u>190,368</u>	(35)	<u>16,394</u>	<u>16,892</u>	(3)
Total liabilities	<u>197,878</u>	<u>241,754</u>	(18)	<u>16,394</u>	<u>16,892</u>	(3)
Total equity and liabilities	<u>7,175,051</u>	<u>7,238,650</u>	(1)	<u>5,649,966</u>	<u>5,908,350</u>	(4)

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 30/9/2014		As at 31/12/2013	
Secured	Unsecured	Secured	Unsecured
None	None	None	None

Amount repayable after one year

As at 30/9/2014		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 THIRD QUARTER ENDED SEPTEMBER 30, 2014

	GROUP	
	3Q	3Q
	2014	2013
	NT\$'000	NT\$'000
Cash flows from operating activities		
Profit before tax	83,995	90,216
Adjustments for:		
Changes in fair value of held-for-trading investments	16,280	(8,246)
Changes in fair value of other financial assets at fair value through profit or loss	(27,209)	25,602
Dividend income/distribution income	(44,258)	(60,669)
Gains on sale of available-for-sale investments	(74,434)	(121,420)
Losses on sale of other financial assets at fair value through profit or loss	11,751	-
Impairment losses on available-for-sale investments	1,282	36,959
Interest income	(1,142)	(1,306)
Foreign exchange (gains)/losses	(2,189)	5,251
Gains on sale of held-for-trading investments	(8,178)	(9,821)
Share of profits of associates	(5,319)	(5,089)
Operating loss before working capital changes	(49,421)	(48,523)
Acquisition of held-for-trading investments	(120,475)	(22,941)
Proceeds from disposal of held-for-trading investments	27,551	56,728
Trade and other receivables	(1,468)	(1,114)
Trade and other payables	15,421	13,858
Cash used in operations	(128,392)	(1,992)
Interest received	845	1,379
Dividend/distribution received	53,240	75,358
Tax paid	(95)	(458)
Net cash (used in)/from operating activities	(74,402)	74,287
Cash flows from investing activities:		
Acquisition of available-for-sale investments	(46,011)	(429,763)
Proceeds from disposal of available-for-sale investments	149,727	216,836
Proceeds from disposal of other financial asset at fair value through profit or loss	16,030	-
Capital reduction of available-for-sale investee entities	-	44,757
Net cash from/(used in) investing activities	119,746	(168,170)
Financing activities:		
Purchase of treasury shares	-	(1,614)
Net cash used in financing activities	-	(1,614)
Net increase/(decrease) in cash and cash equivalents	45,344	(95,497)
Cash and cash equivalents at July 1	1,245,647	1,940,120
Effect of exchange rate on cash and cash equivalents	6,645	(13,913)
Cash and cash equivalents at September 30	1,297,636	1,830,710
Supplemental disclosure of cash flow information		
Cash and cash equivalent in the statement of cash flows	1,297,636	1,830,710
Cash held by trustee	6,675	41,447
Cash and cash equivalent in the statement of financial position	1,304,311	1,872,157

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 THIRD QUARTER ENDED SEPTEMBER 30, 2014

	Attributable to owners of the Company											Non-controlling interests	Total
	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		
	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, 2014	5,233,034	1,347,887	406,116	(136,988)	437,112	19,801	126,667	629,460	(123,885)	(1,127,538)	6,811,666	406	6,812,072
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	75,732	75,732	3	75,735
Total other comprehensive income for the period	-	-	-	43,726	-	-	-	45,640	-	-	89,366	-	89,366
Total comprehensive income/(losses) for the period	-	-	-	43,726	-	-	-	45,640	-	75,732	165,098	3	165,101
Transactions with owners, recognised directly in equity													
Contributions by and distributions to owners													
Total transactions with owner	-	-	-	-	-	-	-	-	-	-	-	-	-
At September 30, 2014	5,233,034	1,347,887	406,116	(93,262)	437,112	19,801	126,667	675,100	(123,885)	(1,051,806)	6,976,764	409	6,977,173

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2013

	Attributable to owners of the Company												Non-controlling interests	Total
	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			
	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, 2013	5,233,034	1,347,887	406,116	(127,490)	405,641	19,801	126,667	585,903	(81,503)	(1,120,963)	6,795,093	402	6,795,495	
Total comprehensive income/(losses) for the period														
Profit for the period	-	-	-	-	-	-	-	-	-	75,101	75,101	6	75,107	
Total other comprehensive income/(losses) for the period	-	-	-	(34,174)	-	-	-	190,847	-	-	156,673	-	156,673	
Total comprehensive income/(losses) for the period	-	-	-	(34,174)	-	-	-	190,847	-	75,101	231,774	6	231,780	
Transactions with owners, recognised directly in equity														
Contributions by and distributions to owners														
Shares bought back as treasury shares	-	-	-	-	-	-	-	-	(1,614)	-	(1,614)	-	(1,614)	
Total transactions with owner	-	-	-	-	-	-	-	-	(1,614)	-	(1,614)	-	(1,614)	
At September 30, 2013	5,233,034	1,347,887	406,116	(161,664)	405,641	19,801	126,667	776,750	(83,117)	(1,045,862)	7,025,253	408	7,025,661	

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 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 July 1, 2014	5,233,034	1,347,887	406,116	(123,885)	(1,223,969)	5,639,183
Total comprehensive losses for the period						
Loss for the period	-	-	-	-	(5,611)	(5,611)
Total other comprehensive losses for the period	-	-	-	-	-	-
Total comprehensive losses for the period	-	-	-	-	(5,611)	(5,611)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Total transactions with owner	-	-	-	-	-	-
At September 30, 2014	5,233,034	1,347,887	406,116	(123,885)	(1,229,580)	5,633,572

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 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 July 1, 2013	5,233,034	1,347,887	406,116	(81,503)	(1,538,772)	5,366,762
Total comprehensive losses for the period						
Loss for the period	-	-	-	-	(7,851)	(7,851)
Total other comprehensive losses for the period	-	-	-	-	-	-
Total comprehensive losses for the period	-	-	-	-	(7,851)	(7,851)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Shares bought back as treasury shares	-	-	-	(1,614)	-	(1,614)
Total transactions with owner	-	-	-	(1,614)	-	(1,614)
At September 30, 2013	5,233,034	1,347,887	406,116	(83,117)	(1,546,623)	5,357,297

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 24, 2013, the Company continued with its share buy-back exercise. During the period from January 1, 2014 to April 28, 2014, the number of shares purchased by way of market acquisition was 10,433,000 (in total representing 1.02 % 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\$ 40,767,365. Pursuant to the Bye-laws of the Company, the shares

purchased are treated as treasury shares.

Pursuant to the general mandate obtained from the General Meeting held on April 29, 2014, the Company did not repurchase any shares between April 29, 2014 and September 30, 2014.

As at September 30, 2014, the issued share capital less treasury shares of the Company was 1,012,422,783 shares (1,046,606,783 issued shares less 34,184,000 treasury shares) and the issued capital amounted to NT\$5,233,033,915.

As at December 31, 2013, the issued share capital less treasury shares of the Company was 1,022,855,783 shares (1,046,606,783 issued shares less 23,751,000 treasury shares) and the issued capital amounted to NT\$5,233,033,915.

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.

	30/9/2014	31/12/2013
Total number of issued shares, excluding treasury shares	1,012,422,783	1,022,855,783

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 shares is as follows:

	Number of Shares
At January 1, 2014	23,751,000
Shares bought back as treasury shares	10,433,000
At September 30, 2014	34,184,000

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\$	
	3Q 2014	3Q 2013
Earnings per ordinary share after deducting any provisions for preference dividends :		
(a) Based on weighted average number of ordinary shares on issue; and	0.075	0.07
(b) On a fully diluted basis	0.075	0.07
Earnings per ordinary share has been computed on the following weighted average number of shares :		
(a) Basic	1,012,422,783	1,022,929,859
(b) Diluted	1,012,422,783	1,022,929,859

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	
		30/9/2014	31/12/2013	30/9/2014	31/12/2013
Net asset value (attributable to owners of the Company)	NT\$	6.89	6.84	5.56	5.76
per share based on issued share capital at end of the period/year	S\$	0.288	0.290	0.233	0.244

Note : Exchange rate of S\$1: NT\$23.90 for 2014.9.30 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\$129.7 million came primarily from divestment and revaluation of its investments as follows:
 - i. Gains of NT\$74.4 million (3Q2013: NT\$121.4 million) on sales of available-for-sale investments;
 - ii. Gains of NT\$8.2 million (3Q2013: NT\$9.8 million) on sales of held-for-trading investments;
 - iii. Losses of NT\$11.8 million (3Q2013: Nil) on sales of other financial assets at fair value through profit or loss (FVTPL) mainly from a quoted investment sold in 3Q2014;
 - iv. Dividend income/distribution income of NT\$44.3 million (3Q2013: NT\$60.7 million) received including distribution proceeds from fund investments of NT\$1.3 million;
 - v. Losses of NT\$16.3 million (3Q2013: gains of NT\$8.2 million) arose from the unfavorable mark to market result on short term trading ; and
 - vi. Gains of NT\$27.2 million (3Q2013: losses of NT\$25.6 million) resulted from mark to market on other financial assets at fair value through profit or loss.
2. The Group identified impairment provision of NT\$1.3 million for 3Q2014 (3Q2013: NT\$37.0 million) due to further unfavorable market prices for two quoted investments. And other than the continued impairment of certain unquoted investments which were impaired in prior quarter, there was no significant impairment of the portfolio of unquoted investments.
3. Since less divestments made by the Taiwan subsidiaries of the Group, tax expense decreased to NT\$8.3 million (3Q2013: NT\$15.1 million).
4. The Group's other comprehensive income of NT\$89.4 million (3Q2013: gains of NT\$156.7 million) came mainly from the following items:
 - i. The net gains of NT\$132.9 million in fair value of available-for-sale assets (3Q2013: gains of NT\$316.1 million);
 - ii. The reclassification adjustments for gains on sales taken to the income statement of NT\$86.3 million (3Q2013: gains of NT\$109.7 million); and
 - iii. Gains on the exchange difference on translation of foreign operations of NT\$43.7 million due to the appreciation of US dollar against NT dollar during 3Q2014 (3Q2013: losses of NT\$34.1 million).

(b)

1. The Group cash balance decreased from NT\$ 1,780.9 million to NT\$1,304.3 million due to the increase of investments during 2014. Up to the end of 3Q2014 the long term investments balances increased by NT\$326.0 million and NT\$80.7 million on Available-for-sale and FVTPL investments respectively.
2. Trade receivables decreased from NT\$33.3 million to NT\$12.5 million. The decrease was due to divestment proceeds of NT\$29.5 million received in 2Q2014 from fair value through profit or loss securities.
3. The decrease in the Group's trade and other payables from NT\$101.0 million to NT\$46.3 million was mainly due to purchases of quoted equities made at the end of 2013 which were settled in January 2014.
4. The increase in the Group's deferred tax liabilities from NT\$51.4 million at the end of 2013 to NT\$61.9 million was mainly due to the increase in fair value of available-for-sale investments in 2014.

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 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.

Despite a global economic slowdown, the US economy grew with the expectation that its recovery will continue as result the US Federal Reserve announced the end of its quantitative easing (QE) stimulus programme in late October. While countries like Japan and the Euro zone continue to ease their monetary policy, China is seeking moderate and sustainable growth. The Group will follow closely developments in the changing environment.

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, 2014, to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Shu-Hui Lo

Company Secretary

11/11/2014