



**HOTUNG
INVESTMENT
HOLDINGS
LIMITED**

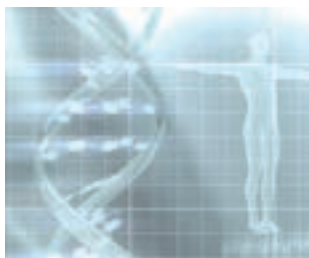
2016

**ANNUAL
REPORT**

GROUP PROFILE

HOTUNG INVESTMENT HOLDINGS LIMITED and together with its subsidiaries and associate company (the “Group”) is a premier venture capital investment group with almost 30 years of investment and fund management experience. The Group is dedicated to uncovering innovation and value. Leveraging investment expertise accumulated over the years and investment experiences in a diverse portfolio, the Group is in a prime position to comprehend and accelerate in a fast moving market, and to invest in novel and blossoming businesses and technologies in Taiwan, China, and Silicon Valley. The Group is poised to deliver value through vision of its investments and profit to its shareholders. The Group has had around 200 successful IPOs listed on major stock exchanges in the world, including Nasdaq / NYSE.

The Group has been listed on the Main Board of SGX-ST since 1997.



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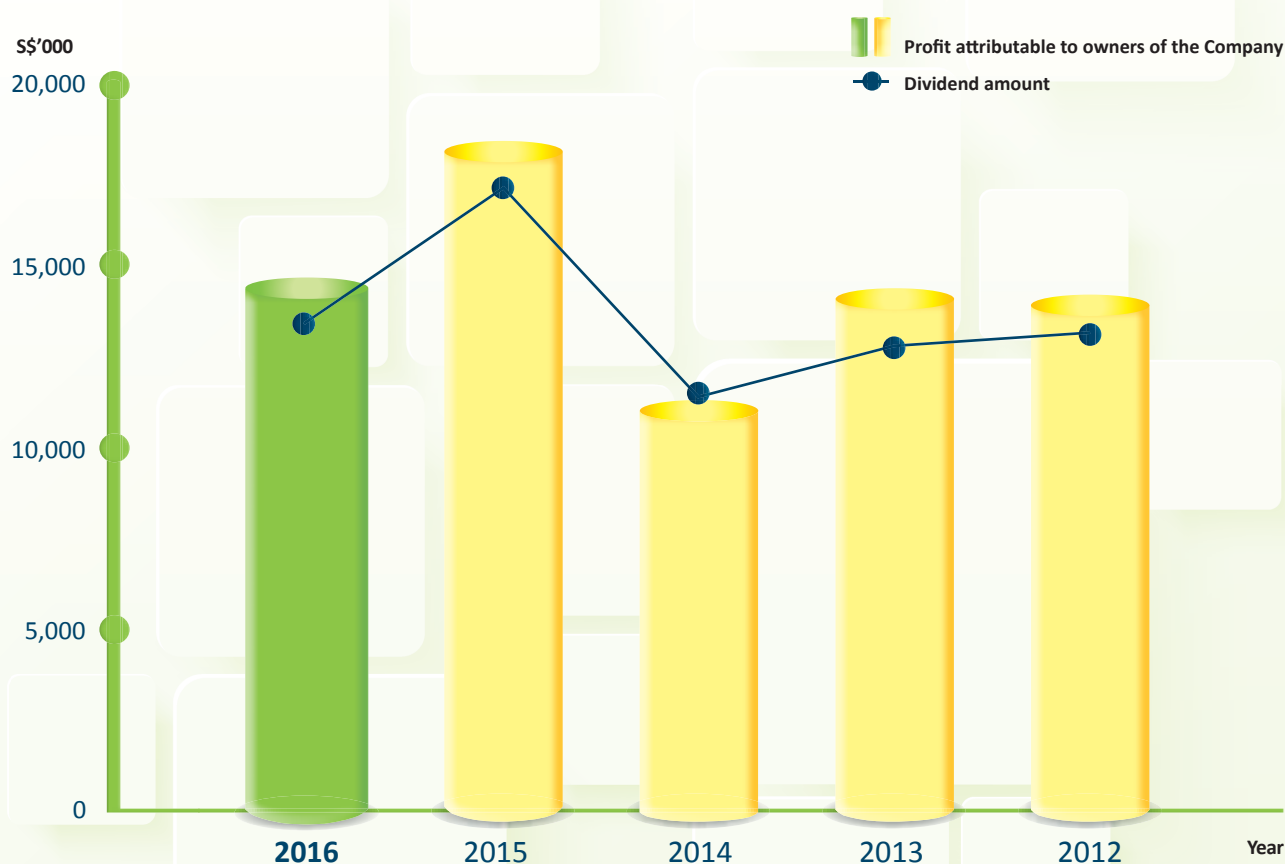
FINANCIAL HIGHLIGHTS

S\$'000

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|---------------------|---------|---------|---------|---------|
| Revenue | 32,880 | 38,351 | 22,311 | 30,309 | 33,912 |
| Profit attributable to owners of the Company | 14,261 | 18,042 | 10,950 | 14,016 | 13,845 |
| Dividend amount | 13,519 ¹ | 16,796 | 11,284 | 13,060 | 13,210 |
| Fair value reserve | 34,072 | 47,679 | 30,042 | 26,872 | 33,510 |
| Equity attributable to owners of the Company | 322,316 | 332,507 | 298,202 | 296,713 | 298,299 |

S\$

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------------------|-------|-------|-------|-------|
| Earnings per share ² | 0.144 | 0.181 | 0.109 | 0.136 | 0.135 |
| Net Asset Value per share ² | 3.309 | 3.346 | 2.945 | 2.901 | 2.912 |
| Cash Dividend per share ² | 0.139 ¹ | 0.169 | 0.113 | 0.129 | 0.129 |



¹ The Board's 2016 final dividend recommendation is subject to shareholders' approval at 2017 Annual General Meeting. Distribution will be subject to the outstanding shares (excluding treasury shares) as of book closure date in 2017 and the exchange rate from NT\$ to S\$ will be announced within the cash dividend distribution announcement.

² The earnings per share, the net asset value per share, and the cash dividend per share for the financial year 2012 to 2014 have been restated on the basis of the Company's share consolidation in 2015.

³ Except for dividend amount and cash dividend per share from 2012 to 2015, all figures are converted by using the closing exchange rate of each year.

CHAIRMAN'S STATEMENT

“2016 is a year defined by unexpected political changes in major global economies, while Hotung’s full year net profit after tax attributable to owners of the Company was NT\$317.9 million and earnings per share (EPS) was NT\$3.21 in spite of the volatility and uncertainty in the global equities and currency markets during 2016.

Aside from cloud services, the sharing economy and biotech companies, in 2016, we made a new investment in a company in modern agriculture sector.

Our focus remains to be building medium to long term investment commitments and our team is well positioned.”



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

2016 is a year defined by unexpected political changes in major global economies and the market overcoming each surprise. Investors worldwide came into 2016 expecting a slowdown in investment climate and anticipated liquidity problems to manifest in the private and startup sector. The equity market kicked off the year with two months of acute equity selloff across all regions and sectors; but, despite gloom forecasts in the beginning of the calendar year, the equity market found itself at all-time highs towards the end of the year, unrelenting to major market moving events such as The Brexit and the U.S. presidential election. 2016's U.S. equity market closed on a high note, carrying with it some positive U.S. consumer sentiment figures. But, European market, except for Germany, remains stagnant; the financial sector continues to watch the impact of Brexit on the European Union, and that of its possible demise.

China announced a GDP growth of 6.7% for the year 2016. China's economy continues to shift towards a domestic consumption driven market. Additionally, China is moving away from traditional manufacturing industries, to building global technology stalwarts who are in the forefront of latest technology innovations such as artificial intelligence, virtual reality, augmented reality, automobile connectivity, and other developments. The transition in the make-up of China's GDP should continue in years to come as they reduce labor intensive production and unlock value in technology development. Taiwan's economy continues to tread closely with global semiconductor and smartphone devices sales, while the more traditional tech companies continue to battle for growth and technology innovation, the startup society remain aggressive in developing new pharmaceutical and semi-conductor technology. Additionally, Taiwan's consumer product continues its effort to enter the Greater China market, bringing in product and manufacturing process experience. Taiwan is in a transition period, currently leveraging existing technology, production know-how, and production capacity, to capture the latest shift in consumer demand and create product and technology entry barrier.

2016 FINANCIAL OVERVIEW

Hotung's full year net profit after tax attributable to owners of the Company was NT\$317.9 million and earnings per share (EPS) was NT\$3.21 in spite of the volatility and uncertainty in the global equities and currency markets during 2016. The Net Asset Value (NAV) per share was NT\$73.75 (2015: NT\$77.79) at the

end of 2016 after paid out cash dividends of NT\$4.02484 per share for 2015. The Fair Value Reserve however decreased to NT\$759.5 million due to unfavorable change in fair value of available-for-sale investments at the end of 2016. In line with the Group's objective to distribute the majority of annual net profit after tax, the Board has proposed a dividend of NT\$3.1 per share for the year ended 31 December 2016.

BUSINESS OVERVIEW

In line with Hotung investment strategy, we continue to focus on high value technology in high growth potential sectors and companies. Aside from cloud services, the sharing economy and biotech companies, in 2016, we made a new investment in a company in modern agriculture sector.

As the living standard in Asia is dramatically improving, people are more cautious about the food safety issue. Our portfolio company is addressing this need by providing fresh-cut fruits and vegetables not only to restaurants franchise, but also to consumers directly.

FUTURE PROSPECTS

The equity market carried tremendous momentum going into 2017. However, we remain cautious as global trade pact and agreements are under unprecedented scrutiny and uncertainty. The trade relationship between Greater China, ASEAN, and the North America market will likely undergo both minor tweaks and drastic changes in the coming year. Having said that, innovation and growth companies should continue to grow regardless of global trade and fiscal policies. Hotung's investment team is well-positioned to build investment positions in technology innovation and healthcare and biotech innovation. Our focus remains to be building medium to long term investment commitments to minimize market risk exposure. On behalf of the Board and Investment Managers, I would like to express our sincere appreciation to our shareholders for their continual support.

Sincerely,

Tsui-Hui Huang
Chairman
Taipei, Taiwan
17 March 2017

BOARD OF DIRECTORS



Tsui-Hui Huang

*Chairman, Managing Director and Executive Director
Member of Nominating Committee
Date of first appointment as a director: 26 July 1997
Date of last re-election as a director: 28 April 2006*

Ms. Tsui-Hui Huang is the Chairman and Managing Director of the Company and Chairman/President of Hotung International Company Ltd. (“HIC”). In 1998, she established Hotung Securities (“HSIC”), a subsidiary of Hotung Group. HSIC later merged into Taishin Financial Holding Co. under her guidance. In June 2005, Ms. Huang was elected as President of HIC, which is the management company of Hotung Group. Ms. Huang became Managing Director of the Group in August 2006 and was elected as Chairman of HIC in April 2009. She was elected as Chairman of the Group in June 2010. Under her leadership, the Group has extended its investment base rapidly in China, and established portfolios which mainly focused in domestic demand of China. Ms. Huang started her career in mergers and acquisitions with Bankers Trust Company in 1988. Between 1998 and 2005, she was actively involved in the international securities industry while she was Chairman of the International Business Committee of Taiwan Securities Association. She was also appointed as the Board Director of Gretai Securities Market (also known as Over the Counter Market) during that period. Currently, Ms. Huang is the Chairman of Taiwan Venture Capital Association. She was appointed as the Member of Cornell University President Council. Ms. Huang obtained a B.A. degree in Business from National Taiwan University and an M.B.A. degree at Cornell University, U.S.A.



Cheng-Wang Huang

*Non-Executive Director
Date of first appointment as a director: 6 March 1997
Date of last re-election as a director: 24 April 2015*

Mr. Cheng-Wang Huang is the founder of the Group. Mr. Huang retired from the position of Chairman since April 2006. Besides the Group, Mr. Huang has established various businesses ranging from motorcycles, car tires manufacturing, beverage and food to financial fields. His extensive knowledge in various industries has enhanced the group’s investment quality. Mr. Huang is the Director and Honorary Chairman of Tai Lung Capital Inc., Tai Ling Motor Co., and Taiwan Tailung Trading Co., Ltd. He is actively involved with industrial association which plays a prominent role in the business community. Presently he is the Honorary Chairman of the Importers and Exporters Association of Taipei and Yakult Company Taiwan. Mr. Huang majored in Economics at National Taiwan University and holds a Master of Arts degree in Economics from University of Washington in Seattle, U. S. A.

BOARD OF DIRECTORS



Dr. Ng-Chee Tan

*Non-Executive Director | Chairman of Audit Committee
Member of Nominating Committee | Lead Independent Director
Date of first appointment as a director: 31 August 2009
Date of last re-election as a director: 21 April 2016*

Dr. Ng-Chee Tan joined the board in August 2009 and is Chairman of the Audit Committee and member of Nominating Committee. Dr. Tan had previously worked at JP Morgan's offices in New York, London, Kuala Lumpur, Singapore and Hong Kong where he was the Vice President and Regional Manager in JP Morgan's trust and investment business in Asia. Dr. Tan returned to Singapore in 1989 and became the Executive Vice President of Singapore's Overseas Union Bank, responsible for the bank's treasury division and all its overseas businesses and investments. Concurrently, he was also appointed Chief Executive of International Bank of Singapore Ltd and Chairman of OUB Bullion & Futures Ltd. Dr. Tan had served as an independent director on the board of Intraco Ltd. (where he was Board Chairman, lead independent director and chairman or member of key board committees) in the past three years. Currently he serves as an independent director on the board of Prudential Assurance Co. Singapore (Pte) Ltd. (where he is Chairman of the Audit Committee). Until recently, Dr. Tan had been an Adjunct Professor of Law at the National University of Singapore Law School at which he taught a course in Comparative Corporate Governance to final year LL.B. and LL.M. law students, and was an examiner to Ph.D students in Company Law and Corporate Governance. He taught a similar course to postgraduate LL.M. students at the East China University of Politics and Law (formerly St John's University) in Shanghai, China. Dr. Tan holds a doctorate in law from the University of Oxford, U.K.



Chang-Pang Chang

*Non-Executive Director | Chairman of Nominating Committee
Member of Remuneration Committee | Independent Director
Date of first appointment as a director: 23 April 2012
Date of last re-election as a director: 29 April 2014*

Mr. Chang-Pang Chang joined the board in April 2012 and is Chairman of the Nominating Committee and member of Remuneration Committee. He is currently the Director of Formosa Petrochemical Corporation, Silitech Technology Corporation, Maxigen Biotech Inc., Inventec Corporation and Powerchip Technology Corporation, and the President of Global Investment Holdings Co., Ltd ("GIH"). He was also the Director of Capital Securities Corporation in the past three years. Prior to GIH, Mr. Chang has worked in government for more than 30 years, mostly in financial and economic sectors. Mr. Chang served as Political Vice Minister of Economic Affairs from 1996 to 2000. Before that, he served a year and half as Deputy Secretary General of the Executive Yuan, two years as Administrative Vice Minister of Finance and five years as Chairman of the Securities and Exchange Commission. After retiring from the government in 2000, Mr. Chang served as the Chairman of KMT Business Management Committee and was appointed as the Chairman of Fuhwa Financial Holdings. Mr. Chang held an LL.B. degree from Fu-Jen Catholic University and an LL.M. degree from National Cheng-Chi University. He completed advance legal researches at Harvard Law School as a visiting scholar in 1986. Mr. Chang won the Eisenhower Exchange Fellowship in 1992 and became the Eisenhower Fellow in 1993.

BOARD OF DIRECTORS



Dr. Boon-Wan Tan

*Non-Executive Director | Chairman of Remuneration Committee
Member of Audit Committee | Independent Director
Date of first appointment as a director: 23 April 2012
Date of last re-election as a director: 21 April 2016*

Dr. Boon-Wan Tan joined the board in April 2012 and is member of the Audit Committee and the Chairman of Remuneration Committee. Dr. Tan sits on the Boards of several energy related companies including Concord Energy Pte Ltd and Sebrina Holding Pte Ltd. Presently, he is a Director of Intraco Ltd. and the Non-Executive Chairman of Provenance Capital Pte Ltd. Dr. Tan is a former Elected Member of the Singapore Parliament for the Ang Mo Kio GRC from 1997 to 2006, during which he served on the Government Parliamentary Committees for Education; Finance and Trade & Industry; and Information, Communication and the Arts. Dr. Tan was awarded the Public Service Medal (PBM) in 1993 for his contributions to the community. Dr. Tan holds PhD in Mathematical Physics, Imperial College of Science & Technology, U.K.



Yen Chen

*Non-Executive Director
Independent Director
Date of first appointment as a director: 10 May 2016
Date of last re-election as a director: N/A*

Ms. Yen Chen is a Non-Executive Director. She has been General Manager of Offshore Banking Branch, Mega International Commercial Bank since November 2010. Prior to current post, she was deputy GM of Treasury Department and was responsible for the supervision of the Bank's treasury operation.

Ms. Yen Chen graduated from National Taiwan University with major in law and later received an LL.M. degree from Temple University, Pennsylvania, U.S.A.

BOARD OF DIRECTORS



Kazuyoshi Mizukoshi

Non-Executive Director

Independent Director

Date of first appointment as a director: 11 November 2014

Date of last re-election as a director: 24 April 2015

Mr. Kazuyoshi Mizukoshi joined the Board in November 2014, he is a Non-Executive Director. Mr. Mizukoshi is Managing Director and Head of International Investment Department of Daiwa Corporation Investment Co., Ltd., prior to this, he was Managing Director and Head of Investment Banking for Asia-Pacific (2008-2011) and Head of Investment Banking for Europe (2004-2006) at Daiwa Capital Markets. Mr. Mizukoshi joined Daiwa Securities in 1984. Since then, he has built up more than 27 years of investment banking experience such as M&A, IPO and corporate finance advisory space.

He worked for total 21 years in Singapore, Malaysia, London, and Hong Kong, with 18 years devoted to investment banking in Asia. He has in-depth experience and a wide network in Asia, originated and executed many Asian company IPOs and follow-on equity, debt finance and cross-border M&A advisory, etc. Mr. Mizukoshi was graduated from Nagoya City University Faculty of Economics.



Chun-Chen Tsou

Non-Executive Director

Member of Remuneration Committee

Date of first appointment as a director: 26 July 1997

Date of last re-election as a director: 24 April 2015

Mr. Chun-Chen Tsou is member of Remuneration Committee. He is the Chairman of Youngmart Group which includes a leading trading company of General Merchandises as well as Computer Related Goods. The group also owns a factory of Store Fixtures and a Ductile Iron foundry. Mr. Tsou graduated from the National Taiwan University with a Bachelor of Arts degree in Economics. He further obtained a Master's degree in Trade Management from the Waseda University, Tokyo, Japan.

BOARD OF DIRECTORS



Andy C.W. Chen

Non-Executive Director

Member of Audit Committee

Date of first appointment as a director: 26 July 1997

Date of last re-election as a director: 21 April 2016

Mr. Andy C.W. Chen is a Non-Executive Director. In 1992, he joined China Securities Investment Trust and concentrated in Taiwan industrial research, including computer technology and petrochemical sectors. He was the co-founder/Senior Partner of Financial Management Solutions Taipei branch for six years. He provided financial risk consulting services to local financial institutions, and assisted them to measure financial risk factors in order to meet the new Basel Accords. Mr. Chen graduated from Chinese Culture University with Bachelor of Arts in Economics. He also obtained a Master of Science in Finance from University of Illinois.



Yi-Sing Chan

Non-Executive Director

Independent Director

Date of first appointment as a director: 24 April 2013

Date of last re-election as a director: 21 April 2016

Mr. Yi-Sing Chan joined the Board in April 2013. Mr. Chan had worked at Systems & Computer Organization (now part of NCS, Singapore) as Manager of data network projects for the Ministry of Defense. In 1989 he joined Hewlett-Packard as a consultant for the Asia Pacific region. He had worked on government and commercial IT projects in Australia, Japan, Korea, Taiwan and Hong Kong. Mr. Chan moved to China in 1993 and founded his own company providing design and implementation services for industrial automation systems. He had since founded a number of companies, including CGen Digital Media, which was acquired by a Nasdaq listed company in 2008. He is currently the Managing Director of Well Concord Software (a company he founded to build Apps for mobile devices) and as the Board Chairman for China RailPass Technology Company (base in Shanghai, China). Mr. Chan held a MSc degree in Computer Science and a BSc degree in Electrical Engineering Science, from University of Essex, UK. He was granted scholarship from the British Government for his research work at the University.

BOARD OF DIRECTORS



Yang-Fu Kuo

Non-Executive Director

Date of first appointment as a director: 26 July 1997

Date of last re-election as a director: 24 April 2015

Mr. Yang-Fu Kuo is a Non-Executive Director. Mr. Kuo is the founding Chairman of Big Ben Industry Inc., graduated from Hwa Hsia College of Technology. After graduation, Mr. Kuo established his own company, Big Ben Industry Inc., which has become the world's leading supplier of retail cordages and accessories. For the past 35 years, Big Ben Industry has invested in a diverse range of businesses from high technology to traditional industries in Taiwan and China. Mr. Kuo has been the Director of MicroBase Technology Corp. over last 3 years, which Initial Public Offering takes place on 18 April 2013 in Taiwan emerging stock market.

KEY MANAGEMENT



Standing
(left to right):

Vincent Jang - Vice President, President Office

Joseph Yu - Vice President, Head of Taiwan Investments, department I

Tsui-Hui Huang - Chairman and President

David Tso - Vice President, Head of China Investments

Steven Huang - Vice President, Head of Taiwan Investments, department II

Felicia Hsu - Vice President, CFO & Head of Administration and Finance

KEY MANAGEMENT

Tsui-Hui Huang

Chairman and President

Ms. Tsui-Hui Huang is the Chairman and Managing Director of the Company and Chairman/President of Hotung International Company Ltd. (“HIC”). In 1998, she established Hotung Securities (“HSIC”), a subsidiary of Hotung Group. HSIC later merged into Taishin Financial Holding Co. under her guidance. In June 2005, Ms. Huang was elected as President of HIC, which is the management company of Hotung Group. Ms. Huang became Managing Director of the Group in August 2006 and was elected as Chairman of HIC in April 2009. She was elected as Chairman of the Group in June 2010. Under her leadership, the Group has extended its investment base rapidly in China, and established portfolios which mainly focused in domestic demand of China. Ms. Huang started her career in mergers and acquisitions with Bankers Trust Company in 1988. Between 1998 and 2005, she was actively involved in the international securities industry while she was Chairman of the International Business Committee of Taiwan Securities Association. She was also appointed as the Board Director of Gretai Securities Market (also known as Over the Counter Market) during that period. Currently, Ms. Huang is the Chairman of Taiwan Venture Capital Association. She was appointed as the Member of Cornell University President Council. Ms. Huang obtained a B.A. degree in Business from National Taiwan University and an M.B.A. degree at Cornell University, U.S.A.

Joseph Yu

Vice President

Head of Taiwan Investments, department I

Mr. Joseph Yu is Vice President of HIC, in charge of investment projects in Taiwan. Before he rejoined HIC in March 2009, he was the Senior Director in Compal Electronics during 2007-2008, responsible for strategic investments. Joseph was primarily responsible for investment business development in Taiwan when he worked for HIC from 2003 to 2007. He invested in 20 new deals with total amount of NT\$2 billion and delivered a superior return from the portfolios. Prior to HIC, Joseph spent five years at China Development Industrial Bank from 1998 to 2002 heading the research team in the Credit & Research Department. Mr. Yu holds an MBA degree from National Sun Yat-Sen University, Taiwan, and graduated from National Chiao Tung University, Taiwan with a BSc degree in Communication Engineering.

Steven Huang

Vice President

Head of Taiwan Investments, department II

Mr. Steven Huang is the Vice President of HIC, in charge of investment projects in Taiwan. Prior to joining HIC, Mr. Huang was a Vice-President and Head of Investment in Global Strategic Investment Management, which managed a fund size of NT\$4.6 billion. Mr. Huang worked in the Ministry of Economic Affairs for more than 6 years and was in charge of technical research and development of various science and technology industries. He was promoted to Acting Senior Specialist of Department of Industrial Technology, Ministry of Economic Affairs in 1997. Mr. Huang was subsequently in charge of venture capital as Senior Manager responsible for investment and evaluation on high-tech industries. He has accumulated extensive experience in investment analysis of technology industries. Mr. Huang graduated with a Master of Science from the Department of Electronics Engineering, National Chiao Tung University.

KEY MANAGEMENT

David Tso

*Vice President
Head of China Investments*

Mr. David Tso is Vice President of HIC, in charge of investment projects in China. Prior to joining HIC, Mr. Tso served as Assistant Vice President of Ninetowns Internet Technology Group Co., Limited (NASDAQ: NINE), responsible for M&A evaluation and execution in the China software industry. Prior to that, Mr. Tso was the founding manager of FAT Capital Management Co., Ltd. Shanghai Office from 2002 to 2004. Mr. Tso was assistant manager of Industrial Bank of Taiwan and had extensive industry research experiences. Mr. Tso holds a B.A. and M.A. in Economics from National Taiwan University.



Standing
(left to right):

Vincent Jang - Vice President, President Office

Joseph Yu - Vice President, Head of Taiwan Investments, department I

Tsui-Hui Huang - Chairman and President

David Tso - Vice President, Head of China Investments

Steven Huang - Vice President, Head of Taiwan Investments, department II

Felicia Hsu - Vice President, CFO & Head of Administration and Finance

KEY MANAGEMENT

Vincent Jang

Vice President

President Office

Mr. Vincent Jang is the Vice President of HIC. Prior to joining HIC, Mr. Jang worked at CDIB from 1996 to 2001. During his five years at CDIB as a deputy manager, he assisted the company in achieving third place in Bank Syndication. He also carried out several syndications that amounted to NT\$30 billion. From 1996 to 1998, Mr. Jang successfully solicited over 10 new accounts and supervised operations of on-hand borrowing companies from hitech to traditional industries. At HIC, Mr. Jang has been proficient in diverse professional operations that include supervising and evaluating over 30 on-hand invested accounts, merging and sellingback executions, evaluating new investment projects, and taking charge of the annual capital gains budget. Mr. Jang holds an MBA degree in Finance from National Sun Yat-Sen University, Taiwan, and graduated from the National Taiwan University of Science and Technology, Taiwan with a B.A. in Business Administration.

Felicia Hsu

Vice President

CFO & Head of Administration and Finance

Ms. Felicia Hsu is Chief Financial Officer of the Company and the Head of Administration & Finance Department of HIC. Prior to joining HIC, Ms. Hsu was Director of PricewaterhouseCoopers Consulting Company to provide advisory services to those financial industrial clients for relevant performance improvement projects, such as Taiwan IFRS transformation, integration of risk /compliance/system etc. Before that Ms. Hsu used to work in UBS AG for 18 years, including 3 years based in Zurich for Finance/Risk projects that rolled out for international locations. Ms. Hsu was COO/CFO of UBS Taiwan, in charge Finance, Operations and IT department to support UBS various business development in Taiwan from 1991 to 2006. Ms. Hsu has concrete experiences in finance, risk control areas in the financial services industries. Ms. Hsu obtained a B.A. degree in Business from National Taiwan University.

INVESTMENT ADVISORS



Dr. Min-Shyong Lin

*Investment Advisor and
Investment Committee Member*

Dr. Lin, a former ITRI Executive Vice President, served nearly 20 years in ITRI pioneering and promoting optoelectronic infrastructure, computer peripherals and MEMS technologies. He found and co-founded Opto-Electronics & System Lab and Materials Research Lab during his service in ITRI. In 2001, after early retirement from ITRI, Dr. Lin founded Asia Pacific Microsystems, Inc. ("APM") and since then appointed as an Honorary Chairman & Founder of APM. APM is one of the largest MEMS companies in Taiwan providing competent MEMS foundry and state-of-the-art technology to fulfill the niche feature IDM and Fabrication. Before the experience in ITRI, Dr. Lin started out with his teaching position in National Cheng Kung University as a Visiting Associated professor in 1976 and in 1977, he started his tenure at Department of Electrical Engineering, National Tsing Hua University where he worked for 10 years as associated professor, professor and head of the department.

Dr. Lin's achievement is acknowledged in many significant awards received throughout the years of 90's. Dr. Lin received his Bachelor and Master degrees in Electrical Engineering from National Cheng Kung University in Taiwan and Ph.D. in Electrical Engineering from Osaka University in Japan and has more than 100 papers published.



Xiao-Ping Xu

*Investment Advisor and
Investment Committee Member*

Mr. Xu, Xiao-Ping is the Founding Partner of ZhenFund (真格基金). He is also known as one of China's pioneering angel investors with the following distinctions including "2010 Most Respected Angel Investor" from The Founder Magazine, "2013 Best Angel Investor" from The Founder Magazine, "2014 Best Angel Investor" from CV Source, "2014 Chinese Business Leaders Award" from Phoenix TV.

Prior to founding ZhenFund, Mr. Xu was a Co-Founder of New Oriental Education & Technology Group (NYSE: EDU), the largest provider of private education in China. Besides, China Southern People's Weekly voted Mr. Xu to be one of China's "50 Most Charismatic People" in 2006 and Forbes Magazine listed Mr. Xu as one of China's "Top 100 Celebrities" in 2004.

Mr. Xu has a bachelor's degree from China Central Conservatory of Music and holds a Master degree of University of Saskatchewan, Canada. He is currently the president of China Angel Club, China's top angel investor organization, President of China Angel Committee by CSRC (China Securities Regulatory Committee).

OPERATING AND FINANCIAL REVIEW

The Group is a professional investment holding company and invests primarily in value-added companies with potential. It was an uncertain and challenging year for the global economy in 2016 and the capital markets of Taiwan and China were not spared. In 2016, by following up the investment strategy in 2015, the Group continues sought to review its existing portfolio to identify possible exits to build up its cash position. And through its thorough assessment and careful selection process, the Group focused on key industries, namely e-commerce, biotechnology, agriculture and smart home key components through investments, and also invested in leading companies in various sectors in the Greater China region.

Total new long term investments in 2016 amounted to NT\$549.5 million, of which NT\$419.6 million was invested in expansion companies and NT\$129.9 million was invested in start-up companies, accounting for 76.4% and 23.6% respectively of total new long term investments. As at end 2016, the Group's total investment portfolio amounted to NT\$5,405.5 million, a 14.2% decrease from the previous year. In line with its operating strategy, the Group stayed focused on leveraging resources on sound risk management for investments and divestments, resulting in cash position of NT\$2,079.5 million (2015: NT\$1,774.6 million) at the end of 2016 after the payout for 2015 cash dividends of NT\$400 million.

The Group achieved earnings per share of NT\$3.21, with net profit attributable to shareholders of NT\$317.9 million in 2016 (2015: NT\$419.5 million). Total revenue after impairment losses amounted to NT\$600.5 million (2015: NT\$639.3 million). As a result of its risk assessment and management, the Group recorded impairment losses of NT\$132.4 million (2015: NT\$252.4 million) in 2016, a 47.5% decrease of impairment losses. Total operating expenses decreased by 2.6% from NT\$171.7 million to NT\$167.3 million in 2016.

The Group's other comprehensive losses of NT\$399.5 million was mainly attributable to unfavorable change in fair value of available-for-sale investments of NT\$269.7 million and reclassification of previously accumulated fair value gains of NT\$144.2 million in fair value reserve to profit or loss from investments disposed during the year.

Net asset value ("NAV") per share decreased by 5.2% from NT\$77.79 as at the end of 2015 to NT\$73.75 as at the end of 2016. The decrease was mainly attributable to the decrease in fair value reserve, as explained in the preceding paragraph. Contribution to the Group's NAV from profits during the year was offset by the annual dividend payout of NT\$4.02484 per share for 2015.



The Group has put in place portfolio risk management policies and procedures to ensure sound risk assessment practices and asset quality. Valuation assessment procedures have also been implemented to ensure that valuation of the investment portfolio is in accordance with International Financial Reporting Standards ("IFRS"). As of 31 December 2016, the total investment portfolio was carried at NT\$5,405.5 million (2015: NT\$6,297.9 million), of which 17.3% of the investments were quoted financial assets. For unquoted financial assets, the Group has reviewed and applied appropriate valuation methods to value these investments. Where the investment cannot be reliably measured at fair value, the Group has carried the investment at cost.

As at 31 December 2016, the investment portfolio comprised the following:

Quoted financial assets including:

- Held-for-trading investments at fair value of NT\$46.6 million;
- Available-for-sale investments at fair value of NT\$857.9 million; and
- Other financial assets at fair value through profit or loss ("FVTPL") at fair value of NT\$33.3 million.

Unquoted financial assets including:

- Available-for-sale investments at fair value of NT\$3,284.3 million;
- Available-for-sale investments at cost of NT\$72.5 million;
- Other financial assets at FVTPL at fair value of NT\$1,069.2 million; and
- Other financial assets at FVTPL at cost of NT\$41.7 million.

INVESTMENT MANAGER REPORT



GoGoVan

GoGoVan is the leading O2O logistics platform in Asia that provides logistic solution to users and drivers. Founded in July 2013, GoGoVan is the first in Asia to set up freight transportation platform services, which allow customers to submit a delivery request, and the company software will disseminate the request to GoGoVan drivers nearest to the customer. The drivers will be able to bid for the request prioritized by response time and bidding price. GoGoVan has become one of the most popular logistics service providers in Hong Kong since its establishment. Apart from point-to-point single journey transportation services, GoGoVan has also been providing tailored logistics services to corporations. GoGoVan now operates in Hong Kong, China, Singapore, Korea, Taiwan and India.



ACT Genomics

Founded in 2014, ACT Genomics is a cancer molecular information service company, staffed with experts with multiple years' experience in oncology, cancer genomics, and bioinformatics. The company's technology provides the possibility to transform cancer genomic information into precision diagnosis and personalized treatments.

Every patient's cancer is unique at the molecular level. Specific genetic alterations drive the pathogenesis and determine the treatment response of individual tumor. Understanding the genetic alteration helps to design a more effective treatment strategy and provide a more accurate prediction for patient's outcome. The use of genomics is changing the paradigm of oncology treatment decisions and making a significantly positive impacts on personalized treatment. Such comprehensive tumor profiling is now affordable due to rapid progress in sequencing and informatics technologies.

ACT Genomics implements next generation sequencing and multiplex molecular testing platform, coupling with sophisticated bioinformatics tool, curated proprietary databases and data visualization technologies to address the key challenges in cancer treatments – "Precision Medicine."

INVESTMENT MANAGER REPORT



Huizuche.com

Huizuche is a car rental service provider for Chinese outbound tourists. Huizuche offers overseas car rental services, airport pick-up services, car charter services, and other outbound transportation related services. There are more than 320 auto rental companies in more than 180 countries which have become Huizuche's partners including leading corporations such as Hertz, Enterprise, and Alamo. In addition to low rental prices, Huizuche also provides value added services to Chinese outbound tourists such as preset rental prices, integrated insurance packages, Chinese language services, emergency rescue services, and other local destination services. Huizuche's global charter services cover over 80 countries; most of the drivers speak fluent mandarin. Huizuche hopes to build a one-stop service to satisfy the customers' transportation and other traveling needs abroad, which could potentially include catering services, local tour services, entertainment, shopping, hotel and accommodation, and other services within the traveling and tourism industry.



Foresee Pharmaceuticals Co., Ltd.

Foresee Pharmaceuticals Co., Ltd. (FP) is a clinical-stage pharmaceutical company. The company's core competency includes rapid development and commercialization of new drugs using its proprietary drug delivery technology as well as develop first-in-class NCE in disease areas of high unmet medical needs. Foresee has two core technologies:

- 1. Drug Delivery Technology: Stabilized injectable formulation (SIF), a sustained-release drug delivery platform.**
By using Foresee's proprietary drug delivery technology (SIF), Foresee is able to rapidly develop new formulations of marketed drugs with significant product differentiation to target the same indications or new indications through the 505(b)(2) regulatory pathway (also known as the hybrid medicinal product in EU). Currently, the products under development are FP-001 (prostate cancer), FP-004 (opiate drug addiction), FP-002 (acromegaly), and FP-008 (diabetic retinopathy).
- 2. Rational Drug Design: Novel new drug (New Chemical Entity, NCE) development.**
Rationally designed small molecule candidates through medicinal chemistry screening and lead optimization are known as new molecular entities (NMEs) or new chemical entities (NCEs); products currently under development are FP-025 (asthma / chronic obstructive pulmonary disease) and FP-020 (Alport syndrome).

Foresee currently has two global patent protected new drugs (one new formulation, and one new chemical entity) in clinical trials, namely FP-001 LMIS 50mg (prostate cancer), which is currently being evaluated in a multinational multi-center phase III registration study in the United States, Europe and Taiwan, and FP-025 (a small molecule MMP-12 inhibitor for the treatment of asthma/chronic obstructive pulmonary disease), being studied in a First-in-Human Phase I study in Taiwan. LMIS 50 mg is currently the most advanced clinical asset of Foresee, illustrating the utility of the SIF drug delivery technology, which provides global IP protection. FP-025, as a first-in-class NCE, is being advanced rapidly into clinical proof-of-concept (POC).

INVESTMENT MANAGER REPORT



Allianz Pharmascience Limited

Allianz was founded in 23 January 2015. It is currently led by Dr. Hardy Chan, a veteran of the pharmaceutical industry for over forty years, with the aim to develop first-in-class innovative medicines. Allianz acquired partial rights to a series of small molecules from AndroScience Corporation, a company located in San Diego, California, and will target initially on rare diseases and also a variety of cancers.

In February 2016, Allianz received from both the FDA and EMA, orphan drug designations for its lead compound for the treatment of Kennedy disease (Spinal and Bulbar Muscular Atrophy/SBMA). The team is currently working with the National Institutes of Health (NIH) in Bethesda, Maryland to prepare for the submission of an Investigational New Drug Application (IND) for this particular orphan indication. Shortly after, Allianz intends to pursue a number of oncology indications, including Castration-Resistant Prostate Cancer (CRPC) and also Triple negative (androgen receptor positive) breast cancers.



Long Time Tech. Co., Ltd.

Long Time Tech. Co., Ltd., founded in 2009, is a growing company in R&D, manufacturing and commercialization of graphite materials in Taiwan. Main applications include anode materials for lithium-ion batteries and high thermal conductive graphite sheet for mobile device. Graphite is generally used for anode materials because of its capacity density per unit weight, safety, and life cycle that makes it the most successful material for anode of batteries. As the form factor of mobile device reduces and the demand for power consumption increases, there is a growing demand for the graphite sheet for heat dissipation.

Long Time has a seasoned management team and leading technology and industry know-how to differentiate themselves from competitors. They are familiar with the supply chain of graphite material, and they have strong R&D, manufacturing and QA capability to provide high performance product at very reasonable prices. Long Time is already the anode material supplier for a several battery cell makers mainly for Chinese Electrical vehicle(EV) manufacturers, and expects to supply Japanese battery cell maker for EV towards the end of 2017. We expect demand for EV will continue to grow, and so will the demand for lithium-ion batteries in the coming years.

INVESTMENT MANAGER REPORT



Chingsong Lohas Technology Agricultural Inc.

Chingsong Lohas Technology Agricultural Inc. is the leading supplier and service provider for fruits and vegetable-based products. They supply a range of fresh produce to supermarkets, greengrocers, and food and beverage service providers. Chingsong Lohas assists customers to safeguard the process between seed to table, and to ensure that the growers are adopting the accepted method of farming practices. In addition to fruits and vegetable product quality control, Chingsong Lohas provides basic produce grading, cleaning and packaging services; additionally, they provide fresh-cut services, that enables supermarkets to sell ready-to-eat and ready-to-cook product, and enables restaurants to procure ready-to-cook raw material, so culinary team could focus on the cooking rather than the labor-intensive part of preparation such as washing and cleaning. Chingsong Lohas's founding family has been in the agricultural industry for 40 years, including farming and distribution. The family carries extensive agricultural experiences, and the company currently has a strong client base, all of whom leading players in the fresh produce retail and food and beverage businesses in Taiwan; we expect the business to grow along with the rising consumer sentiment to food quality and food safety in the Greater China region.



ZillTek Technology

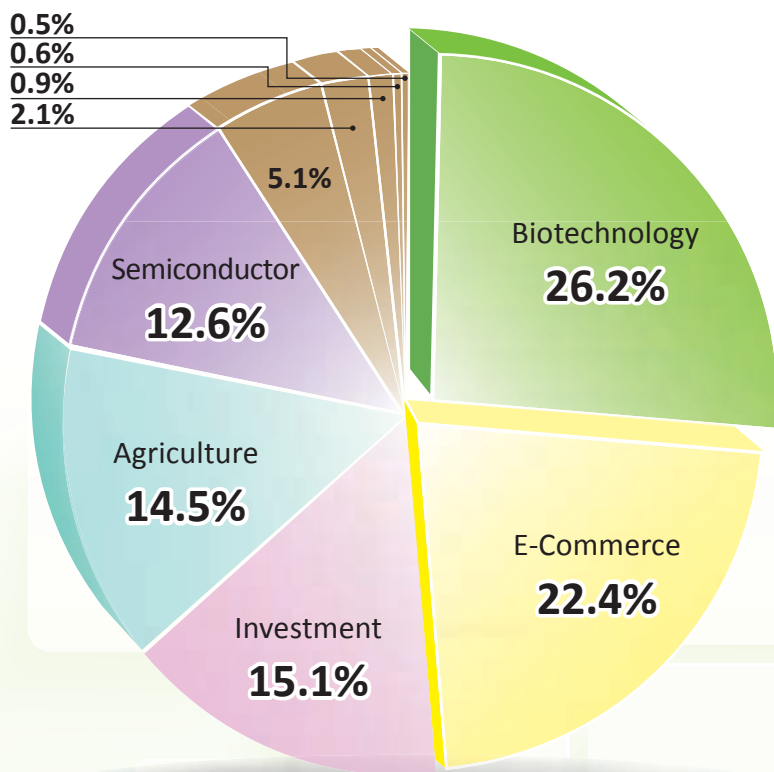
ZillTek Technology, founded in December 2005, is a fabless company located in Hsinchu City, Taiwan.

The company specializes in the development of heterogeneous integrated products, such as microelectromechanical systems (MEMS) microphone (MIC), audio IC, AC-DC and DC-DC converters and touch screen controller, and has become a major supplier for key players in consumer and communications electronic industry.

Since ZillTek launched MEMS MIC product in 2011, the company enjoyed strong revenue growth every year, and has become a Top-4 global supplier, shipping more than 10 million analog and digital MEMS MICs in 2016. The popularity of the Apple iPhone is boosting MEMS MIC market. Following Apple's product upgrade, manufacturers are expected to supply between two to four MEMS MICs in the latest mobile handsets to improve handsfree call and voice commands for Siri, Google Now, Cortana and other apps; voice command functions are quickly gaining traction among the smartphone users. As a MEMS MIC leader in Taiwan, we see tremendous growth potential in ZillTek, and expect them to continue to build its global market share.

INVESTMENT MANAGER REPORT

By Industry

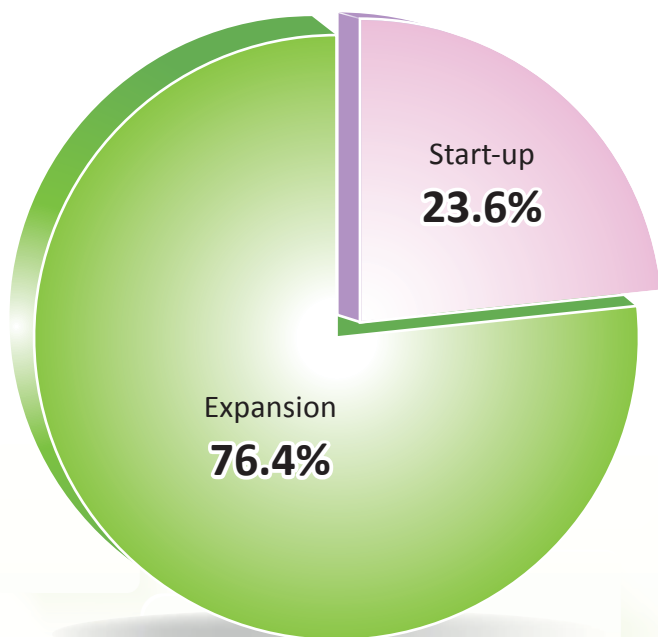


2016 NEW INVESTMENT STATISTICS

| BY INDUSTRY | INV. AMT. (NT\$ Million) | % |
|---------------------------|-----------------------------|--------------|
| Biotechnology | 144.0 | 26.2 |
| E-Commerce | 123.3 | 22.4 |
| Investment | 83.0 | 15.1 |
| Agriculture | 79.8 | 14.5 |
| Semiconductor | 69.0 | 12.6 |
| Retail Channel | 28.0 | 5.1 |
| Auto Parts | 11.8 | 2.1 |
| Internet | 5.0 | 0.9 |
| Material | 3.1 | 0.6 |
| Culture Creative Industry | 2.5 | 0.5 |
| Total | 549.5 | 100.0 |

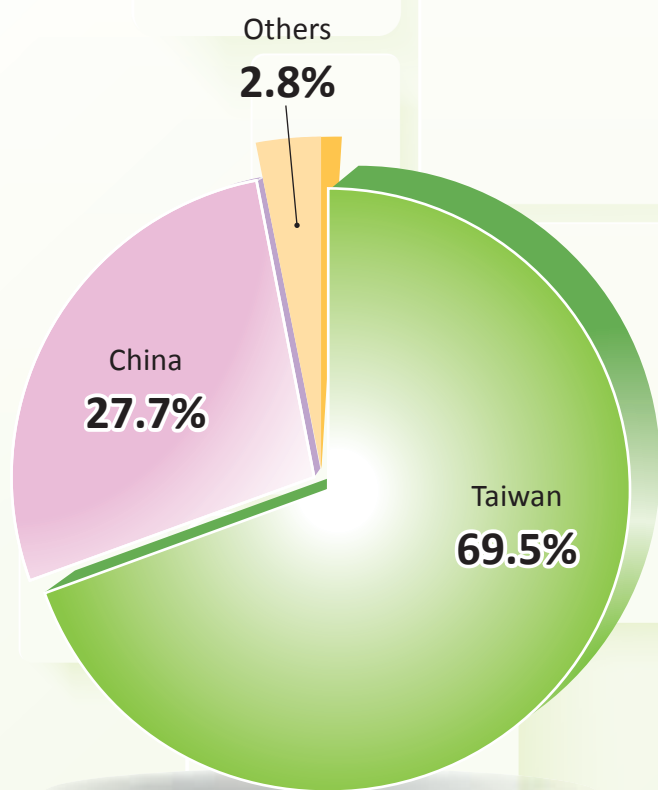
INVESTMENT MANAGER REPORT

By Stage



| BY STAGE | INV. AMT. (NT\$ Million) | % |
|--------------|-----------------------------|--------------|
| Start-up | 129.9 | 23.6 |
| Expansion | 419.6 | 76.4 |
| Mature | - | - |
| Total | 549.5 | 100.0 |

By Area

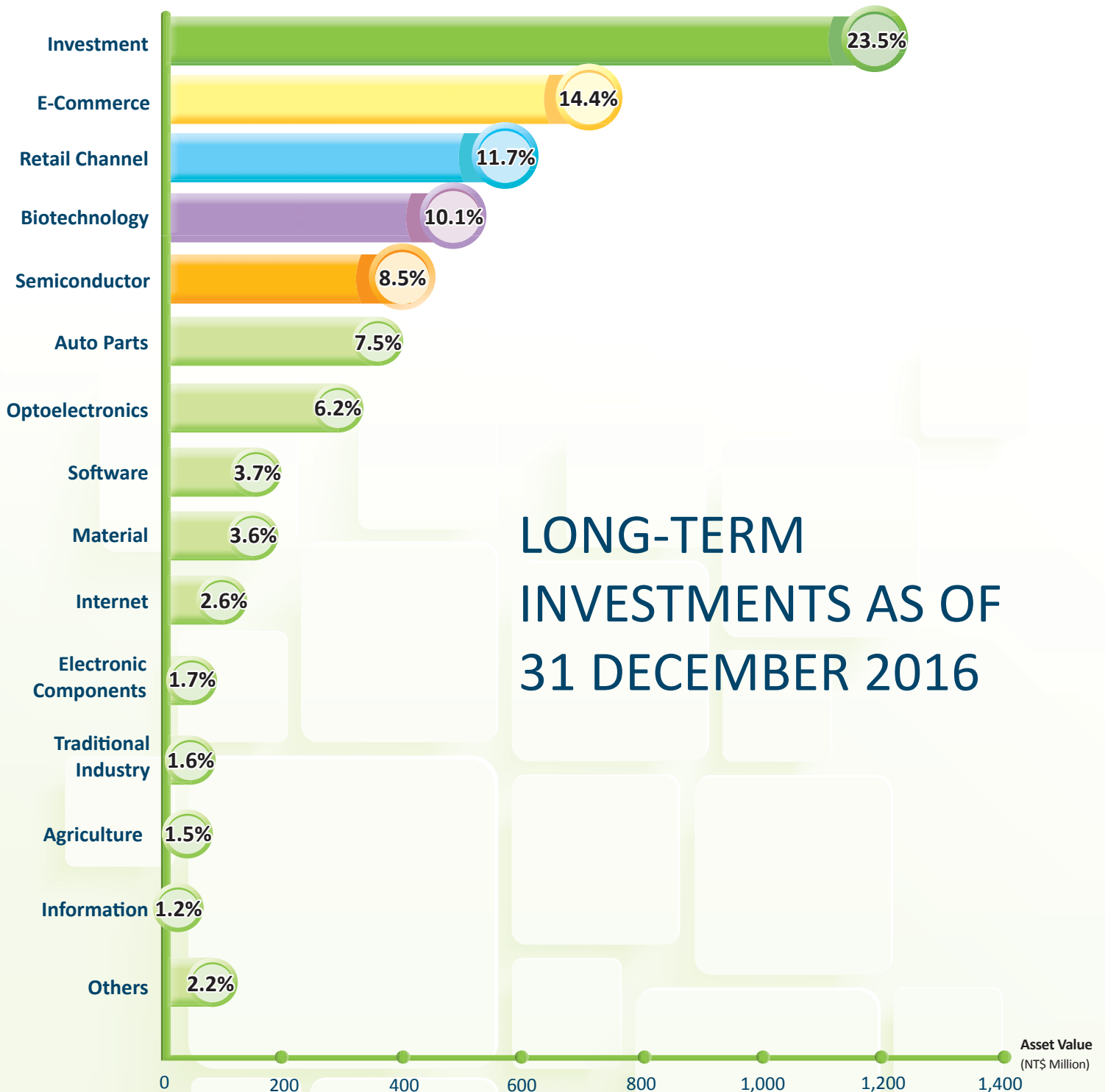


| BY AREA | INV. AMT. (NT\$ Million) | % |
|--------------|-----------------------------|--------------|
| Taiwan | 381.9 | 69.5 |
| China | 152.4 | 27.7 |
| The U.S. | - | - |
| Others | 15.2 | 2.8 |
| Total | 549.5 | 100.0 |

* The area is classified by the principal operation location of invested company.

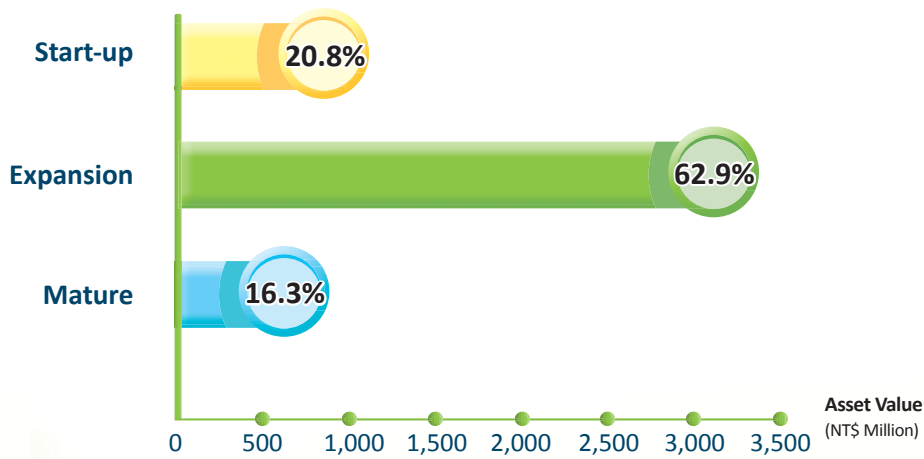
INVESTMENT MANAGER REPORT

By Industry

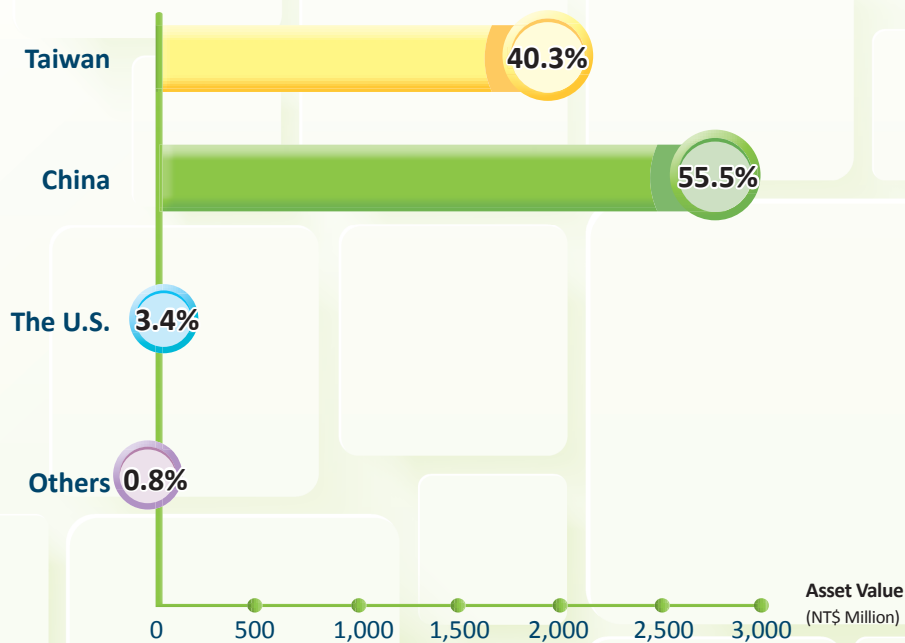


INVESTMENT MANAGER REPORT

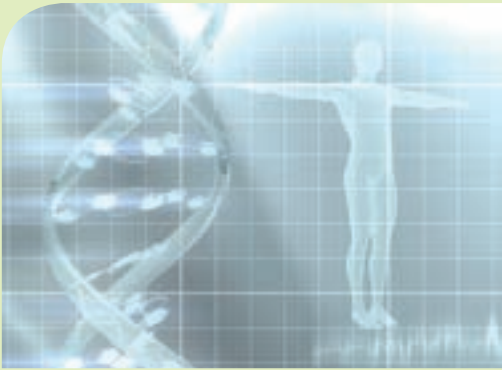
By Stage



By Area



* The area is classified by the principal operation location of invested company.



**CORPORATE GOVERNANCE
DIRECTORS' STATEMENT
FINANCIAL REPORT**

CORPORATE GOVERNANCE REPORT

Hotung Investment Holdings Limited (“Company”) and its subsidiaries (together, “Group”) believe that good corporate governance practices are the foundation for a well-managed and efficient organization. The Board of Directors (“Board”) remains committed to the principles of good corporate governance and to achieving a high standard of business integrity in compliance with the Code of Corporate Governance of 2 May 2012 (“Code”) in managing the business and affairs of the Company, to protect shareholders’ interests and to improve shareholders’ value as well as corporate transparency. The Board will continue its efforts and invest further resources as would be appropriate to enhance its corporate governance. This report sets out the practices and activities with specific references made to the Code.

1. BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1:

Principal Duties of the Board

The primary role of the Board is to set the overall strategy and direction to the Group, and to enhance the long-term shareholder value.

The Board’s principal functions are as follow:

- (a) Guiding the Group’s business strategies;
- (b) Approving annual budgets and targets;
- (c) Monitoring the performance and proper conduct of the Group’s business;
- (d) Establishing a framework of prudent and effective controls which enables risks to be assessed and managed;
- (e) Identifying the key stakeholder groups and their perceptions to the Company are valued;
- (f) Setting the Group’s values and standards (including ethical standards);
- (g) Overseeing the processes for evaluating the adequacy of internal control, risk management, financial reporting and compliance;
- (h) Considering sustainability issues; and
- (i) Appointing directors (“Directors”) to Nominating, Audit and Remuneration Committees and senior management and receiving reports of these Committees.

All Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group.

CORPORATE GOVERNANCE REPORT

Delegation of Duties by the Board

In order to assist in the execution of the Board's responsibilities, the Board has established 3 Board Committees, namely, Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). These 3 Board Committees function within clearly defined terms of reference which are reviewed on a regular basis. The matrix of the Directors' appointments on the Board and their participation in various Board Committees is as follows:

| Board Members | Board Committee Membership | | |
|---------------------|----------------------------|----|----|
| | AC | NC | RC |
| Tsui-Hui Huang | | M | |
| Cheng-Wang Huang | | | |
| Andy C.W. Chen | M | | |
| Yen Chen | | | |
| Kazuyoshi Mizukoshi | | | |
| Chun-Chen Tsou | | | M |
| Yang-Fu Kuo | | | |
| Chang-Pang Chang | | C | M |
| Ng-Chee Tan | C | M | |
| Boon-Wan Tan | M | | C |
| Yi-Sing Chan | | | |

Note(s):

"C" : Chairman of the relevant Board Committee

"M" : Member of the relevant Board Committee

Attendance at Board and Board Committee Meetings

The Board meets at least four times a year. In accordance with the Bye-laws of the Company, Directors may participate in any meeting of the Board by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. Details of Directors' attendance at the Board and Board Committee meetings held in year 2016 are summarized as follows:

| Directors | Board | | Audit Committee | | Nominating Committee | | Remuneration Committee | |
|----------------------------|----------|--------------|-----------------|--------------|----------------------|--------------|------------------------|--------------|
| | No. Held | No. Attended | No. Held | No. Attended | No. Held | No. Attended | No. Held | No. Attended |
| Tsui-Hui Huang | 4 | 4 | - | - | 3 | 3 | - | - |
| Cheng-Wang Huang | 4 | 0 | - | - | - | - | - | - |
| Andy C.W. Chen | 4 | 4 | 4 | 4 | - | - | - | - |
| Yen Chen ¹ | 4 | 1 | - | - | - | - | - | - |
| Kazuyoshi Mizukoshi | 4 | 3 | - | - | - | - | - | - |
| Chun-Chen Tsou | 4 | 3 | - | - | - | - | 2 | 2 |
| Yang-Fu Kuo | 4 | 2 | - | - | - | - | - | - |
| Chang-Pang Chang | 4 | 4 | - | - | 3 | 3 | 2 | 2 |
| Ng-Chee Tan | 4 | 4 | 4 | 4 | 3 | 3 | - | - |
| Boon-Wan Tan | 4 | 4 | 4 | 4 | - | - | 2 | 2 |
| Yi-Sing Chan | 4 | 2 | - | - | - | - | - | - |
| Hann-Ching Wu ² | 4 | 0 | - | - | - | - | - | - |

Note(s):

- Ms. Yen Chen is newly-appointed Director effective from 10 May 2016.
- Mr. Hann-Ching Wu was Director effective from 29 April 2014.
He tendered his resignation as Director with effect from 9 May 2016.

CORPORATE GOVERNANCE REPORT

Matters Requiring Board Approval

Matters requiring the Board's decision and approval include the following:

- (a) The annual and quarterly financial reports;
- (b) Matters in relation to the share buy-backs undertaken by the Company;
- (c) Matters in relation to the declaration of dividends;
- (d) Matters in relation to the holding of the Company's annual general meeting ("AGM"), including its related agenda;
- (e) Matters in relation to major corporate actions (e.g. share consolidation);
- (f) The annual budgets and targets of the Group;
- (g) The appointment and re-appointment of Directors, including remuneration packages;
- (h) Matters in relation to the Directors' and Officers' Insurance;
- (i) Matters in relation to the appointment of Company Secretary;
- (j) The appointment and re-appointment of external auditors and its remuneration;
- (k) Matters in relation to the Board's opinion on the adequacy and effectiveness of the Group's risk management and internal controls; and
- (l) The approval and ratification of the announcements released to the Singapore Exchange Securities Trading Limited ("SGX-ST").

Board Orientation and Training

The new Directors are provided with comprehensive and tailored induction when joining the Board. In addition, the new Directors are encouraged to attend the orientation program run by Singapore Institute of Directors at the Company's expense to ensure that they are familiar with the duties and roles as being a Director. Starting from year 2017, the new Directors appointed to the Board will be provided with formal letter comprising director's roles and responsibilities.

When there are significant and important changes to laws, regulations, policies and accounting standards in areas concerning director's duties and responsibilities, Directors are provided with briefings and updates from outside professionals. In the event of any major developments in areas of accounting and governance standards, relevant sessions are conducted by external auditors of the Company to assist Directors in performing their duties and responsibilities. In addition, Directors are encouraged to attend other appropriate courses, conferences and seminars, such as programs run by the Singapore Institute of Directors.

Board Composition and Guidance

Principle 2:

Board Size and Board Composition

The Board comprises 11 Directors, of whom 10 are non-executive. Of these non-executive Directors, 6 are considered by the NC to be independent of the Company's management and principal shareholders, which fulfills the Code's requirements that the independent Directors should make up at least half of the Board where the Chairman and the Chief Executive Officer ("CEO") is the same person.

All Board Committees are chaired by independent Directors.

CORPORATE GOVERNANCE REPORT

Board Independence

The NC determines, on an annual basis, whether or not a Director is independent by taking into account the definition of “independent Director” under the Code and the self-declarations made by the Directors in the Independence Declaration Form every year. The Directors, who are determined to be independent by the NC, do not have such relationships or circumstances as set forth in Code 2.3 which may affect the independence of a Director. All of the independent Directors have not served on the Board beyond nine years from the date of his/her first appointment. Please refer to the “Board of Directors” section in the Annual Report for the independence of each Director.

Chairman and Chief Executive Officer

Principle 3:

Chairman and CEO

The Chairman and CEO of the Company is the same person, Ms. Tsui-Hui Huang. The principal roles and responsibilities of Ms. Tsui-Hui Huang include but not limited to the following:

- (a) Leading the Board to ensure its effectiveness on all aspects of its role;
- (b) Setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) Ensuring that the Directors receive complete, adequate and timely information;
- (d) Encouraging constructive relationships within the Board and between the Board and the management of the Company (“Management”); and
- (e) Promoting high standards of corporate governance.

Lead Independent Director

Having regard to the nature of business and the structure of the Board and the Management, Dr. Ng-Chee Tan was appointed the lead independent Director on 11 November 2010. The shareholders are welcomed to contact the lead independent Director where they have concerns and for which contact through the normal channels of the Management have failed to resolve or is inappropriate.

The lead independent Director may, as and when he deems necessary and appropriate, call and lead meetings of the independent Directors without the presence of other Directors, and the lead independent Director would provide feedback to the Chairman after such meetings.

Board Membership

Principle 4:

Nominating Committee

The NC was established in 2002. The majority of the NC members, including the Chairman, are independent Directors. The members of NC are as follows:

Mr. Chang-Pang Chang (Chairman)
Ms. Tsui-Hui Huang
Dr. Ng-Chee Tan

CORPORATE GOVERNANCE REPORT

The NC meets at least once a year. The NC's roles and responsibilities are set out in its written terms of reference. The NC reviews and makes recommendations to the Board on the appointment and re-appointment of Directors of the Company as well as members of Committees, develops the process for evaluation of the performance of the Board, its Committees and Directors, and reviews the Board composition and efficiency of the Board and Committee meetings. In addition, the NC constantly bear in mind whether the diversity of the Board members is sufficient, and would, at the appropriate juncture, propose new members to the Board to enhance the competence of the Group.

The NC is of the view that the current size of the Board is appropriate, given the current nature and scope of the Company's operations. The diverse entrepreneurial, professional, financial and technical background and profile of the Directors as a group ensures a balance of representative skills, experience, gender and views in the Board, as well as the necessary core competencies in areas relevant to the Group's business, such as management, finance, technology and international experience.

Rotation of Directors

Other than Ms. Tsui-Hui Huang, who is Managing Director of the Company and who is exempt from the one-third rotation rule, all Directors of the Company are subject to retirement and re-election by shareholders at the AGM in accordance with the one-third rotation rule as part of Board renewal. For the avoidance of doubt, each Director (other than a Director holding office as Managing Director) retires at least once every three years. New Directors appointed by the Board shall hold office only until the next AGM and shall then be eligible for re-election. The NC makes recommendations to the Board as to whether the Board should support the re-appointment/re-election of a Director who is retiring. In making recommendations, the NC undertakes a process of review of the retiring non-executive Directors' performance during the period in which the non-executive Director has been a member of the Board. Shareholders are provided with relevant information on the candidates for election or re-election.

Continuous Review of Directors' Independence

The NC reviews annually the independence of each Director. Please refer to Principle 2 in this report on the basis of the NC's determination as to whether a Director should or should not be deemed independent.

Multiple Directorships

Each Director is required to complete the questionnaire half an year for the Director's board representations in other public companies. After the NC assesses each Director's contribution and devotion of time and attention to the affairs of the Company, the NC determines that each Director is able to and has been accurately carrying out his duties as a Director. The Board is of the opinion that to fix the maximum number of listed company board representations which Director may hold is not necessary considering the existing Directors' time commitment and contributions to the Company.

Alternate Directors

The Board does not appoint alternate directors, as recommended by Code 4.5.

Process for Selection and Nomination of New Directors

With respect to the process for appointment of new Directors, the NC reviews and evaluates the profession, knowledge and experience of the candidates, and meets with the candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required. If the NC is satisfied with the candidate's capability of being a Director, the NC will make recommendations accordingly to the Board for approval.

CORPORATE GOVERNANCE REPORT

Key Information on Directors

Key information regarding Directors, such as academic and professional qualifications, Board Committees served on (as a member or chairman), date of first appointment and last appointment as a Director, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments, are disclosed in the “Board of Directors” section in the Annual Report. The shareholding in the Company held by the Directors at the beginning and the end of the financial year ended 31 December 2016 are set out in the “Directors’ Statement” section in the Annual Report. The names of Directors proposed for appointment or re-appointment are set out in the notice of AGM and any information or details of such Directors are made available to shareholders during the AGM to enable shareholders to make informed decisions.

Board Performance

Principle 5:

Board Evaluation Process

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that the Board comprises persons who represent the principal strategic shareholders of the Company as well as independent Directors who enhance governance in the interests of all shareholders and the Company. The NC has established a formal evaluation process to assess the effectiveness of the Board and its Committees as a whole. The process includes having Directors complete a questionnaire for their views on various aspects of Board performance at the end of each financial year. The Company Secretary compiles the Directors’ responses to the questionnaire into a consolidated report, which is reviewed and discussed during the NC meeting.

The performance criteria for the Board evaluation, which are not changed from year to year, are in respect of Board composition, Board meeting process, Board performance in relation to discharging its principal functions, including the review of the Company’s budget and strategic plans and the monitor of the progresses throughout the year.

Individual Director Evaluation

In addition, the NC reviews and evaluates the performance of individual Directors in groups annually, especially who are subject to retirement at the forth-coming AGM and further decides whether to recommend such Directors to be re-elected at the AGM. Performance criteria include factors such as Director’s participation and contribution at the Board and Board Committee meetings, industry and business knowledge, functional expertise, and dedication.

Access to Information

Principle 6:

Complete, Adequate and Timely Information

To ensure that the Board would fulfill its responsibilities, the Directors are provided with complete, adequate and timely information quarterly including financial position and performance of the Company and the Group prior to the Board meetings and as and when the need arises. Board papers are circulated to the Board as early as practicable so that members of the Board may better understand and discussions could be focused on the questions set out in the agenda. Any additional material or information requested by the Directors is promptly furnished. Information provided to the Board includes Board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and quarterly financial statements. In respect of budgets, any material variances between the projections and actual results are disclosed and explained. The yearly and quarterly financial statements of the Company are reviewed and discussed at the AC and thereafter recommended to the Board for its approval.

In addition, the Management is required to attend meetings of the Board to provide insight in relation to the matters being discussed and to respond to any questions that the Directors may have.

CORPORATE GOVERNANCE REPORT

Independent Professional Advice

In furtherance of the discharge of their duties, the Directors may take independent professional advice, where necessary, at the Company's expense.

Company Secretary

Each Director has separate and independent access to the Company Secretary. The Company Secretary is responsible for ensuring that Board procedures are observed and the applicable rules and regulations are complied with. The Company Secretary assists the Chairman in ensuring good information flows within the Board and its Committees and between the Management. The Company Secretary attends all Board and its Committee meetings. The appointment and the removal of the Company Secretary are subject to the Board's approval.

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7:

Remuneration Committee

The RC was established in 2002. Current members are entirely non-executive Directors with the majority of members including the Chairman being independent Directors. The members of RC are as follows:

Dr. Boon-Wan Tan (Chairman)

Mr. Chun-Chen Tsou

Mr. Chang-Pang Chang

The RC's roles and responsibilities are set out in its written terms of reference. The objective of RC is to establish a formal, transparent and objective procedure for fixing the remuneration packages of individual Directors. To achieve this objective, the key function of RC is to review and recommend to the Board a framework of remuneration for the Directors considering their contributions to the Board and taking into account comparability of standards within the industry and with other companies. The RC assists the Board to ensure that remuneration policies are able to attract, retain and motivate Directors without being excessive, and thereby maximize the shareholders' value. The RC also reviews the specific remuneration packages for each Director, including but not limited to Director's fees, basic salaries, allowances, bonuses, share options and benefits in kind, and submits for endorsement by the entire Board.

In discharging their duties, the RC members may seek advice from external consultants, where necessary. Market practices and standards are taken into account to ensure that the remuneration packages remain competitive.

Level and Mix of Remuneration

Principle 8:

Executive Director's remuneration is earned through base/fixed salary and variable or performance related income/bonuses. Directors fees proposed to be paid to Directors are subject to approval of shareholders at the AGM. Non-executive Directors are not over-compensated to the extent that their independence may be compromised. The Company does not currently have any contractual provisions to allow the reclaiming of incentive components of remuneration from executive Directors and key management personnel. Nonetheless, the RC, together with the Board, will monitor and re-assess at the appropriate juncture whether such contractual provisions should be implemented.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 9:

Disclosure on Directors' Remuneration

Under the terms of the service agreement, the executive Director, Ms. Tsui-Hui Huang is entitled in aggregate, to an incentive bonus equivalent to 1% of the Group's audited profit after taxation and minority interest but before extraordinary item ("1% incentive bonus"). The 1% incentive bonus was first established during the Company's Initial Public Offering in 1997 and no change has been made since then.

The remuneration of Directors in bands of S\$250,000 with breakdown of salaries/fees and bonuses in percentage of each Director for the financial year ended 31 December 2016 is set out as below. The Board believes that it is not in the best interest of the Company to fully disclose each Director's remuneration given the highly competitive industry conditions in venture capital business.

| Remuneration Bands and Name of Directors | Salaries/Fees % | Bonuses % | Total % |
|--|-----------------|-----------|------------|
| S\$500,000 to S\$749,999 | | | |
| Tsui-Hui Huang* | 70 | 30 | 100 |
| Below S\$250,000 | | | |
| Cheng-Wang Huang | 100 | | 100 |
| Andy C.W. Chen | 100 | | 100 |
| Yen Chen | 100 | | 100 |
| Kazuyoshi Mizukoshi | 100 | | 100 |
| Chun-Chen Tsou | 100 | | 100 |
| Yang-Fu Kuo | 100 | | 100 |
| Chang-Pang Chang | 100 | | 100 |
| Ng-Chee Tan | 100 | | 100 |
| Boon-Wan Tan | 100 | | 100 |
| Yi-Sing Chan | 100 | | 100 |

* This represents the total remuneration received by Ms. Tsui-Hui Huang for 2016 whole year for assuming the Chairman/Managing Director of the Company and the Chairman/President positions at Hotung International Company Limited.

There are no termination, retirement and post-employment benefits that may be granted to Directors, CEO and key management personnel.

Disclosure on Key Management Personnel's Remuneration

The breakdown of salaries and bonuses in percentage of the total remuneration paid to the Company's key management personnel (who are not Directors or the CEO of the Company) in aggregate for the financial year ended 31 December 2016 is set out as below. The Board believes that such disclosure provides sufficient overview of the remuneration of the Company's key management personnel considering the confidentiality of remuneration matters. Such disclosure is made in the best interests of the Company given the competitive conditions in the venture capital business.

| Name of Key Management Personnel | Aggregate Salaries % | Aggregate Bonuses % | Total % |
|----------------------------------|----------------------|---------------------|------------|
| Joseph Yu | 80 | 20 | 100 |
| Steven Huang | | | |
| David Tso | | | |
| Felicia Hsu | | | |
| Vincent Jang | | | |

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration of Directors' Immediate Family Member

No employees of the Company or any of its principal subsidiaries are the Directors' immediate family member; thus, no disclosure is required for employee whose remuneration exceeds S\$50,000 per annum for the financial year ended 31 December 2016.

Employee Share Schemes

At present, the Company does not have any employee share option scheme.

3. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10:

Immediately after discussed and resolved at the Board and AC meetings, the Board announces its quarterly and full-year financial reports through SGXNet, which represents a balanced and informed assessment of the Group's performance, position and prospects.

The Board takes adequate steps by establishing appropriate internal policies within the Group to ensure compliance with legislative and regulatory requirements, including the requirements under the listing rules of the SGX-ST.

The Management provides all members of the Board with management accounts and such explanation and information on a regular basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk Management and Internal Controls

Principle 11:

The Company believes that it is crucial to put in place a system of internal control of the Group's procedures and processes to safeguard shareholders' interests and the Group's assets, and to manage risks in the areas of financial, operational, legal/compliance and etc.

The Group has established an integrated risk identification and management framework. In the Group, risks are proactively identified and addressed. The ownership of these risks lies with the respective business and corporate heads with stewardship residing with the Board. The Board ensures that Management maintains a sound system of internal controls, and is assisted by the AC which conducts reviews of the adequacy and effectiveness of the Group's material internal controls and risk assessment annually.

During the year, the Group, with the participation of the business and corporate heads, carried out an exercise to consolidate and review the Group's risk register which identifies the key risks facing the Group and the internal controls in place to manage or mitigate those risks. The internal auditor was also involved in testing the effectiveness of certain material internal control systems. Material deficiencies (if any) and the consequent remedial action were reviewed by the AC and reported to the Board.

Based on the Company's above described risk identification and management framework, regular reviews performed by Management, and assurances from the CEO and the Chief Financial Officer ("CFO") that its risk management and internal control systems are effective, the Board, with the concurrence of the AC, is of the opinion that the Group's systems of risk management and internal controls are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group.

CORPORATE GOVERNANCE REPORT

The Board notes that the systems of risk management and internal controls provide reasonable, but not absolute, assurance that the Group will not be adversely affected by events that might be reasonably foreseen as it works to achieve its business objectives. In this regard, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

Financial Risk Management

The Group has documented a financial risk management policy, which is founded on the Group's overall business strategies and its risks management philosophy. The Group is exposed to a variety of financial risks, primarily changes in equity market prices and/or foreign currencies exchange rates in relation to its investment portfolios.

Market Risks

The changes in equity market prices and/or foreign currencies exchange rates have significant impact on the Group's investment portfolios. In general, the Group assumes lesser interest rates risk on the deposits placed with banks and financial institutions. The Group manages market risks by close monitoring of the investment portfolios and regular reviews of the performance of each of the investments. The control procedures are in place to manage and control market risks exposures within acceptable parameters, while optimizing returns on investments.

Liquidity Risks

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Credit Risks

The Group places surplus funds in banks with reputable financial standing. The credit risk on liquid funds is limited because the counterparties are reputable banks with high credit-ratings assigned by international credit-rating agencies.

Please refer to "Financial Risk Management" of Notes to Financial Statements in the Annual Report for more details.

Operational Risk Management

Each department management team reviews its control procedure periodically and conducts risk self-assessment exercise on a regular basis. The internal auditor and external auditors are also involved in the review of such self-assessment exercise. Any material deficiency together with remedial action are reviewed by the AC and reported to the Board.

The internal control system comprises all the procedures, which combine to give the Board of Directors reasonable assurance of:

- (a) The maintenance of proper accounting records and reliability of financial information used within or published by the Group;
- (b) The safeguarding and proper documentation of the Group's assets; and
- (c) The compliance with applicable legislation, regulation and best practices.

The Board has received assurance from the CEO and the CFO as well as the internal auditor: (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

Considering the business scale of the Company, the Board's responsibility of overseeing the Group's internal control is delegated to the AC. The AC's oversight and supervision of the Group's internal controls are complemented by the work of the internal auditor and legal counsel, whose roles are to oversee various aspects of financial and legal control and risk management of the Group. The Company's external auditors, KPMG LLP carry out in the course of their statutory audit, a review of the effectiveness of the Company's key internal controls annually to the extent of their scope as laid out in their audit plan. Material internal control weaknesses noted during the audit, and the auditors' recommendations to address such weaknesses, are reported to the AC.

Audit Committee

Principle 12:

Audit Committee

The AC was established in 1997. Current members are entirely non-executive Directors, with the majority including the Chairman of AC being independent Directors:

Dr. Ng-Chee Tan (Chairman)
Dr. Boon-Wan Tan
Mr. Andy C.W. Chen

The NC is of the view that the members of the AC have sufficient financial, legal and management expertise and experience to discharge the AC's functions. To enable the AC to discharge its functions properly, the AC has the authority to invite CEO, CFO and the Management to attend its meetings to respond to any questions that the AC may have.

The AC performs the following functions:

- (a) reviewing with the external auditors their audit plan and evaluates and advising on accounting controls, audit reports and any matters which the external auditors raise to the AC;
- (b) reviewing with the internal auditor, the scope and the results of internal audit procedures and his evaluation of the overall internal control system;
- (c) commissioning an independent audit on internal control for its assurance, or where it is not satisfied with the system of internal control;
- (d) reviewing the quarterly and annual financial statements, including announcements to shareholders and the SGX-ST prior to submission to the Board;
- (e) reviewing any significant findings of internal investigations;
- (f) making recommendations to the Board on the appointment of external auditors, the audit fee and any questions of their resignation or dismissal;
- (g) reviewing and approving the appointment, replacement, reassignment or dismissal of the internal auditor;
- (h) reviewing the assistance given by the Company's officers to the external and internal auditors; and
- (i) reviewing interested person transactions to ensure that internal control procedures are adhered to.

The AC currently meets the external and internal auditors quarterly in order to ensure that the external auditors and internal auditor have full and free opportunities to raise concerns with the AC and to have complete access to information that auditors may require. In addition, the AC has its own discretion to meet with the external and internal auditor, whenever the AC deems necessary, without the presence of Management.

CORPORATE GOVERNANCE REPORT

External Auditors

The AC has undertaken a review of non-audit services provided by the external auditors annually and they would not, in the opinion of the AC, affect their independence. Details of the aggregate amount of fees paid to the external auditors for financial year ended 31 December 2016, and a breakdown of the fees paid in total for audit and non-audit services, respectively can be found on Page 87. The Company has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to the appointment of its external auditors.

Whistle-blowing Policy

The Group has in place a whistle-blowing policy to encourage employees of the Group to report or raise concerns about possible improprieties. Anonymous disclosures will be accepted. Employees who have acted in good faith and confidence will be protected from reprisal. The whistle-blowing policy was announced and made available to all the employees of the Group since its adoption.

Summary of AC's Activities During the Financial Year Ended 31 December 2016

The AC reviewed the quarterly and full-year financial reports before submitting to the Board for its approval, reviewed the annual auditing plan of the external and internal auditor and assessed the results of audits performed by them, recommended the re-appointment of external auditors to be approved by the shareholders at the AGM, and confirmed the adequacy and effectiveness of the Group's risk management and internal controls in addressing financial, operational, compliance and information technology risks of the Group.

The AC has taken measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements.

None of the AC members is a former partner of the Group's existing auditing firm.

Internal Audit

Principle 13:

The internal auditor reports directly to the Chairman of the AC on audit matters. The AC reviews the internal auditor's report and its activities on a quarterly basis. The AC also reviews and approves the annual internal audit plans and resources to ensure that the internal auditor has the resources to adequately and effectively perform its functions. The internal auditor has full access to all the Group's documents, records, properties and personnel, including access to the AC.

The internal audit is an in-house function within the Company staffed with person with relevant qualifications and experience. The internal auditor carries out its duties according to the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors and the Auditor's Handbook approved by the AC, which sets out the scope of auditing of internal controls designed and implemented to assure the integrity of the operations and management of the Company.

4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14:

To facilitate shareholders' ownership rights, the Company releases all material information, to its best knowledge, through the SGXNet to keep all shareholders sufficiently informed.

All shareholders of the Company receive a notice of AGM and a CDROM containing the Annual Report (printed copies are available upon request). The notice is also advertised in newspapers. At AGM, shareholders are given the opportunity to air their views and raise their concerns with the Directors or question the Management on matters regarding the Company and its operations. Shareholders are also informed of the rules, including the

CORPORATE GOVERNANCE REPORT

voting procedures that govern general meetings of shareholders, during the AGM. The Bye-laws of the Company allow shareholders to appoint proxies to attend and vote at all general meetings on their behalf. The Company regularly makes its best efforts to respond to substantial questions raised by shareholders.

Communication with Shareholders

Principle 15:

The Company endeavors to keep all its shareholders informed of the performance and changes in the Group by making timely and adequate announcement through SGXNet. The Company has adopted quarterly reporting of its financial results from 2003. Quarterly results are published through the SGXNet. All information on the Company's new initiatives will be first disseminated via SGXNet.

The Company does not practice selective disclosure. Price sensitive information is first publicly released before the management meets with any group of investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period.

The Company has been declaring dividends to its shareholders over 90% of the Profit attributable to Owners of the Company in the past 5 years. Annual dividend proposed for the financial year ended 31 December 2016 is shown on page 85, which is subject to the approval of the shareholders at the AGM to be held on 13 April 2017.

Conduct of Shareholder Meetings

Principle 16:

The Company supports the principle of encouraging shareholder participation and voting at AGM. At the AGM, shareholders are encouraged to communicate their views and discuss with the Board and Management matters affecting the Company. The Chairman of the Board, the respective Chairman of the AC, NC and RC, Company Secretary, external auditors and the Company's Singapore legal counsel are present at AGM to address any queries that the shareholders may have.

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at the AGM. All the resolutions are put to vote by poll and a timely announcement showing total number of shares represented by votes for and against each resolution and the respective percentage are released through SGXNet after the AGM. Minutes of the AGM include substantial and relevant comments or queries from shareholders in relation to the agenda of the AGM and responses from the Board and Management, which are available to shareholders for their inspection upon their request.

ADDITIONAL INFORMATION

Securities Transactions

The Company has issued a policy on dealings in the securities of the Company and its subsidiaries to its Directors and senior executives setting out the implications of insider trading and guidance on such dealings, including the prohibition on dealings with the Company's securities on short-term considerations. It has followed the best practices on dealings in securities. In line with Listing Manual, the Company Secretary issues circulars to its Directors and officers informing that the Company and its officers must not deal in listed securities of the Company two weeks before the release of the first three quarters results, and one month before the release of full-year results. Directors and executives are required to report to the Company Secretary whenever they deal in the Company's shares.

Financial Risk and Capital Risk Management

The Board oversees the Group's financial risk and capital risk management policies. Where there are significant risks in respect of the Group's operations, appropriate risk management practices will be put in place to address these risks.

CORPORATE GOVERNANCE REPORT

Interested Person Transactions Policy

The Company has adopted an internal policy in respect of any transactions with interested persons that set out the procedures for review and approval of the Company's interested person transactions.

The Group's interested person transactions for the financial year ended 31 December 2016 are disclosed in table below:

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) |
|---|--|--|
| Tai Lung Capital Inc. (controlling shareholder of the Company)* | NT\$5,824,350 | – |

Note(s):

Rental income received by Tai Lung Capital Inc. from Hotung International Company Limited. The value of NT\$5,824,350 refers to the total contract sum for the financial year under review.

DIRECTORS' STATEMENT

The Directors are pleased to present their statement together with the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2016.

In the opinion of the Directors, the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 48 to 93 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and the financial performance, changes in equity and cash flows of the Group for the financial year then ended, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorized these financial statements for issue.

Directors

The Directors of the Company ("Directors") in office at the date of this statement are:

| | |
|---------------------|---------------------------------|
| Tsui-Hui Huang | (Executive) |
| Cheng-Wang Huang | |
| Andy C.W. Chen | (Re-appointed on 21 April 2016) |
| Yen Chen | |
| Kazuyoshi Mizukoshi | |
| Chun-Chen Tsou | |
| Yang-Fu Kuo | |
| Chang-Pang Chang | |
| Ng-Chee Tan | (Re-appointed on 21 April 2016) |
| Boon-Wan Tan | (Re-appointed on 21 April 2016) |
| Yi-Sing Chan | (Re-appointed on 21 April 2016) |

Pursuant to Bye-law 94 of the Company's Bye-laws, except for the Directors holding office as Managing Director, at each annual general meeting, one-third of the Directors shall retire from office by rotation. Given the fact that Ms. Yen Chen who is to retire at the annual general meeting to be held on 13 April 2017 ("2017 AGM") pursuant to Bye-law 100 of the Company's Bye-laws shall not be taken into account in determining the number of Directors who are to retire by rotation, the following Directors, being the longest in service, will be retiring at the 2017 AGM pursuant to Bye-law 95 of the Company's Bye-laws:

Mr. Chang-Pang Chang;
Mr. Cheng-Wang Huang; and
Mr. Yang-Fu Kuo.

In order to enhance the independent element on the Board towards better corporate governance, Mr. Cheng-Wang Huang and Mr. Yang-Fu Kuo have each indicated their willingness not to seek re-election, and will accordingly retire at the conclusion of the 2017 AGM. Mr. Chang-Pang Chang has offered himself for re-election at the 2017 AGM.

Pursuant to Bye-law 100 of the Company's Bye-laws, Ms. Yen Chen, who was appointed as a Director by the Board of Directors of the Company to hold office with effect from 10 May 2016 in accordance with Bye-law 93 of the Company's Bye-laws, will retire at the 2017 AGM. Ms. Yen Chen has offered herself for re-election at the 2017 AGM.

Arrangements to enable Directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the financial year nor at any time during the financial year was there subsisting any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The Directors holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company except as follows:

| | Interest held | | Directors' deemed interest | |
|---------------------------------------|------------------------------------|------------------------------|------------------------------------|------------------------------|
| | At beginning of the financial year | At end of the financial year | At beginning of the financial year | At end of the financial year |
| In the Company | | | | |
| Ordinary shares of NT\$50 each | | | | |
| Tsui-Hui Huang | – | – | 20,939,012 | 21,342,912 ⁽¹⁾ |
| Cheng-Wang Huang | – | – | 19,309,577 | 19,309,577 ⁽²⁾ |
| Chun-Chen Tsou | – | – | 2,171,869 | 2,171,869 ⁽³⁾ |
| Yang-Fu Kuo | 1,265,204 | 1,265,204 | 2,616,086 | 2,616,086 ⁽⁴⁾ |

⁽¹⁾ Tsui-Hui Huang has deemed interests in the following: (i) 17,415,100 shares held by Tai Lung Capital Inc.; (ii) 1,894,477 shares held by Chung Lung Investment Co., Ltd.; (iii) 1,339,785 shares held by Alps International Co., Ltd., which are registered in the name of DB Nominees (S) Pte Ltd.; and (iv) 693,550 shares held by Daiwa Capital Markets Singapore Limited.

⁽²⁾ Cheng-Wang Huang has deemed interests in the following: (i) 17,415,100 shares held by Tai Lung Capital Inc.; and (ii) 1,894,477 shares held by Chung Lung Investment Co., Ltd.

⁽³⁾ These shares are registered in the name of Daiwa Capital Markets Singapore Limited.

⁽⁴⁾ Yang-Fu Kuo has deemed interests in the following: (i) 933,107 shares held by his spouse as a scrip holder; (ii) 1,203,700 shares held by his spouse and registered in the name of Citibank Nominees Singapore Private Limited; and (iii) 479,279 shares held by Big Ben Industries Inc. as a scrip holder.

The Directors' interests as at 21 January 2017 were the same as those at the end of the financial year.

Directors' receipt and entitlement to contractual benefits

Service agreement

Tsui-Hui Huang, Chairman and Managing Director of the Company, entered into a service agreement with the Company with effect from 20 June 2005. The agreement was last renewed on 20 June 2014 for a period of 3 years.

Under the terms of the service agreement, Tsui-Hui Huang is entitled to an incentive bonus equivalent to 1% of the Group's audited profit after tax and minority interests attributable to owners of the Company as set out in the audited accounts of the Group for the relevant financial year ("Incentive Bonus"). The Incentive Bonus payable to Tsui-Hui Huang amounted to NT\$3.2 million for the current financial year ended 31 December 2016.

Directors' fees

In addition to the above-mentioned service agreement, each Director receives such Directors' fees as may be approved by shareholders of the Company.

Other contracts

In the normal course of business, certain of the Company's subsidiaries entered into an office rental agreement with a corporate shareholder of the Company, Tai Lung Capital Inc. ("Tai Lung"), which Cheng-Wang Huang (being an immediate family member of Tsui-Hui Huang) is member of and may be entitled to receive a benefit pursuant to such office rental agreement.

DIRECTORS' STATEMENT

Save for the above, no other Director has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit which has been included in the aggregate amount of Directors' emoluments or fees paid to a firm which a Director is a member or any emoluments received from related corporations as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Option to take up unissued shares

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

Option exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

Other information required by the Singapore Exchange Securities Trading Limited

(i) Material contracts

Other than as disclosed elsewhere in this annual report, no material contracts to which the Company or any subsidiary is a party and which involve Directors' interest subsisted at the end of the financial year, or have been entered into since the end of the previous financial year.

(ii) Appointment of auditors

The Company has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to its auditors.

(iii) Review of the provision of non-audit services by the auditor

The Audit Committee has undertaken a review of non-audit services provided by the auditors and they would not, in the opinion of the Audit Committee, affect their independence.

(iv) Internal controls

The Group has established an integrated risk identification and management framework. In the Group, risks are proactively identified and addressed. The ownership of these risks lies with the respective business and corporate heads with stewardship residing with the Board. The Board ensures that Management maintains a sound system of internal controls, and is assisted by the Audit Committee which conducts reviews of the adequacy and effectiveness of the Group's material internal controls and risk assessment annually.

During the year, the Group, with the participation of the business and corporate heads, carried out an exercise to consolidate and review the Group's risk register which identifies the key risks facing the Group and the internal controls in place to manage or mitigate those risks. The internal auditor was also involved in testing the effectiveness of certain material internal control systems. Material deficiencies (if any) and the consequent remedial action were reviewed by the Audit Committee and reported to the Board.

DIRECTORS' STATEMENT

Based on the Company's above described risk identification and management framework, regular reviews performed by Management, and assurances from the CEO and the CFO that its risk management and internal control systems are effective, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's systems of risk management and internal controls are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group.

The Board notes that the systems of risk management and internal controls provide reasonable, but not absolute, assurance that the Group will not be adversely affected by events that might be reasonably foreseen as it works to achieve its business objectives. In this regard, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

On behalf of the Directors

Tsui-Hui Huang

Director

Ng-Chee Tan

Director

13 March 2017

INDEPENDENT AUDITORS' REPORT

Members of the Company Hotung Investment Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hotung Investment Holdings Limited ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 93.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

Members of the Company Hotung Investment Holdings Limited

Key audit matters – Valuation of unquoted investments (NT\$ 4,468 million)

(Refer to Notes 9, 10 and 12 to the financial statements)

Valuation of investments

The Group's portfolio of investments comprised of financial assets classified as held-for-trading, available-for-sale and designated at fair value through profit or loss, of which 43% (NT\$2,304 million) qualified as Level 1 or 2 financial instruments which were valued using market observable prices or inputs which reduced the need for management judgement and estimation and thus, reduced the uncertainty associated with the determination of fair values.

The remaining 57% of the investment portfolio comprised of 55% that qualified as Level 3 financial instruments amounting to NT\$2,987 million and 2% that were measured at cost amounting to NT\$114 million. The Level 3 financial instruments comprised mainly unquoted equity securities and fund investments which were valued based on methodologies that applied unobservable inputs, resulting in a significant degree of estimation uncertainty and management judgement in the valuation. The investments which were measured at cost resulted from the Group's assessment that the fair values of such investments could not be reliably measured due to the wide range of fair value measurements.

How the matter was addressed in our audit

For the portfolio of Level 3 financial instruments, we assessed and tested the design and operating effectiveness of the controls over the preparation, review and approval of the valuations. We noted that controls over the valuation process were operating effectively.

We also performed additional procedures over a selection of investments for each type of valuation methodology adopted by the Group. Such procedures included the assessment of key inputs such as the appropriateness of comparable companies selected for the market approach and review of the Group's assessment of the performance of the portfolio companies in the determination of fair values. In performing our procedures, we also engaged our valuation specialists to assist us in evaluating the key assumptions.

Valuation of the Group's investment in fund investments was based on the net asset values reported by the external fund managers. In assessing the reliability of using unaudited financial information provided by the fund managers, we performed a retrospective review of prior year's valuations by assessing the difference between the unaudited and audited 31 December 2015 net assets and partners' capital, where we noted the difference to be immaterial. This trend was consistent for previous financial years as well, an indication of the reliability of the fund managers' valuations.

INDEPENDENT AUDITORS' REPORT

Members of the Company Hotung Investment Holdings Limited

Key audit matters – Valuation of unquoted investments (NT\$ 4,468 million)

(Refer to Notes 9, 10 and 12 to the financial statements)

Valuation of investments

How the matter was addressed in our audit

For the portfolio of investments measured using transaction prices, we noted that 18 investments amounting to NT\$680 million, comprising of 15% of the total balance of unquoted investments, were valued based on transactions that occurred more than one year ago. The Group determined that the transaction prices were reflective of fair values as at 31 December 2016 as the investee companies performed in line with the projected performance during the transaction. Management also assessed the fair value of those investments using multiples of market comparable companies. Our valuation specialists assisted us in reviewing the appropriateness of the market comparable used and found them to be reasonable.

The Group's portfolio of investments measured at cost represented an insignificant proportion of the Group's total portfolio and were individually insignificant.

Overall, the valuation estimates for the Group's portfolio of investments were slightly conservative within a reasonable range of outcomes. We also noted that the Group's disclosures were appropriate.

Key audit matters – Impairment of available-for-sale investments (NT\$132 million)

(Refer to Note 22 to the financial statements)

Impairment of available-for-sale investments

The Group's assessment of impairment for available-for-sale quoted investments is based on significant or prolonged fair value decline. The Group's assessment of impairment for available-for-sale unquoted investments is based on assessment of indicators of impairment. Based on the Group's impairment policy, an impairment amount of NT\$132 million was recorded as at 31 December 2016.

How the matter was addressed in our audit

We independently tested the population of quoted available-for-sale investments to determine that the Group has impaired those investments with significant or prolonged fair value decline. We noted no additional impairment to be made.

We reviewed the population of unquoted available-for-sale investments for impairment triggers and held discussions with management on the investments subject to impairment triggers. We further checked that the Group had correctly recorded the fair value decline of such investments in the profit or loss. We noted impairments made were in accordance to Group's policy and noted no additional impairment to be made.

INDEPENDENT AUDITORS' REPORT

Members of the Company Hotung Investment Holdings Limited

Other information

Management is responsible for the other information. The other information comprises the Financial highlights, Chairman's statement, Board of directors, Key management, Investment advisors, Operating and financial review, Investment manager report, Corporate governance report, Directors' statement and Shareholding statistics ('the Reports').

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT

Members of the Company Hotung Investment Holdings Limited

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Ian Hong Cho Hor.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

13 March 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

| | Note | Group | | Company | |
|--|------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| Assets | | | | | |
| Non-current assets | | | | | |
| Investments in subsidiaries | 7 | – | – | 5,255,069 | 5,255,069 |
| Available-for-sale investments | 9 | 4,214,758 | 5,033,759 | – | – |
| Other financial assets at fair value through profit or loss | 10 | 1,144,159 | 1,225,459 | – | – |
| Property, plant and equipment | 11 | 1,016 | 95 | – | – |
| Trade and other receivables | 13 | 4,837 | 9,847 | – | – |
| | | <u>5,364,770</u> | <u>6,269,160</u> | <u>5,255,069</u> | <u>5,255,069</u> |
| Current assets | | | | | |
| Held-for-trading investments | 12 | 46,578 | 38,714 | – | – |
| Trade and other receivables | 13 | 12,686 | 47,317 | 42 | 1,611 |
| Cash and cash equivalents | 14 | 2,079,545 | 1,774,550 | 114,293 | 57,310 |
| | | <u>2,138,809</u> | <u>1,860,581</u> | <u>114,335</u> | <u>58,921</u> |
| Total assets | | <u><u>7,503,579</u></u> | <u><u>8,129,741</u></u> | <u><u>5,369,404</u></u> | <u><u>5,313,990</u></u> |
| Equity | | | | | |
| Share capital | 15 | 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 | 16 | 1,597,909 | 2,042,148 | 152,054 | 217,339 |
| Accumulated losses | | (994,400) | (892,274) | (1,393,374) | (1,507,229) |
| Equity attributable to owners of the Company | | <u>7,184,429</u> | <u>7,730,794</u> | <u>5,339,600</u> | <u>5,291,030</u> |
| Non-controlling interests | 17 | 113,667 | 96,551 | – | – |
| Total equity | | <u><u>7,298,096</u></u> | <u><u>7,827,345</u></u> | <u><u>5,339,600</u></u> | <u><u>5,291,030</u></u> |
| Liabilities | | | | | |
| Non-current liability | | | | | |
| Deferred tax liability | 19 | 40,404 | 101,750 | – | – |
| | | <u>40,404</u> | <u>101,750</u> | <u>–</u> | <u>–</u> |
| Current liabilities | | | | | |
| Advance receipts | | – | 59,951 | – | – |
| Trade and other payables | 20 | 103,237 | 72,249 | 29,804 | 22,960 |
| Income tax payables | | 61,842 | 68,446 | – | – |
| | | <u>165,079</u> | <u>200,646</u> | <u>29,804</u> | <u>22,960</u> |
| Total liabilities | | <u><u>205,483</u></u> | <u><u>302,396</u></u> | <u><u>29,804</u></u> | <u><u>22,960</u></u> |
| Total equity and liabilities | | <u><u>7,503,579</u></u> | <u><u>8,129,741</u></u> | <u><u>5,369,404</u></u> | <u><u>5,313,990</u></u> |

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

| | Note | Group | |
|---|------|------------------|------------------|
| | | 2016 NT\$'000 | 2015 NT\$'000 |
| Revenue | 21 | 732,903 | 891,658 |
| Impairment losses | 22 | (132,398) | (252,406) |
| Operating expenses | 23 | (167,314) | (171,707) |
| Share of profits of associates | 8 | – | 9,353 |
| Profit before tax | | 433,191 | 476,898 |
| Tax expense | 24 | (71,274) | (44,050) |
| Profit for the year | | 361,917 | 432,848 |
| Other comprehensive (losses)/income: | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations and others | | (50,408) | 105,572 |
| Financial assets — available-for-sale (AFS): | | | |
| – Net change in fair value | | (269,741) | 513,083 |
| – Reclassification adjustments for impairment losses taken to profit before tax | | 18,376 | 36,988 |
| – Reclassification adjustments for gains taken to profit before tax from sale of AFS financial assets | | (144,212) | (106,772) |
| Tax relating to components of other comprehensive income/(losses) | | 46,504 | (53,968) |
| Other comprehensive (losses)/income for the financial year, net of tax | | (399,481) | 494,903 |
| Total comprehensive (losses)/income for the financial year | | (37,564) | 927,751 |
| Profit attributable to: | | | |
| Owners of the Company | | 317,878 | 419,469 |
| Non-controlling interests | | 44,039 | 13,379 |
| | | 361,917 | 432,848 |
| Total comprehensive (losses)/income for the financial year attributable to: | | | |
| Owners of the Company | | (81,080) | 914,372 |
| Non-controlling interests | | 43,516 | 13,379 |
| | | (37,564) | 927,751 |
| Earnings per share (in NT\$): | | | |
| Basic | 25 | 3.21 | 4.20 |
| Diluted | 25 | 3.21 | 4.20 |

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

←----- Attributable to owners of the Company ----->

| Group | Note | 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 share reserve | Accumulated losses | Sub-total | Non-controlling interests | Total |
|-------|--|---------------|---------------|-----------------------------|--|---------------|-----------------|--|--------------------|------------------------|--------------------|-----------|---------------------------|-----------|
| | | | | | | | | | | | | | | |
| | | 5,233,034 | 1,347,887 | 406,116 | 6,721 | 437,112 | 19,801 | 126,667 | 719,213 | (123,885) | (1,033,718) | 7,138,948 | 408 | 7,139,356 |
| | At 1 January 2015 | | | | | | | | | | | | | |
| | Total comprehensive income for the year | | | | | | | | | | | | | |
| | Profit for the year | - | - | - | - | - | - | - | - | - | 419,469 | 419,469 | 13,379 | 432,848 |
| | Exchange differences on translation of foreign operations | - | - | - | 105,572 | - | - | - | - | - | - | 105,572 | - | 105,572 |
| | Financial assets – available-for-sale | - | - | - | - | - | - | - | 389,331 | - | - | 389,331 | - | 389,331 |
| | Total other comprehensive income | - | - | - | 105,572 | - | - | - | 389,331 | - | - | 494,903 | - | 494,903 |
| | Total comprehensive income for the year | - | - | - | 105,572 | - | - | - | 389,331 | - | 419,469 | 914,372 | 13,379 | 927,751 |
| | Transactions with owners, recognised directly in equity | | | | | | | | | | | | | |
| | Contributions by and distributions to owners | | | | | | | | | | | | | |
| | Shares bought back as treasury shares | 16 | - | - | - | - | - | - | - | (64,892) | - | (64,892) | - | (64,892) |
| | Capital reduction in subsidiaries | | - | - | - | - | - | - | - | - | - | - | (23) | (23) |
| | Transfer to legal reserve of certain subsidiaries | 16 | - | - | - | 20,392 | - | - | - | - | (20,392) | - | - | - |
| | Dividends paid to shareholders of the Company | 18 | - | - | - | - | - | - | - | - | (257,633) | (257,633) | - | (257,633) |
| | Effect on share consolidation | | (1) | - | - | - | - | - | - | - | - | (1) | - | (1) |
| | Acquisition of subsidiary with non-controlling interests | | - | - | - | - | - | - | - | - | - | - | 82,787 | 82,787 |
| | Total transactions with owner | | (1) | - | - | 20,392 | - | - | - | (64,892) | (278,025) | (322,526) | 82,764 | (239,762) |
| | At 31 December 2015 | 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 |

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

Year ended 31 December 2016

←----- Attributable to owners of the Company ----->

| Note | 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 share 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 1 January 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 (losses)/income for the year | | | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | 317,878 | 317,878 | 44,039 | 361,917 |
| Exchange differences on translation of foreign operations and others | - | - | - | (49,885) | - | - | - | - | - | - | (49,885) | (523) | (50,408) |
| Financial assets – available-for-sale | - | - | - | - | - | - | - | (349,073) | - | - | (349,073) | - | (349,073) |
| Total other comprehensive losses | - | - | - | (49,885) | - | - | - | (349,073) | - | - | (398,958) | (523) | (399,481) |
| Total comprehensive (losses)/income for the year | - | - | - | (49,885) | - | - | - | (349,073) | - | 317,878 | (81,080) | 43,516 | (37,564) |
| Transactions with owners, recognised directly in equity | | | | | | | | | | | | | |
| Contributions by and distributions to owners | | | | | | | | | | | | | |
| Shares bought back as treasury shares | 16 | - | - | - | - | - | - | - | (65,285) | - | (65,285) | - | (65,285) |
| Transfer to legal reserve of certain subsidiaries | 16 | - | - | - | 20,004 | - | - | - | - | (20,004) | - | - | - |
| Dividends paid to shareholders of the Company | 18 | - | - | - | - | - | - | - | - | (400,000) | (400,000) | (26,400) | (426,400) |
| Total transactions with owner | | | | | | | | | | | | | |
| At 31 December 2016 | 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 |

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

| | Group | |
|--|-----------|-----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Cash flows from operating activities | | |
| Profit after tax | 361,917 | 432,848 |
| Adjustments for: | | |
| Changes in fair value of other financial assets at fair value through profit or loss | (152,338) | (179,726) |
| Dividend/distribution income | (154,573) | (293,216) |
| Losses on sale of held-for-trading investments | 11,611 | 1,347 |
| Gains on sale of available-for-sale investments | (365,280) | (217,320) |
| Gains on sale of other financial assets at fair value through profit or loss | (79,068) | (165,968) |
| Gains on sale of investments in associates | – | (185) |
| Impairment losses on available-for-sale investments | 132,398 | 232,297 |
| Impairment losses on other financial assets at fair value through profit or loss | – | 20,109 |
| Depreciation expense | 166 | 23 |
| Interest income | (6,376) | (3,901) |
| Share of profits of associates | – | (9,353) |
| Tax expenses | 71,274 | 44,050 |
| | (180,269) | (138,995) |
| Changes to: | | |
| Held-for-trading investments | (9,577) | 91,464 |
| Trade and other receivables | 2,148 | 14,069 |
| Trade and other payables | 18,106 | (4,602) |
| Cash used in operating activities | (169,592) | (38,064) |
| Interest received | 5,565 | 4,578 |
| Tax paid | (92,720) | (36,482) |
| Net cash used in operating activities | (256,747) | (69,968) |

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

Year ended 31 December 2016

| | Note | Group | |
|---|------|------------------|------------------|
| | | 2016 | 2015 |
| | | NT\$'000 | NT\$'000 |
| Cash flows from investing activities | | | |
| Acquisition of available-for-sale investments | | (193,678) | (432,253) |
| Acquisition of other financial assets at fair value through profit or loss | | (354,995) | (286,472) |
| Distributions received from available-for-sale investments | | 12,593 | 18,888 |
| Proceeds from disposal of available-for-sale investments | | 752,962 | 718,246 |
| Proceeds from disposal of other financial assets at fair value through profit or loss | | 631,960 | 507,745 |
| Dividend/distribution income received from investments | | 213,350 | 379,310 |
| Dividends/distributions received from associates | | – | 18,484 |
| Cash and cash equivalents acquired on control of an subsidiary | 7 | – | 160,356 |
| Acquisition of property, plant and equipment | | (1,087) | (63) |
| Net cash from investing activities | | 1,061,105 | 1,084,241 |
| Cash flows from financing activities | | | |
| Dividend paid to non-controlling shareholders in subsidiaries | | (26,400) | – |
| Capital reduction in subsidiaries paid to non-controlling interests | | – | (23) |
| Dividends paid to shareholders of the Company | | (400,000) | (257,633) |
| Purchase of treasury shares | | (57,930) | (64,892) |
| Net cash used in financing activities | | (484,330) | (322,548) |
| Net increase in cash and cash equivalents | | 320,028 | 691,725 |
| Cash and cash equivalents at 1 January | | 1,766,626 | 1,058,082 |
| Effect of exchange rate on cash and cash equivalents | | (7,876) | 16,819 |
| Cash and cash equivalents at 31 December | 14 | 2,078,778 | 1,766,626 |

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 13 March 2017.

1 Domicile and activities

Hotung Investment Holdings Limited (the “Company”) is incorporated in Bermuda with its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company is listed on the main board of the Singapore Exchange Securities Trading Limited.

The principal activity of the Company is investment holding and its investment management operations are performed by its subsidiary, Hotung International Co., Ltd., which has its principal place of business at 10F, 261, Sung-Chiang Road, Taipei, Taiwan, Republic of China. The principal activities of the subsidiaries are disclosed in note 7 to the financial statements respectively.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the “Group”).

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as issued by the International Accounting Standards Board (“IASB”).

2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at their fair values based on the fair valuation methods as disclosed in the accounting policies below.

2.3 Functional and presentation currency

These financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in note 4.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) *Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by IFRSs.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries are consistent with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) *Investments in associates (equity-accounted investees)*

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities.

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

(iii) Investments in associates (equity-accounted investees) (cont'd)

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Subsidiaries and associates in the separate financial statements

Investments in subsidiaries and associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to New Taiwan dollars at exchange rates at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.2 Foreign currency (cont'd)

(ii) Foreign operations (cont'd)

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (currency translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or jointly controlled entity that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the currency translation reserve in equity.

3.3 Financial instruments

(i) Recognition and initial measurement

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Financial assets at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in profit or loss. Financial assets not at fair value through profit or loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(ii) Classification and subsequent measurement

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

Investments are classified as fair value through profit or loss (FVTPL) where they are either held-for-trading or where they are designated as such upon initial recognition.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) *Classification and subsequent measurement (cont'd)*

A financial asset other than a financial asset held-for-trading may be designated as at fair value through profit or loss upon initial recognition if the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at fair value through profit or loss are measured at fair value, with any resultant gain or loss recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents comprise cash balances and short-term deposits that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, except as indicated below, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

Unquoted equity securities whose fair value cannot be reliably measured are carried at cost.

Derivative financial instruments

Derivative financial instruments create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risks inherent in an underlying primary financial instrument. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period except for derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted market price in an active market, which are measured at cost. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Derivative financial instruments (cont'd)

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

If the above conditions are met but the embedded derivative is not capable of being measured separately from the host contract either at inception or at subsequent periods, the entire combined contract is designated as a fair value through profit or loss financial instrument.

Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at their amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

(iii) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), comparable multiples and reference to the current fair value of other instruments that are substantially the same. The chosen valuation techniques makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Fund investments are measured at reported net asset values. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(iv) Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss including an interest in an associate, is assessed at each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults or disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment losses to decrease, the decrease in impairment losses is reversed through profit or loss.

Available-for-sale financial assets – equity security

Impairment losses on available-for-sale investment securities are recognised by reclassifying the loss accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment losses previously recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(v) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the assets and consideration received is recognised in profit or loss. In respect of available-for-sale investments, the gains or losses recognised include the cumulative gain or loss previously recognised in the fair value reserve within equity.

3.4 Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) *Subsequent costs*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.4 Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives are as follows:

| | |
|------------------|-----------|
| Office equipment | 3–5 years |
| Motor vehicles | 5 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in contributed surplus reserve.

3.6 Revenue recognition

Revenue for the Group comprises investment income arising from dividend income, distribution income, interest income, gains/losses from sale of investments, net changes in fair value of investments and consultancy fee income.

Dividend/distribution income

Dividend/distribution income is recognised in profit or loss on the date that the right to receive payment is established. For dividend income from quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date when the shareholders have approved the payment of a dividend.

Interest income

Interest income is recognised as it accrues in profit or loss using the effective interest method.

Consultancy fee income

Consultancy fee income are recognised in the accounting period in which the services are rendered.

3.7 Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.7 Employee benefits (cont'd)

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

3.8 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.9 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.10 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.11 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.12 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 – Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its position at 31 December 2016 and noted that classification of financial assets is of most significance impact.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The three principal classification in contracts for financial assets are: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Management's assessment

Based on its preliminary assessment at 31 December 2016, the Group has assessed that the impact from application of IFRS 9 will arise mainly from the classification of financial assets. Based on the Group's portfolio of investments as at 31 December 2016, financial assets classified as available-for-sale represent approximately 78% of the Group's total portfolio.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.12 New standards and interpretations not adopted (cont'd)

Management's assessment (cont'd)

Management has reviewed its policy of classification of the financial assets and has made a preliminary assessment that financial assets which may be sold from time to time to realise the capital appreciation or for liquidity management will be classified as fair value through profit or loss. In this regard, based on the portfolio as at 31 December 2016, management has reviewed its policy of classification of the financial assets and expects 72% of the available-for-sale portfolio of investments to be classified as fair value through profit or loss. In this regard, the associated balance of fair value reserve will be reclassified to retained earnings on the initial date of application, being 1 January 2018.

The other key changes arising from IFRS 9 in respect of impairment and hedge accounting are not expected to have a significant impact on the Group as the Group does not have significant receivables and does not engage in hedge accounting.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Management's assessment

Based on its preliminary assessment at 31 December 2016, the Group has assessed that the impact from application of IFRS 15 is not expected to have a significant impact as the Group's main sources of revenue were derived from sale of investments, dividend income and changes in fair value of other financial assets at fair value through profit or loss and held-for-trading investments.

IFRS 16 – Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

Management's assessment

As at 31 December 2016, the Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

4 Use of estimates and judgements

(i) Critical accounting judgements in applying the Group's accounting policies

Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances. Details of the Group's classification of financial assets and liabilities are given in note 3.3(ii).

(ii) Key sources of estimation uncertainty

Determining fair value

The Group's accounting policy on fair value measurements is discussed in note 3.3(iii).

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted price (unadjusted) in an active market for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

| | Note | Level 1 | Level 2 | Level 3 | Total |
|--|------|----------|-----------|-----------|-----------|
| | | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| 2016 | | | | | |
| Held-for-trading investments | 12 | | | | |
| Quoted equities, at fair value | | 46,578 | – | – | 46,578 |
| Other financial assets at FVTPL | 10 | | | | |
| Quoted equities, at fair value | | 33,256 | – | – | 33,256 |
| Unquoted equities, at fair value | | – | 825,984 | 243,211 | 1,069,195 |
| Available-for-sale investments | 9 | | | | |
| Quoted equities, at fair value | | 857,859 | – | – | 857,859 |
| Unquoted equities, at fair value | | – | 540,389 | 2,743,878 | 3,284,267 |
| | | 937,693 | 1,366,373 | 2,987,089 | 5,291,155 |

NOTES TO THE FINANCIAL STATEMENTS

4 Use of estimates and judgements (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Fair value hierarchy (cont'd)

| | Note | Level 1 | Level 2 | Level 3 | Total |
|--|------|------------------|----------------|------------------|------------------|
| | | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| 2015 | | | | | |
| Held-for-trading investments | | | | | |
| Quoted equities, at fair value | 12 | 38,714 | – | – | 38,714 |
| Other financial assets at FVTPL | | | | | |
| Quoted equities, at fair value | 10 | 521,917 | – | – | 521,917 |
| Unquoted equities, at fair value | | – | 328,085 | 333,005 | 661,090 |
| Available-for-sale investments | | | | | |
| Quoted equities, at fair value | 9 | 1,404,807 | – | – | 1,404,807 |
| Unquoted equities, at fair value | | – | 607,856 | 2,910,786 | 3,518,642 |
| | | <u>1,965,438</u> | <u>935,941</u> | <u>3,243,791</u> | <u>6,145,170</u> |

At 31 December 2016, available-for-sale investments with a carrying amount of NT\$131 million (2015: NT\$260 million) were transferred from Level 2 to Level 1 because those investments were listed during the year. There were no transfers from Level 1 to Level 2 in 2016 and 2015.

At 31 December 2016, there was no transfer from Level 2 to Level 1 for other financial assets at FVTPL (2015: NT\$310.7 million). There was also no transfer from Level 1 to Level 2 (2015: NT\$82.8 million).

The fair value hierarchy table excludes financial assets and financial liabilities such as cash and cash equivalents, trade and other receivables and payables because their carrying amounts approximate their fair values due to their short-term nature. The fair value table also excludes investments in equity instruments which are carried at cost of NT\$114 million (2015: NT\$153 million) because the fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

4 Use of estimates and judgements (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Fair value hierarchy (cont'd)

The following table shows the reconciliation from the opening balance to the closing balance for fair value measurement in Level 3 of the fair value hierarchy:

| | Available- for-sale investments | Other financial assets at FVTPL |
|---|---------------------------------------|---------------------------------------|
| | NT\$'000 | NT\$'000 |
| 2016 | | |
| At beginning of year | 2,910,786 | 333,005 |
| Losses recognised in profit or loss | | |
| – net change in fair value | – | (6,253) |
| – impairment losses on available-for-sale investments | (58,905) | – |
| Losses recognised in other comprehensive income | | |
| – net change in fair value | (54,988) | – |
| Disposals | (187,828) | (109,963) |
| Capital reduction | (6,633) | – |
| Purchases | 81,848 | – |
| Transfers to Level 3 | | |
| – from Level 2 ^(a) | 317,555 | 92,072 |
| Transfers out of Level 3 | | |
| – to Level 1 ^(b) | (34,560) | – |
| – to Level 2 ^(c) | (223,397) | (65,650) |
| At end of year | <u>2,743,878</u> | <u>243,211</u> |
| Total unrealised losses for the year included in profit or loss for assets held as at 31 December | <u>–</u> | <u>(6,253)</u> |
| 2015 | | |
| At beginning of year | 2,649,022 | 408,550 |
| Losses recognised in profit or loss | | |
| – net change in fair value | – | (23,539) |
| – impairment losses on available-for-sale investments | (44,442) | – |
| Gains recognised in other comprehensive income | | |
| – net change in fair value | 23,588 | – |
| Disposals | (417,342) | (94,950) |
| Capital reduction | (7,981) | – |
| Purchases | 98,694 | – |
| Transfers to Level 3 | | |
| – from Level 2 ^(a) | 768,525 | 42,944 |
| Transfers out of Level 3 | | |
| – to Level 2 ^(c) | (159,278) | – |
| At end of year | <u>2,910,786</u> | <u>333,005</u> |
| Total unrealised losses for the year included in profit or loss for assets held as at 31 December | <u>–</u> | <u>(23,539)</u> |

^(a) Certain investments were transferred from Level 2 to Level 3 because measurement of fair value was based on valuation techniques using significant unobservable inputs.

^(b) Certain investments were transferred from Level 3 to Level 1 when they were listed on stock exchanges during the year.

^(c) Certain investments were transferred from Level 3 to Level 2 because measurement of fair value was based on recent transaction prices.

NOTES TO THE FINANCIAL STATEMENTS

4 Use of estimates and judgements (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Fair value hierarchy (cont'd)

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The following table shows the valuation techniques and the significant unobservable inputs used in the determination of fair value of the Level 2 and Level 3 financial instruments.

| Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|
| Market approach using comparable traded multiples | <ul style="list-style-type: none"> Adjusted price-earnings ratio multiple 9.1x to 18.1x (2015: 5.9x to 13.5x) Adjusted price-book ratio multiple 0.7x to 5.5x (2015: 0.7x to 5.3x) Adjusted price-to-sale ratio multiple 1.0x to 32.9x | <ul style="list-style-type: none"> The estimated fair value increases if the adjusted multiples were higher. |
| Transacted prices | <ul style="list-style-type: none"> Not applicable | <ul style="list-style-type: none"> Not applicable |
| Net asset values | <ul style="list-style-type: none"> Not applicable | <ul style="list-style-type: none"> Not applicable |

For fair value measurements in Level 3 financial instruments, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on fair value reserve:

| | 2016 | | 2015 | |
|---|------------------------------|----------------|------------------------------|----------------|
| | Effect on fair value reserve | | Effect on fair value reserve | |
| | Favourable | (Unfavourable) | Favourable | (Unfavourable) |
| | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| Level 3 available-for-sale equity investments | 79,289 | (79,289) | 39,699 | (39,699) |

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the discount for lack of marketability. The discount for lack of marketability was decreased by 5% for the favourable scenario and increased by 5% for the unfavourable scenario with all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS

5 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- market risks
- credit risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Board of Directors has provided the written principles for overall financial risk management and the written policies covering specific areas, such as market risk (including price risk, foreign exchange risk, interest rate risk), credit risk and liquidity risk. Such written policies are reviewed regularly and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Management takes a cautious approach towards analysing new investment opportunities and invitations to step-up capital injections into existing investments. Factors that are of pertinence include macro country and industry risks, progress and status of product development, where relevant, availability of market demands for the investee entities' products and services.

Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group manages the market risks by the close monitoring of the investment portfolio and regular review of the performance of each of the investment.

Currency risk

The foreign exchange risk of the Group mainly arises from its investing activities. Certain of the Group's investments originated outside the primary economic environment of the respective entities, and are denominated in currencies that are foreign to those entities. As a result, there are foreign exchange exposures arising from the periodic fair valuation process, as well as upon settlement of purchases and sales of those investments. The Group holds investments in various foreign currencies including New Taiwan dollars, United States dollars, Japanese yen, Hong Kong dollars etc.

The Group does not hedge its foreign currency exposure using derivative financial instruments. It manages foreign exchange risk by close monitoring of the timing of inception and settlement of the transactions.

NOTES TO THE FINANCIAL STATEMENTS

5 Financial risk management (cont'd)

Market risks (cont'd)

Exposure to currency risk

The Group's subsidiaries are subject to foreign currency risk arising from various currencies. The currencies to which the subsidiaries are exposed to significant foreign currency risks are as follows:

| | USD | NTD | JPY | SGD | HKD |
|---|----------------|------------|---------------|--------------|----------------|
| | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| Group | | | | | |
| 2016 | | | | | |
| Available-for-sale investments | 225,080 | – | 34,607 | – | 13,738 |
| Other financial assets at fair value through profit or loss | 134,308 | – | – | – | 33,256 |
| Trade and other receivables | 165 | – | – | 41 | – |
| Cash and cash equivalents | 394,256 | 416 | 5 | 18,156 | 57,261 |
| Trade and other payables | (6,372) | (255) | – | (10,383) | – |
| Net exposure | <u>747,437</u> | <u>161</u> | <u>34,612</u> | <u>7,814</u> | <u>104,255</u> |
| 2015 | | | | | |
| Available-for-sale investments | 289,510 | – | 25,214 | – | 13,992 |
| Other financial assets at fair value through profit or loss | 132,326 | – | – | – | 54,254 |
| Trade and other receivables | 1,863 | – | – | – | – |
| Cash and cash equivalents | 263,753 | 510 | 25 | 8,140 | 57,890 |
| Trade and other payables | (4,235) | (150) | – | (1,787) | – |
| Net exposure | <u>683,217</u> | <u>360</u> | <u>25,239</u> | <u>6,353</u> | <u>126,136</u> |
| Company | | | | | |
| 2016 | | | | | |
| Trade and other receivables | – | – | – | 41 | – |
| Cash and cash equivalents | 81,668 | – | – | 16,648 | – |
| Trade and other payables | (6,372) | – | – | (10,383) | – |
| Net exposure | <u>75,296</u> | <u>–</u> | <u>–</u> | <u>6,306</u> | <u>–</u> |
| 2015 | | | | | |
| Trade and other receivables | 1,610 | – | – | – | – |
| Cash and cash equivalents | 33,870 | – | – | 8,135 | – |
| Trade and other payables | (4,235) | – | – | (1,787) | – |
| Net exposure | <u>31,245</u> | <u>–</u> | <u>–</u> | <u>6,348</u> | <u>–</u> |

Sensitivity analysis

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currency against the functional currency of each Group entity. 5% represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes all outstanding foreign currencies denominated monetary items and equity instruments. Their translation has been adjusted at the period end for a 5% change in foreign currency exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

5 Financial risk management (cont'd)

Market risks (cont'd)

Sensitivity analysis (cont'd)

If the relevant significant foreign currency weakens by 5% against the functional currency of each Group entity, profit or loss and other comprehensive income will fluctuate as follows:

| | Group | | Company |
|-------------|----------------|---|----------------|
| | Profit or loss | Other comprehensive income (Fair value reserve) | Profit or loss |
| | NT\$'000 | NT\$'000 | NT\$'000 |
| 2016 | | | |
| USD | (26,118) | (11,254) | (3,765) |
| NTD | (8) | – | – |
| JPY | * | (1,730) | – |
| SGD | (391) | – | (315) |
| HKD | (4,526) | (687) | – |
| 2015 | | | |
| USD | (19,685) | (14,476) | (1,562) |
| NTD | (18) | – | – |
| JPY | (1) | (1,261) | – |
| SGD | (318) | – | (317) |
| HKD | (5,607) | (700) | – |

* Less than NT\$1,000

A 5% strengthening of the relevant foreign currency against the functional currency of each Group entity would have resulted in an equal but opposite effect on the profit or loss and other comprehensive income, on the basis that all other variables remain constant.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. This is attributable to volatility of foreign currency markets and fluctuations in Group and Company balances held and payable.

Interest rate risk

The Group's income, expenses and operating cash flows are substantially independent of changes in market interest rate as the Group does not hold interest-bearing liabilities and the interest-bearing assets are limited to the time deposits as disclosed in note 14.

Market price risk

Market price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk, which are discussed above), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Group is exposed to market price risk arising from its investments in securities. The management of the Group's market risk is monitored on a regular basis in accordance with the Group's investment objective and policies.

NOTES TO THE FINANCIAL STATEMENTS

5 Financial risk management (cont'd)

Market risks (cont'd)

Exposure to market price risk

As at 31 December 2016, if market prices had been 5% higher with all other variables held constant, the increase in fair value of available-for-sale quoted investments and the corresponding increase in fair value reserve would be NT\$43 million (2015: NT\$70 million), whereas the increase in the fair value of held-for-trading and other financial assets at fair value through profit or loss quoted investments and the corresponding increase in profit before tax, would be NT\$4 million (2015: NT\$28 million). If market prices had been 5% lower with all other variables held constant, the fair values would have decreased by equal amounts.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of regular monitoring procedures. The extent of the Group's credit exposure is represented by the aggregate balance of financial assets recorded in the financial statements, grossed up for any allowances for losses and reduced by the effects of any netting arrangements with counterparties. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

Exposure to credit risk

The carrying amounts of trade and other receivables and cash and cash equivalents represent the Group and the Company's respective maximum exposure to credit risk. The Group and the Company does not hold any collateral in respect of its financial assets.

The Group places surplus funds in banks with reputable financial institutions. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

As at the financial reporting date, the trade and other receivables are not past due (2015: not past due).

Impairment losses

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The movement in the allowance for impairment losses in respect of trade and other receivables during the year was as follows:

| | Group | | Company | |
|-----------------------------|----------|----------|----------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| At beginning of year | – | 5,604 | – | – |
| Impairment losses write off | – | (5,604) | – | – |
| At end of year | – | – | – | – |

Based on the Group's monitoring of credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of the remaining trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

5 Financial risk management (cont'd)

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. There are no external borrowings, and the current liabilities of the Group are not significant in relation to the current assets level. The Group maintains a high current ratio of 12.96 as at 31 December 2016 (2015: 9.27). The Group's financial liabilities are repayable upon demand or repayable within the next financial year.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

| | Carrying amount | Cash flows | |
|---|--------------------|---------------------------|------------------|
| | | Contractual cash flows | Within 1 year |
| Group | NT\$'000 | NT\$'000 | NT\$'000 |
| 2016 | | | |
| Non-derivative financial liabilities | | | |
| Trade and other payables | 103,237 | 103,237 | 103,237 |
| 2015 | | | |
| Non-derivative financial liabilities | | | |
| Trade and other payables | 72,249 | 72,249 | 72,249 |
| Company | | | |
| 2016 | | | |
| Non-derivative financial liabilities | | | |
| Trade and other payables | 29,804 | 29,804 | 29,804 |
| 2015 | | | |
| Non-derivative financial liabilities | | | |
| Trade and other payables | 22,960 | 22,960 | 22,960 |

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, retained earnings and non-controlling interests of the Group. There are no external borrowings within the Group entities.

The objective of the Group is to provide shareholders with above average returns over the long-term mainly through capital growth of the Group's venture capital investments. Management also invests, within stringent limits, in a portfolio of equities listed on the Taiwanese and other stock exchanges, as well as other limited risks financial instruments, with a view to maximise returns in the short to medium term. The Group does not face any externally imposed capital requirements, except that the Taiwanese subsidiaries are required by law to set aside certain percentage of their annual net profit after tax as legal reserve as further described in note 16. Such legal requirements have been fully complied with by the Group. There were no changes in the Group's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS

6 Classification of financial assets and liabilities

The classification of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

| Group | Note | Held-for-trading | Loans and receivables | Designated at fair value | Available-for-sale | Other financial liabilities within scope of IAS 39 | Total carrying amount |
|--|------|------------------|-----------------------|--------------------------|--------------------|--|-----------------------|
| | | | | | | | |
| 2016 | | | | | | | |
| Available-for-sale investments | 9 | - | - | - | 4,214,758 | - | 4,214,758 |
| Other financial assets designated at fair value through profit or loss | 10 | - | - | 1,144,159 | - | - | 1,144,159 |
| Held-for-trading investments | 12 | 46,578 | - | - | - | - | 46,578 |
| Trade and other receivables* | 13 | - | 16,707 | - | - | - | 16,707 |
| Cash and cash equivalents | 14 | - | 2,079,545 | - | - | - | 2,079,545 |
| | | 46,578 | 2,096,252 | 1,144,159 | 4,214,758 | - | 7,501,747 |
| Trade and other payables | 20 | - | - | - | - | (103,237) | (103,237) |
| 2015 | | | | | | | |
| Available-for-sale investments | 9 | - | - | - | 5,033,759 | - | 5,033,759 |
| Other financial assets designated at fair value through profit or loss | 10 | - | - | 1,225,459 | - | - | 1,225,459 |
| Held-for-trading investments | 12 | 38,714 | - | - | - | - | 38,714 |
| Trade and other receivables* | 13 | - | 55,114 | - | - | - | 55,114 |
| Cash and cash equivalents | 14 | - | 1,774,550 | - | - | - | 1,774,550 |
| | | 38,714 | 1,829,664 | 1,225,459 | 5,033,759 | - | 8,127,596 |
| Trade and other payables | 20 | - | - | - | - | (72,249) | (72,249) |

* Excludes prepayments and tax recoverable

NOTES TO THE FINANCIAL STATEMENTS

6 Classification of financial assets and liabilities (cont'd)

| | Note | Loans and receivables NT\$'000 | Other financial liabilities within scope of IAS 39 NT\$'000 | Total carrying amount NT\$'000 |
|------------------------------|------|--------------------------------------|--|---|
| Company | | | | |
| 2016 | | | | |
| Trade and other receivables* | 13 | 1 | – | 1 |
| Cash and cash equivalents | 14 | 114,293 | – | 114,293 |
| | | <u>114,294</u> | <u>–</u> | <u>114,294</u> |
| Trade and other payables | 20 | – | (29,804) | (29,804) |
| 2015 | | | | |
| Trade and other receivables* | 13 | 1 | – | 1 |
| Cash and cash equivalents | 14 | 57,310 | – | 57,310 |
| | | <u>57,311</u> | <u>–</u> | <u>57,311</u> |
| Trade and other payables | 20 | – | (22,960) | (22,960) |

* Excludes prepayments

7 Investments in subsidiaries

| | Company | |
|--------------------------------------|------------------|------------------|
| | 2016 NT\$'000 | 2015 NT\$'000 |
| Unquoted equity investments, at cost | <u>5,255,069</u> | <u>5,255,069</u> |

Details of significant subsidiaries are as follows:

| Name | Principal activities | Principal place of business/Country of incorporation | Ownership interest | |
|--|--|--|--------------------|-----------|
| | | | 2016 % | 2015 % |
| Daitung Development and Investment Corp. ^{(a)(b)(g)} | Invest in listed/over the counter and unlisted companies | Taiwan, Republic of China | 99.99 | 99.99 |
| Hotung Venture Capital Corp. ^{(a)(c)(g)} | Invest in listed/over the counter and unlisted companies | Taiwan, Republic of China | 99.99 | 99.99 |
| Huitung Investments (BVI) Ltd. ^{(a)(d)(g)} | Invest in listed/over the counter and unlisted companies | British Virgin Islands | 100.00 | 100.00 |

NOTES TO THE FINANCIAL STATEMENTS

7 Investments in subsidiaries (cont'd)

| Name | Principal activities | Principal place of business/Country of incorporation | Ownership interest | |
|---|--|--|--------------------|--------|
| | | | 2016 | 2015 |
| | | | % | % |
| Hotung Management International Ltd. ^(e) | Provision of consultancy services | People's Republic of China/Cayman Islands | 100.00 | 100.00 |
| Hotung International Co., Ltd. ^{(a)(f)} | Provision of consultancy services | Taiwan, Republic of China | 41.35 | 41.35 |
| Held by subsidiaries | | | | |
| Horizon Consultants Co., Ltd. ^{(a)(g)} | Investment holding | Cayman Islands | 100.00 | 100.00 |
| Infinitude Investment Co., Ltd. ^{(a)(g)} | Invest in listed/over the counter and unlisted companies | British Virgin Islands | 100.00 | 100.00 |

^(a) Audited by other member firm of KPMG International.

^(b) In 2015, Daitung Development and Investment Corp. ("Daitung") embarked on capital reduction exercises, reducing its contributed capital by NT\$150 million by way of return of cash to its shareholders. The Group's shareholding in Daitung remains unchanged subsequent to the capital reduction exercise.

^(c) During the year, Hotung Venture Capital Corp. ("Venture") declared cash dividend of NT\$233 million to its shareholders.

In 2015, Hotung Venture Capital Corp. ("Venture") embarked on capital reduction exercises, reducing its contributed capital by NT\$150 million by way of return of cash to its shareholders. The Group's shareholding in Venture remains unchanged subsequent to the capital reduction exercise.

^(d) During the year, Huitung Investments (BVI) Ltd. ("Huitung") declared cash dividend of NT\$325 million to the Company.

^(e) Unaudited management accounts were used for consolidation purpose as the subsidiary is not significant to the Group.

^(f) During the year, Hotung International Co., Ltd. ("HIC") declared cash dividend of NT\$45 million (2015: NT\$40 million) to its shareholders.

In 2015, Hotung International Co., Ltd. ("HIC") was restructured to effect in the Company having the majority control and ability to direct the activities of HIC without the acquisition of additional equity interest. The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date that control commenced:

| | NT\$'000 |
|--|----------------|
| Property, plant and equipment | 55 |
| Trade and other receivables | 8,449 |
| Cash and cash equivalents | 160,356 |
| Trade and other payables | (37,448) |
| Total identifiable net assets acquired | <u>131,412</u> |

^(g) These are investment companies and the investment management operations are performed by HIC.

NOTES TO THE FINANCIAL STATEMENTS

8 Investments in associate

The Group held interests in an immaterial associate in 2015 which was subsequently consolidated as a subsidiary in 2015 when the Group obtained control (refer to Note 7).

| | Group | | Company | |
|--|----------|----------|----------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| Carrying amount of interests in associates | - | - | - | - |
| Share of: | | | | |
| - Profit from continuing operations | - | 9,353 | - | - |
| - OCI | - | - | - | - |
| Total comprehensive income | - | 9,353 | - | - |

9 Available-for-sale investments

| | Group | |
|--|-----------|-----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Quoted equity shares, at fair value | 857,859 | 1,404,807 |
| Unquoted equity shares, at fair value | 3,284,267 | 3,518,642 |
| | 4,142,126 | 4,923,449 |
| Unquoted equity shares, at cost ⁽¹⁾ | 274,303 | 461,031 |
| Allowance for impairment losses ⁽¹⁾ | (201,671) | (350,721) |
| | 72,632 | 110,310 |
| | 4,214,758 | 5,033,759 |

⁽¹⁾ The investments represent equity shares in privately-held companies that do not have a quoted market price in an active market. The fair value of the investments is highly dependent on the value of the investees at the time of disposal.

Although the ultimate method of disposal and the precise market for the instrument are not clear, the disposal could be effected, for example, by way of private transaction to strategic buyers or other financial parties, or via public offering of ordinary shares initiated by the investees. The Group does not have definitive plans to dispose of its interests and the investees do not have any definitive plans to initiate a public offering of their ordinary shares.

The investments are carried at cost because the fair value cannot be reliably determined. The variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range of reasonable inputs are not sufficiently reliable to determine a fair value.

In 2015, the Group wrote off allowance for impairment losses amounting to NT\$1,964 million. The main reason for the change was because reliable measures of company values were no longer available.

The Group's exposure to currency and market risks, and fair value information related to available-for-sale investments are disclosed in notes 5 and 4 respectively.

NOTES TO THE FINANCIAL STATEMENTS

10 Other financial assets at fair value through profit or loss

| | Group | |
|--|-------------------------|-------------------------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Quoted equity shares, at fair value | 33,256 | 521,917 |
| Unquoted equity shares, at fair value | 1,069,195 | 661,090 |
| | <u>1,102,451</u> | <u>1,183,007</u> |
| Unquoted equity shares, at cost ⁽¹⁾ | 130,500 | 131,244 |
| Allowance for impairment losses | (88,792) | (88,792) |
| | <u>41,708</u> | <u>42,452</u> |
| | <u><u>1,144,159</u></u> | <u><u>1,225,459</u></u> |

⁽¹⁾ The investments comprise embedded derivatives held by the Group that are linked to and must be settled by delivery of equity instruments that do not have a quoted market price in an active market.

The fair value of the derivative is highly dependent on the value of investees' ordinary shares at the time of conversion and the timing of conversion. Although the ultimate method of disposal and the precise market for the instrument are not clear, the disposal could be effected, for example, by way of a private transaction to strategic buyers or other financial parties, or via public offering of ordinary shares initiated by the investees. The Group does not have definitive plans to dispose of its interests and the investees do not have any definitive plans to initiate a public offering of their ordinary shares.

The fair value of the unquoted equity components that will be used to settle these combined instruments are significant enough to preclude the Group from obtaining a reliable estimate of fair value due to the variability in the range of reasonable fair value estimates and the probabilities of the various estimates within the range of reasonable inputs which are not sufficiently reliable. Accordingly, the investments were measured at cost.

The Group's exposure to currency and market risks, and fair value information related to other financial assets at fair value through profit or loss are disclosed in notes 5 and 4 respectively.

NOTES TO THE FINANCIAL STATEMENTS

11 Property, plant and equipment

| Group | Motor vehicles | Office equipment | Total |
|---|----------------|------------------|----------|
| | NT\$'000 | NT\$'000 | NT\$'000 |
| Cost | | | |
| At 1 January 2015 | – | – | – |
| Acquisition of subsidiary (note 7) | – | 55 | 55 |
| Additions | – | 63 | 63 |
| At 31 December 2015 | – | 118 | 118 |
| At 1 January 2016 | – | 118 | 118 |
| Additions | 898 | 189 | 1,087 |
| At 31 December 2016 | 898 | 307 | 1,205 |
| Accumulated depreciation and impairment losses | | | |
| At 1 January 2015 | – | – | – |
| Depreciation | – | 23 | 23 |
| At 31 December 2015 | – | 23 | 23 |
| At 1 January 2016 | – | 23 | 23 |
| Depreciation | 90 | 76 | 166 |
| At 31 December 2016 | 90 | 99 | 189 |
| Carrying amounts | | | |
| At 1 January 2015 | – | – | – |
| At 31 December 2015 | – | 95 | 95 |
| At 31 December 2016 | 808 | 208 | 1,016 |

12 Held-for-trading investments

| | Group | |
|----------------------------------|----------|----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Equity securities, at fair value | 46,578 | 38,714 |

The Group's exposure to market risks and fair value information related to held-for-trading investments are disclosed in notes 5 and 4 respectively.

NOTES TO THE FINANCIAL STATEMENTS

13 Trade and other receivables

| | Group | | Company | |
|---------------------------------|----------|----------|----------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| Trade receivables (non-current) | 4,837 | 9,847 | – | – |
| Trade receivables (current) | 9,276 | 43,435 | – | – |
| Interest receivable | 1,312 | 502 | 1 | 1 |
| Other receivables | 1,282 | 1,330 | – | – |
| Tax recoverable | 123 | 123 | – | – |
| Prepayments | 693 | 1,927 | 41 | 1,610 |
| | 12,686 | 47,317 | 42 | 1,611 |

The Group and Company's exposure to credit and currency risks are disclosed in note 5.

14 Cash and cash equivalents

| | Group | | Company | |
|--|-----------|-----------|----------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| Time deposits | 1,184,785 | 1,188,677 | 8,792 | 8,780 |
| Cash and bank balances | 894,760 | 585,873 | 105,501 | 48,530 |
| Cash and cash equivalents in the statement of financial position | 2,079,545 | 1,774,550 | 114,293 | 57,310 |
| Cash held by trustee | (767) | (7,924) | – | – |
| Cash and cash equivalents in the statement of cash flows | 2,078,778 | 1,766,626 | 114,293 | 57,310 |

The time deposits bear effective interest at rates ranging from 0.07% to 1.20% (2015: 0.03% to 0.80%) per annum at the end of the reporting period. The time deposits mature on varying dates within 7 months (2015: 6 months) from the financial year end.

Cash held by trustee represents bank balances held under escrow account arrangements arising from sale of investments.

The Group and Company's exposure to currency and interest rate risks related to cash and cash equivalents are disclosed in note 5.

NOTES TO THE FINANCIAL STATEMENTS

15 Share capital

| | Group and Company | | | |
|-------------------------------|--|-----------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Number of ordinary shares, including treasury shares | | | |
| | '000 | '000 | NT\$'000 | NT\$'000 |
| Authorised | 200,000 | 200,000 | 10,000,000 | 10,000,000 |
| Issued and fully paid: | | | | |
| At beginning of the year | 104,661 | 1,046,607 | 5,233,033 | 5,233,034 |
| Effect of share consolidation | – | (941,946) | – | (1) |
| At end of the year | 104,661 | 104,661 | 5,233,033 | 5,233,033 |

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

As a result of share consolidation of every 10 existing ordinary shares into 1 ordinary share on 9 December 2015, the number of issued shares of the Company was reduced to 104,660,662 with par value of NT\$50 each.

16 Reserves

The reserves of the Group and the Company comprise the following balances:

| | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| Contributed surplus reserve | 406,116 | 406,116 | 406,116 | 406,116 |
| Currency translation and other reserve | 62,408 | 112,293 | – | – |
| Legal reserve | 477,508 | 457,504 | – | – |
| Special reserve | 19,801 | 19,801 | – | – |
| Capital surplus – net assets from merger | 126,667 | 126,667 | – | – |
| Fair value reserve | 759,471 | 1,108,544 | – | – |
| Treasury share reserve | (254,062) | (188,777) | (254,062) | (188,777) |
| | 1,597,909 | 2,042,148 | 152,054 | 217,339 |

Contributed surplus reserve

Contributed surplus reserve represents the difference between the purchase price and par value of shares bought back before 2012. Under existing Bermuda law, distributions can be made out of this reserve as long as certain solvency and capital requirements are fulfilled.

NOTES TO THE FINANCIAL STATEMENTS

16 Reserves (cont'd)

Currency translation and other reserve

The currency translation and other reserve mainly comprise of foreign currency differences arising from the translation of the financial statements of foreign operations.

Legal and special reserve

Subsidiaries incorporated in Taiwan, Republic of China, are required by Companies Act in Taiwan to set aside a certain percentage of their annual net profit after tax less prior years' losses, if any, as legal reserve until the accumulated reserve have reached an amount equal to the subsidiary's paid up capital. In addition, the Articles of those subsidiaries provide that separate amounts shall be set aside as special reserve. These reserves can be used to offset accumulated losses. The legal reserve may be transferred to capital or distributed in cash when they have reached a level equivalent to a certain percentage of the subsidiary's paid-up capital. The special reserve may be used in any manner subject to proposal by the respective Board and approval by the shareholders in a general meeting.

Capital surplus – net assets from merger

In 2008, a merger was effected within the Group for three of the Company's subsidiaries, being Litung Venture Capital Corp., Hotung Venture Capital Corp. and Futung Venture Capital Corp. The legal reserve that pertained to the two entities that were wound up pursuant to the merger were transferred to the "Capital surplus - net assets from merger" account. This balance can be converted into capital of the merged subsidiary upon approval by its shareholders, provided the subsidiary is in an accumulated profit position. Unlike legal reserve, there is no limit to the amount of capital surplus that can be converted into share capital.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

Treasury share reserve

Pursuant to the general mandate obtained in General Meetings held on 21 April 2016, the Company continued with its share buy-back exercise. During the year, the number of shares purchased by way of market acquisition was 1,962,500 (2015: 1,859,380), for an aggregated consideration of NT\$65,285,000 (2015: NT\$64,892,000). Pursuant to the Bye-laws of the Company, the shares purchased are treated as treasury shares.

As at 31 December 2016, the total number of shares that remain in issuance excluding treasury shares amounted to 97,420,382 (2015: 99,382,882).

NOTES TO THE FINANCIAL STATEMENTS

17 Non-controlling interests

The following summarises the financial information of the Group's significant subsidiary with material non-controlling interests, based on their respective (consolidated) financial statements prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies, and excluding inter-company eliminations with other companies in the Group. As at the reporting date, the Group only had one subsidiary with significant non-controlling interest, HIC, which is incorporated in and operates in Taiwan.

Although the Group owns less than half of the ownership interest and voting power of HIC, management has determined that the Group has control over HIC as the Group is exposed to variable returns from its involvement with HIC and has the ability to affect those returns through its power over HIC.

| | HIC | |
|--|----------------|----------------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Percentage shareholdings by non-controlling interests | 58.65% | 58.65% |
| Revenue | 211,605 | 158,423 |
| Profit | 75,079 | 41,062 |
| Other comprehensive losses | (892) | – |
| Total comprehensive income | <u>74,187</u> | <u>41,062</u> |
| Attributable to NCI: | | |
| – Profit | 44,033 | 13,370 |
| – Other comprehensive losses | (523) | – |
| Total comprehensive income | <u>43,510</u> | <u>13,370</u> |
| Non-current assets | 1,045 | 124 |
| Current assets | 278,770 | 223,607 |
| Non-current liabilities | – | – |
| Current liabilities | (86,617) | (59,723) |
| Net assets | <u>193,198</u> | <u>164,008</u> |
| Net assets attributable to NCI | <u>113,311</u> | <u>96,191</u> |
| Cash flows from operating activities | 65,142 | 45,731 |
| Cash flows used in investing activities | (1,063) | (62) |
| Cash flows used in financing activities | (45,000) | (40,000) |
| Net increase in cash and cash equivalents | <u>19,079</u> | <u>5,669</u> |

NOTES TO THE FINANCIAL STATEMENTS

18 Dividends

| | Group and Company | |
|---|-------------------|----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| <i>Ordinary dividends paid</i> | | |
| NT\$4.02484 per ordinary share (2015: NT\$0.258*) | 400,000 | 257,633 |

After the end of the reporting period, the following dividends were proposed by the directors. The dividends have not been provided for and there are no tax consequences.

| | Group and Company | |
|--|-------------------|----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| NT\$3.1 per ordinary share (2015: NT\$4.02484) | 301,332 | 400,000 |

* Before effect of share consolidation in 2015 (refer to note 15)

19 Deferred tax liability

| | Group | |
|--|----------|----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Deferred tax liability arising from net change in fair value of: | | |
| – available-for-sale investments | 40,404 | 90,254 |
| – other financial asset at fair value through profit or loss | – | 11,496 |
| | 40,404 | 101,750 |

The movement for the year in deferred tax position is as follows:

| | Balance as at 1 January 2015 | Recognised in profit or loss | Recognised in other comprehensive income | Balance as at 31 December 2015 and 2016 | Recognised in profit or loss | Recognised in other comprehensive income | Balance as at 31 December 2016 |
|--|------------------------------|------------------------------|--|---|------------------------------|--|--------------------------------|
| | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| Available-for-sale investments | 36,286 | – | 53,968 | 90,254 | (3,346) | (46,504) | 40,404 |
| Other financial asset at fair value through profit or loss | – | 11,496 | – | 11,496 | (11,496) | – | – |
| | 36,286 | 11,496 | 53,968 | 101,750 | (14,842) | (46,504) | 40,404 |

NOTES TO THE FINANCIAL STATEMENTS

20 Trade and other payables

| | Group | | Company | |
|------------------|----------|----------|----------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| Accrued expenses | 103,237 | 72,249 | 29,804 | 22,960 |

The Group and Company's exposure to currency and liquidity risks related to the trade and other payables are disclosed in note 5.

21 Revenue

| | Group | |
|--|----------|----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Interest income | 6,376 | 3,901 |
| Dividend/distribution income | 154,573 | 293,216 |
| Losses on sale of held-for-trading investments | (11,611) | (1,347) |
| Gains on sale of available-for-sale investments | 365,280 | 217,320 |
| Gains on sale of other financial assets at fair value through profit or loss | 79,068 | 165,968 |
| Gains on sale of investments in associates | – | 185 |
| Changes in fair value of held-for-trading investments | (6,999) | 17,835 |
| Changes in fair value of other financial assets at fair value through profit or loss | 152,338 | 179,726 |
| Foreign exchange (losses)/gains | (15,783) | 3,542 |
| Others | 9,661 | 11,312 |
| | 732,903 | 891,658 |

22 Impairment losses

| | Group | |
|--|----------|----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Impairment losses on available-for-sale investments, at fair value | 120,774 | 178,756 |
| Impairment losses on available-for-sale investments, at cost | 11,624 | 53,541 |
| Impairment losses on other financial assets at fair value through profit or loss | – | 20,109 |
| | 132,398 | 252,406 |

NOTES TO THE FINANCIAL STATEMENTS

23 Operating expenses

| | Group | |
|------------------------------------|----------|----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Staff cost * | 96,367 | 54,356 |
| Audit fees | | |
| – auditors of the Company | 2,407 | 2,440 |
| – other auditors | 3,155 | 2,864 |
| Non-audit fees | | |
| – other auditors | 740 | 660 |
| Operating lease expense | 11,076 | 7,175 |
| Management fees to an associate ** | – | 51,571 |
| Incentive fees to an associate ** | – | 11,240 |
| Other administrative expenses | 53,569 | 41,401 |
| | 167,314 | 171,707 |

* Staff cost includes HIC staff cost from 1 July 2015 to 31 December 2015.

** Fees paid/payable to the associate from 1 January 2015 to 30 June 2015.

24 Tax expense

| | Group | |
|--|----------|----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Current tax expense | | |
| Current year | 94,230 | 50,653 |
| Adjustment for prior years | (4,501) | (10,338) |
| | 89,729 | 40,315 |
| Deferred tax expense | | |
| Origination and reversal of temporary difference | (11,496) | 11,496 |
| Recognition of previously unrecognised tax losses | (6,959) | (7,761) |
| | (18,455) | 3,735 |
| | | |
| Tax expense | 71,274 | 44,050 |
| | | |
| Reconciliation of effective tax rate | | |
| Profit before tax | 433,191 | 476,898 |
| Tax at the statutory rate of respective jurisdictions | 33,676 | 45,472 |
| Difference in tax rates applicable to capital gains on securities | (36,554) | (10,996) |
| Effect of tax on bonus shares | (5,298) | (21,310) |
| Non-taxable income | (5,475) | (27,660) |
| Non-deductible expenses | 26,728 | 55,732 |
| Deductible losses from investee | (28,098) | (5,327) |
| Adjustment for prior years | (4,501) | (10,338) |
| Recognition of previously unrecognised tax losses | (6,959) | (7,761) |
| Current year losses for which no deferred tax asset was recognised | 30,504 | – |
| Tax on undistributed profits of subsidiaries | 16,331 | 22,564 |
| Foreign investors' withholding tax | 50,920 | 3,674 |
| | 71,274 | 44,050 |

NOTES TO THE FINANCIAL STATEMENTS

24 Tax expense (cont'd)

The Company and certain subsidiaries of the Group are domiciled in jurisdictions where no statutory tax is imposed. Other subsidiaries of the Group are domiciled in Taiwan and subject to Taiwan tax regulations, where the statutory tax rate is 17%.

Subsidiaries: investment losses

The Taiwan subsidiaries' taxable income are subject to deductible losses from investee, which are losses recognised arising from capital reduction at investee companies and previously non-deductible impairment losses of investments realised through disposal.

Subsidiaries: capital gains tax

The Taiwan subsidiaries are also subject to capital gains tax, computed as the higher of 17% on adjusted capital gains arising from the sales of non-Taiwanese securities, or 12% on adjusted capital gains arising from the sales of Taiwanese and non-Taiwanese securities, whichever is higher. The Group also assesses for potential capital gains tax arising from the fair valuation of the available-for-sale investment portfolio. The resulting tax is recorded as deferred tax liability with a corresponding adjustment to fair value reserve. The movement in deferred tax liability each year arises from the realisation of fair value adjustments through sales of investments and changes in fair value of the investment portfolio.

Subsidiaries: withholding tax

Dividends paid by Taiwanese companies are subjected to foreign investors' withholding tax. At the end of the reporting period, the aggregate amount of undistributed earnings of the Taiwanese subsidiaries (without making a distinction between pre-acquisition and post-acquisition earnings) are NT\$2,475 million (2015: NT\$2,521 million). Included therein is legal reserve which cannot be distributed under the Taiwanese law unless the balance of legal reserve is greater than 25% of the issued capital following the revision of the Company Act which took effect from 4 January 2012. The withholding tax that would be incurred should the above earnings be distributed are estimated to be NT\$262 million (2015: NT\$273 million), including the withholding tax impact computed on the legal reserve alone amounting to NT\$67 million (2015: NT\$65 million).

As the fair valuation of the investment portfolio may result in higher earnings, the Taiwan subsidiaries are further subject to potential withholding tax should the earnings be distributed. For the year ended 31 December 2016, the additional withholding tax that would be incurred on the distributed earnings is estimated to be NT\$68 million (2015: NT\$156 million).

No deferred tax liability has been recorded in respect of the above withholding tax exposures given that the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. Specifically, management does not intend to require distribution of the earnings from the Taiwanese subsidiaries and accordingly, did not recognise the liabilities associated with the potential withholding tax obligation. This stance is consistent with that taken by management in prior years.

NOTES TO THE FINANCIAL STATEMENTS

24 Tax expense (cont'd)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|------------|----------|----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Tax losses | 422,589 | 284,085 |

The tax losses carried forward available for offsetting against future taxable income will expire as follows:

| | Group | |
|------|----------|----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| 2018 | – | 16,985 |
| 2019 | 2,327 | 15,307 |
| 2020 | 5,338 | 16,307 |
| 2021 | 94,061 | 94,061 |
| 2024 | 141,425 | 141,425 |
| 2026 | 179,438 | – |
| | 422,589 | 284,085 |

The Group did not recognise the deferred tax assets in respect of the above tax losses carried forward as it is not probable that there will be taxable profit against which the tax losses can be utilised.

25 Earnings per share

For the financial year ended 31 December 2016, basic earnings per share is calculated by dividing the consolidated profit attributable to owners of the Company of NT\$317,878,000 (2015: NT\$419,469,000) by the weighted average number of ordinary shares outstanding of 98,960,953 (2015: 99,892,209).

Weighted average number of shares in issue is calculated as follows:

| | Group | |
|--|--------|-----------|
| | 2016 | 2015 |
| | '000 | '000 |
| Issued ordinary shares at beginning of the year | 99,383 | 1,012,423 |
| Effect of repurchase of shares | (422) | (13,501) |
| Share consolidation ⁽¹⁾ | – | (899,030) |
| Weighted average number of shares at end of the year | 98,961 | 99,892 |

⁽¹⁾ On 9 December 2015, the Company completed a share consolidation of every 10 existing issued ordinary shares into 1 consolidated ordinary share in the capital of the Company.

Diluted earnings per share is the same as basic earnings per share as there were no dilutive financial instruments issued during the year or outstanding as at the end of financial year.

NOTES TO THE FINANCIAL STATEMENTS

26 Related parties

In addition to the related parties information shown elsewhere in the financial statements, the following significant transactions took place between the Group and related parties during the financial year:

Key management personnel compensation

Key management personnel compensation is analysed as follows:

| | Group | |
|--|----------|----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Directors' fees | 8,810 | 8,810 |
| Incentive bonus to director | 3,211 | 4,237 |
| Remuneration and other short term employee benefits* | 38,695 | 14,064 |
| | 50,716 | 27,111 |

The directors' fees and incentive bonus paid or payable to the directors represent the total compensation (all short-term) paid to the directors. There is no other compensation paid or payable to the directors.

One executive director of the Company entered into a service agreement with the Company whereby she is entitled, in aggregate, to an incentive bonus equivalent to 1% of the Group's audited profit after tax and non-controlling interests. This amounted to NT\$3.2 million (2015: NT\$4.2 million) for the year.

Other related parties transactions

| | Group | |
|--|----------|----------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Management fees to an associate** | – | 51,571 |
| Incentive fees to an associate** | – | 11,240 |
| Rental expenses to a corporate shareholder in which directors have interests | 7,366 | 4,171 |

* *Personnel compensation paid/payable to the subsidiary from 1 July 2015 to 31 December 2015.*

** *Fees paid/payable to the associate from 1 January 2015 to 30 June 2015.*

27 Operating segments

The Group identified the operating segments based on internal reporting that the Group's chief decision makers regularly review. Consequent to gaining control of HIC in 2015, the Group reorganised its reportable segments to better reflect the information reviewed by the chief operating decision makers. The Venture Capital segment was reorganised to include all investment subsidiaries of the Group and renamed Investment Business; the others segment was renamed Fund Management to reflect the activities of the fund management subsidiary.

1. Investment — the Group's core business segment conducted mainly through its three subsidiaries: Hotung Venture Capital Corp. (Taiwan), Daitung Development and Investment Corp. (Taiwan) and Huitung Investments (BVI) Ltd., with the objective of achieving significant long-term capital appreciation by investing in a balanced and well-diversified portfolio, and assisting and adding value to the portfolio of companies.

NOTES TO THE FINANCIAL STATEMENTS

27 Operating segments (cont'd)

2. Fund management — relates to the Group's fund management conducted by its subsidiary, Hotung International Co., Ltd., with the main objective of providing investment consultancy and advisory services to entities within the Group.

There were no inter-segment transactions during the year except for the management and incentive fees paid from entities within the "investment" business segment to the fund management subsidiary company in the "fund management" segment which was eliminated on consolidation.

| | Investment business | Fund management | Eliminations | Consolidated |
|--|------------------------|--------------------|------------------|------------------|
| | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| 2016 | | | | |
| Revenue | | | | |
| External revenue | 724,527 | 8,376 | – | 732,903 |
| Inter-segmental revenue | 692 | 203,229 | (203,921) | – |
| Total revenue | <u>725,219</u> | <u>211,605</u> | <u>(203,921)</u> | <u>732,903</u> |
| Result | | | | |
| Segment result | 331,617 | 95,198 | – | 426,815 |
| Interest income | 5,811 | 565 | – | 6,376 |
| Profit before tax | <u>337,428</u> | <u>95,763</u> | <u>–</u> | <u>433,191</u> |
| Tax expenses | (50,590) | (20,684) | – | (71,274) |
| Profit after tax but before non-controlling interests | 286,838 | 75,079 | – | 361,917 |
| Non-controlling interests | (6) | (44,033) | – | (44,039) |
| Profit attributable to owners of the Company | <u>286,832</u> | <u>31,046</u> | <u>–</u> | <u>317,878</u> |
| Other information | | | | |
| Segment assets | <u>7,306,827</u> | <u>196,752</u> | <u>–</u> | <u>7,503,579</u> |
| Segment assets includes: | | | | |
| Additions to: | | | | |
| Property, plant and equipment | – | 1,087 | – | 1,087 |
| Segment liabilities | 36,907 | 66,330 | – | 103,237 |
| Current income tax liability | 42,248 | 19,594 | – | 61,842 |
| Deferred tax liability | 40,404 | – | – | 40,404 |
| Total liabilities | <u>119,559</u> | <u>85,924</u> | <u>–</u> | <u>205,483</u> |
| Depreciation | – | 166 | – | 166 |
| Impairment losses on AFS | 132,398 | – | – | 132,398 |

NOTES TO THE FINANCIAL STATEMENTS

27 Operating segments (cont'd)

| | Investment business | Fund management | Eliminations | Consolidated |
|--|------------------------|--------------------|-----------------|------------------|
| | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| 2015 | | | | |
| Revenue | | | | |
| External revenue | 886,275 | 5,383 | – | 891,658 |
| Inter-segmental revenue | 2,384 | 84,211 | (86,595) | – |
| Total revenue | <u>888,659</u> | <u>89,594</u> | <u>(86,595)</u> | <u>891,658</u> |
| Result | | | | |
| Segment result | 431,779 | 31,865 | – | 463,644 |
| Share of profits of associates | – | 9,353 | – | 9,353 |
| Interest income | 3,574 | 327 | – | 3,901 |
| Profit before tax | <u>435,353</u> | <u>41,545</u> | <u>–</u> | <u>476,898</u> |
| Tax expenses | <u>(34,654)</u> | <u>(9,396)</u> | <u>–</u> | <u>(44,050)</u> |
| Profit after tax but before non-controlling interests | 400,699 | 32,149 | – | 432,848 |
| Non-controlling interests | <u>(10)</u> | <u>(13,369)</u> | <u>–</u> | <u>(13,379)</u> |
| Profit attributable to owners of the Company | <u>400,689</u> | <u>18,780</u> | <u>–</u> | <u>419,469</u> |
| Other information | | | | |
| Segment assets | <u>7,952,507</u> | <u>177,234</u> | <u>–</u> | <u>8,129,741</u> |
| Segment assets includes: | | | | |
| Additions to: | | | | |
| Property, plant and equipment | – | 118 | – | 118 |
| Segment liabilities | 84,692 | 47,508 | – | 132,200 |
| Current income tax liability | 56,643 | 11,803 | – | 68,446 |
| Deferred tax liability | 101,750 | – | – | 101,750 |
| Total liabilities | <u>243,085</u> | <u>59,311</u> | <u>–</u> | <u>302,396</u> |
| Depreciation | – | 23 | – | 23 |
| Impairment losses on AFS | 232,297 | – | – | 232,297 |
| Impairment losses on FVTPL | <u>20,109</u> | <u>–</u> | <u>–</u> | <u>20,109</u> |

NOTES TO THE FINANCIAL STATEMENTS

27 Operating segments (cont'd)

Geographical information

The Group's activities are conducted predominantly in Greater China. Income from sales of investments and securities trading is segregated based on the geographies in which the shares of the respective investee entities are quoted or traded. Investments are segregated on the same basis, and for those not quoted or traded, based on the investee entities' principal places of business.

| | Revenue | |
|--------------------------|----------------|----------------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Greater China | 671,102 | 814,994 |
| United States of America | 60,866 | 75,258 |
| Other countries | 935 | 1,406 |
| | <u>732,903</u> | <u>891,658</u> |

As at end of the reporting period, the investments are segregated into the various geographies as follows:

| | Held-for-trading investments | | Available-for-sale investments | | Other financial assets at fair value through profit or loss | |
|--------------------------|------------------------------|---------------|--------------------------------|------------------|---|------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 | NT\$'000 |
| Greater China | 46,578 | 38,714 | 3,994,832 | 4,783,309 | 1,144,159 | 1,225,459 |
| United States of America | – | – | 179,918 | 218,395 | – | – |
| Other countries | – | – | 40,008 | 32,055 | – | – |
| | <u>46,578</u> | <u>38,714</u> | <u>4,214,758</u> | <u>5,033,759</u> | <u>1,144,159</u> | <u>1,225,459</u> |

As the Group is engaged principally in investment activities in Greater China, no further geographical information relating to the location of other non-current assets is presented.

28 Commitments

(a) Capital commitments

The Group has uncalled capital commitments of NT\$156 million (2015: NT\$238 million) for the capital contribution in certain investments as at the financial reporting date or end of the reporting period.

(b) Operating lease commitments

At the end of the reporting period, the commitments in respect of operating leases for office facilities were as follows:

| | Group | |
|--|--------------|---------------|
| | 2016 | 2015 |
| | NT\$'000 | NT\$'000 |
| Within one year | 7,768 | 8,305 |
| Within the second and fifth year inclusive | 266 | 3,294 |
| | <u>8,034</u> | <u>11,599</u> |

SHAREHOLDING STATISTICS

As at 8 March 2017

| | | |
|--|---|---|
| Authorised Share Capital | : | NT\$10,000,000,000 |
| No. of Issued Shares | : | 104,660,662 |
| Issued and fully paid-up Capital | : | NT\$5,233,033,100 |
| No. of Issued Shares (excluding treasury shares) | : | 97,203,782 |
| No. of Treasury Shares Held | : | 7,456,880 |
| Percentage of Treasury Shares Held | : | 7.7% of issued shares (excluding treasury shares) |
| Class of shares | : | Ordinary shares of NT\$50 each |
| Voting rights | : | One vote per share (no vote for treasury shares) |

ANALYSIS OF SHAREHOLDINGS

| Range of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|------------------------|---------------------|--------------|--------------------|--------------|
| 1 – 99 | 25 | 0.2 | 1,047 | 0.0 |
| 100 – 1,000 | 7,876 | 66.7 | 3,603,088 | 3.4 |
| 1,001 - 10,000 | 3,253 | 27.5 | 11,576,487 | 11.1 |
| 10,001 - 1,000,000 | 650 | 5.5 | 36,099,573 | 34.5 |
| 1,000,001 and above | 11 | 0.1 | 53,380,467 | 51.0 |
| | <u>11,815</u> | <u>100.0</u> | <u>104,660,662</u> | <u>100.0</u> |

Shareholding Held in Hands of Public

Based on information available to the Company as at 8 March 2017, approximately 60.2% of the issued ordinary shares of the Company (excluding treasury shares) is held by the public and therefore Rule 723 of the Listing Manual is complied with.

TOP 20 SHAREHOLDERS

| No. | Name of Shareholder | No. of Shares | %* |
|-----|---|-------------------|-------------|
| 1 | Tai Lung Capital Inc. | 17,415,100 | 17.9 |
| 2 | Daiwa Capital Markets Singapore Ltd | 8,614,320 | 8.9 |
| 3 | Mega International Commercial Bank Co., Ltd | 6,025,255 | 6.2 |
| 4 | Citibank Nominees Singapore Pte Ltd | 3,485,336 | 3.6 |
| 5 | DBS Nominees Pte Ltd | 2,834,030 | 2.9 |
| 6 | Chung Lung Investment Co., Ltd | 1,894,477 | 1.9 |
| 7 | Phillip Securities Pte Ltd | 1,424,480 | 1.5 |
| 8 | DB Nominees (S) Pte Ltd | 1,410,085 | 1.5 |
| 9 | Kuo Yang-Fu | 1,265,204 | 1.3 |
| 10 | United Overseas Bank Nominees Pte Ltd | 1,225,100 | 1.3 |
| 11 | Kuo Hsin-Kuei | 933,107 | 1.0 |
| 12 | CIMB Securities (S) Pte Ltd | 913,210 | 0.9 |
| 13 | Wong Seng Loong Solomon | 749,888 | 0.8 |
| 14 | Maybank Kim Eng Securities Pte. Ltd. | 716,513 | 0.7 |
| 15 | HSBC (Singapore) Nominees Pte Ltd | 671,800 | 0.7 |
| 16 | Liu Zou-Hsin | 656,300 | 0.7 |
| 17 | Ho Juat Keng | 632,910 | 0.6 |
| 18 | Boon Suan Aik | 630,000 | 0.6 |
| 19 | Atma Singh S/O Nand Singh | 597,100 | 0.6 |
| 20 | UOB Kay Hian Pte Ltd | 588,179 | 0.6 |
| | | <u>52,682,394</u> | <u>54.2</u> |

* The percentage of issued ordinary shares is calculated based on the total number of 97,203,782 issued ordinary shares of the Company (excluding treasury shares) as at 8 March 2017.

SHAREHOLDING STATISTICS

As at 8 March 2017

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholder

| | Direct Interest | % | Deemed Interest | % |
|---|-----------------|-------|-----------------|-------|
| Tai Lung Capital Inc. ⁽¹⁾ | 17,415,100 | 17.92 | 1,894,477 | 1.95 |
| Mega International Commercial Bank Co., Ltd. | 6,025,255 | 6.20 | – | – |
| Daiwa Corporate Investment Co., Ltd. ⁽²⁾ | – | – | 5,275,513 | 5.43 |
| Tsui-Hui Huang ⁽³⁾ | – | – | 21,342,912 | 21.96 |
| Cheng-Wang Huang ⁽⁴⁾ | – | – | 19,309,577 | 19.87 |

Notes:

- (1) Tai Lung Capital Inc. has a deemed interest in 1,894,477 Shares held by Chung Lung Investment Co., Ltd.
- (2) Daiwa Corporate Investment Co., Ltd. has a deemed interest in 5,275,513 Shares held by Daiwa Capital Markets Singapore Limited.
- (3) Tsui-Hui Huang has deemed interests in the following: (i) 17,415,100 Shares held by Tai Lung Capital Inc.; (ii) 1,894,477 Shares held by Chung Lung Investment Co., Ltd.; (iii) 1,339,785 Shares held by Alps International Co., Ltd., which are registered in the name of DB Nominees (S) Pte Ltd; and (iv) 693,550 Shares held by Daiwa Capital Markets Singapore Limited.
- (4) Cheng-Wang Huang has deemed interests in the following: (i) 17,415,100 Shares held by Tai Lung Capital Inc.; and (ii) 1,894,477 Shares held by Chung Lung Investment Co., Ltd.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tsui-Hui Huang (*Chairman*)
Cheng-Wang Huang
Ng-Chee Tan
Chang-Pang Chang
Boon-Wan Tan
Yen Chen
Kazuyoshi Mizukoshi
Chun-Chen Tsou
Andy C.W. Chen
Yi-Sing Chan
Yang-Fu Kuo

AUDIT COMMITTEE

Ng-Chee Tan (*Chairman*)
Boon-Wan Tan
Andy C.W. Chen

REMUNERATION COMMITTEE

Boon-Wan Tan (*Chairman*)
Chun-Chen Tsou
Chang-Pang Chang

NOMINATING COMMITTEE

Chang-Pang Chang (*Chairman*)
Tsui-Hui Huang
Ng-Chee Tan

COMPANY SECRETARY

Hsin-Chieh Chung

BERMUDA SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

SINGAPORE SHARE TRANSFER AGENT

M&C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: 65-6228-0530
Fax: 65-6225-1452

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

AUDITORS

KPMG LLP
Public Accountants and Chartered Accountants
Partner in charge
Mr. Ian Hong Cho Hor
(appointed on 13 November 2013)



HOTUNG INVESTMENT HOLDINGS LIMITED