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HOTUNG GROUP

HOTUNG INVESTMENT HOLDINGS LIMITED

2018 | 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 more than 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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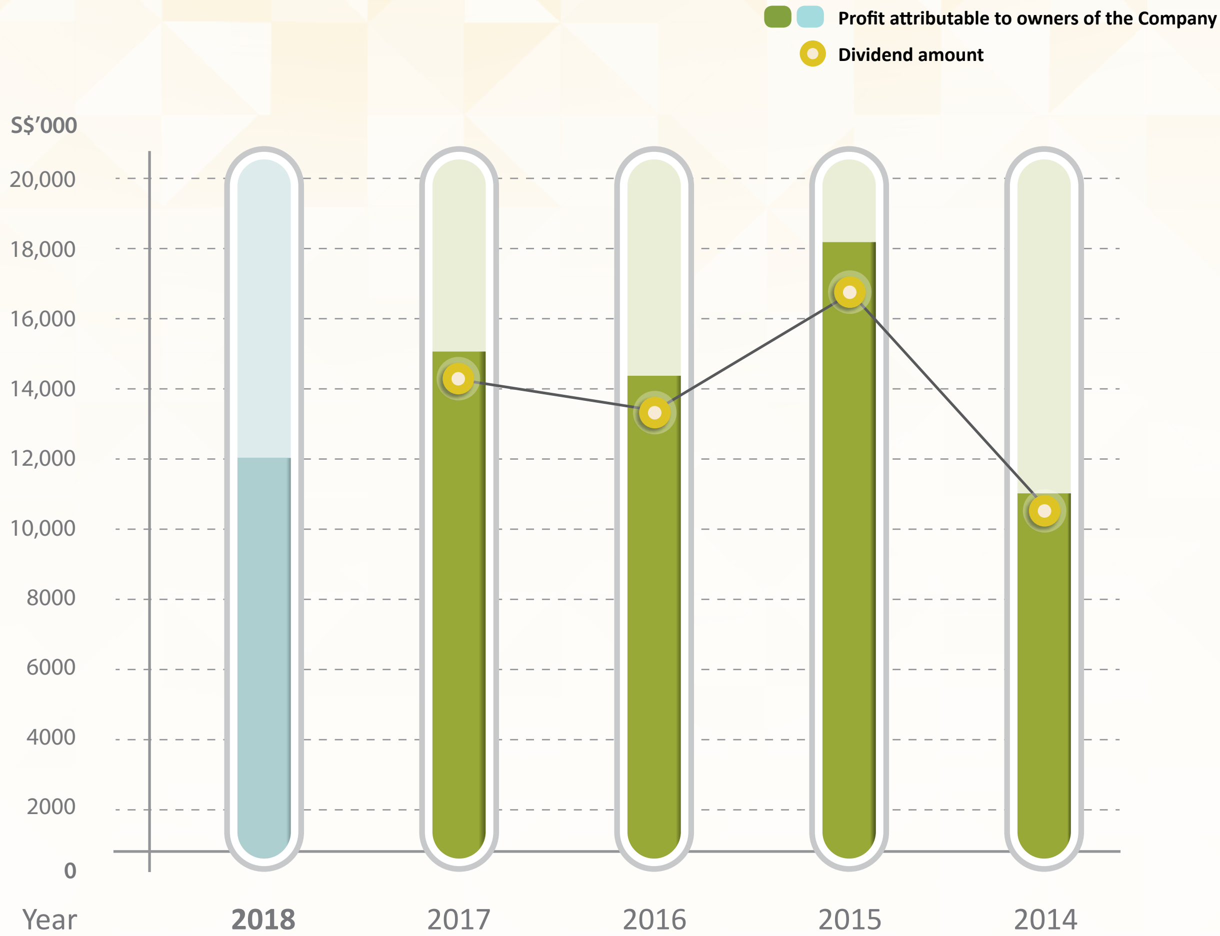


S$'000

	2018	2017	2016	2015	2014
Revenue	**19,725**	29,756	32,880	38,351	22,311
Profit attributable to owners of the Company	**12,047**	15,516	14,261	18,042	10,950
Dividend amount	**Note 1**	14,799	13,978	16,796	11,284
Equity attributable to owners of the Company	**273,432**	275,166	322,316	332,507	298,202

S$

	2018	2017	2016	2015	2014
Earnings per share[2]	**0.125**	0.160	0.144	0.181	0.109
Net Asset Value per share[2]	**2.840**	2.852	3.309	3.346	2.945
Cash Dividend per share[2]	**Note 1**	0.154	0.144	0.169	0.113

Notes:

[1] The Board's 2018 final dividend recommendation of NT$2.8 per share is subject to shareholders' approval at 2019 Annual General Meeting. Distribution will be subject to the outstanding shares (excluding treasury shares) as of book closure date in 2019 and the exchange rate from NT$ 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 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 2014 to 2017, all figures are converted by using the closing exchange rate of each year.

CHAIRMAN'S STATEMENT

We look forward to participating in the evolution of cutting edge technology as well as creating financial value for our investors with prudence and vigilance.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

In 2018, the global equity market underwent its most volatile movement since the 2008 financial crisis. Due to uncertainties in the global economy headlined by the U.S. and China trade war and struggle in the European Union, the business community fears long term disruption to the global technology manufacturing supply chain; consequently, affecting economic stability of Taiwan and China. Companies across the world expects to face challenges, while each will be required to make difficult strategic maneuvers to sustain and grow.

The US Federal Reserve raised interest rate by four-times in 2018. In conjunction with slowdown in China's economy and lukewarm global trade activities, the rate hikes caused unprecedented negativity on all equity and currency markets around the world towards the end of the year. A historically volatile equity market in the closing month of 2018 yielded a more dovish position from the U.S. Federal Reserve going into 2019, as further rate hikes will likely be withheld until the U.S. Federal Reserve sees more clarity in the U.S. economy.

Meanwhile, China's economic growth continues its deceleration; China's 2018 GDP growth will likely be under 6.5% as projected previously. And, as a counter-measure, the Chinese government has reduced its pace to the deleveraging of corporate and municipal debt, as well as a further injection of liquidity from its central bank. We expect the effect of the trade war will reflect on the Chinese economy in the second half of 2019, which will create additional pressure on the Chinese government to stimulate the economy and avert inflated risks in the manufacturing industry and the financial market. The Chinese government currently projects an annual GDP growth of 6%-to-6.5% in 2019.

In the technology sector, we saw a number of unicorn companies list in the U.S. and Hong Kong securities exchange with mixed results in 2018. The discussion within the private market and public market investors is whether private market valuation has exceeded public market perception and expectation. Nevertheless, after a full 10-year bull market recovery from the financial crisis, value assessment investment has returned to center stage.

2018 Financial Overview

Hotung's full year net profit after tax attributable to owners of the Company was NT$270.8 million (S$12 million) and earnings per share was NT$2.81 (S$0.125) in spite of the volatility in the global financial markets in 2018. Net Asset Value per share was NT$63.84 (2017: NT$63.48) at the end of 2018 after paid out cash dividends of NT$3.42 per share for 2017. The Board has proposed a dividend of NT$2.8 per share for the year ended 31 December 2018.

Business Overview

In line with Hotung investment strategy, we continue to invest in the semiconductor, specialty materials, precision machinery, and education sectors in 2018. Going forward, Hotung will also add investments in the healthcare and life science sectors, and clean-energy and advanced agriculture sectors to promote better living environment and sustainability.

While Taiwan's economy has been closely associated with semiconductor, mobile, and technology hardware supply chain, its biotech and medical sector have been the leader in the number of IPO applications accumulated over the past 3-years. Despite a relative small domestic market, Taiwan has been one of Asia's leading service provider and innovator in the medical and pharmaceutical industry. We continue to discover growth prospect in biotech and medical sectors in Taiwan, and will invest into technology leaders in these areas.

Future Prospects

Heading into 2019, the global economy and international relations are becoming more complex and unpredictable. That said, Hotung has demonstrated over the past 32-years that our management team and the experience that we have accumulated is able to balance growth, profitability, and risk control. We look forward to participating in the evolution of cutting edge technology as well as creating financial value for our investors with prudence and vigilance.

On behalf of our management, we thank you for your support.

Tsui-Hui Huang
Chairman
Taipei, Taiwan
22 March 2019

HONORARY CHAIRMAN

CHENG-WANG HUANG

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

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/CEO 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 Company in August 2006 and was elected as Chairman of HIC in April 2009. She was elected as Chairman of HIHL in June 2010. 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 Taipei Exchange during that period. Presently, Ms. Huang is serving the second term of the Chairman of Taiwan Venture Capital Association. She was appointed as the Member of Cornell University President Council. She was founding Vice Chairman of Children Charity Association in Taiwan. 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.

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.

BOARD OF DIRECTORS

CHUN-CHEN TSOU

Non-Executive Director
Date of first appointment as a director: 26 July 1997
Date of last re-election as a director: 17 April 2018

Mr. Chun-Chen Tsou 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.

DR. NG-CHEE TAN

Non-Executive Director
Chairman of Audit Committee
Member of Nominating Committee
Member of Remuneration 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 both the Nominating Committee and Remuneration 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. Until his retirement in March 2018, Dr. Tan had served as an independent director on the board of Prudential Assurance Company Singapore (Pte) Limited (where he was Chairman of the Audit Committee). Previously 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.

BOARD OF DIRECTORS

CHANG-PANG CHANG

Non-Executive Director
Chairman of Nominating Committee
Chairman of Remuneration Committee
Independent Director
Date of first appointment as a director: 23 April 2012
Date of last re-election as a director: 13 April 2017

Mr. Chang-Pang Chang joined the board in April 2012 and is Chairman of both the Nominating Committee and 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 Chengchi 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.

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 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

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: 17 April 2018

Mr. Kazuyoshi Mizukoshi joined the Board in November 2014, he is a Non-Executive Director. Mr. Mizukoshi is currently Managing Director and Head of International Investment Department of Daiwa Corporation Investment Co., Ltd. and Daiwa PI Partners Co., Ltd., and responsible for their private equity and venture capital investments primarily in Asia. 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.

KUNG-WHA DING

Non-Executive Director
Member of Remuneration Committee
Independent Director
Date of first appointment as a director: 13 April 2017
Date of last re-election as a director: N/A

Mr. Ding joined the Board in April 2017. He is currently the Chair Professor of Chihlee University of Technology and the Independent Director of Taiwan High Speed Rail Corporation. Before that, Mr. Ding has worked in government for more than 30 years, mostly in securities and economics. Mr. Ding was formerly the Chairman of the Financial Supervisory Commission, and was also the Chairman of each of the Taipei Exchange, the Taiwan Depository & Clearing Corporation, the Securities and Futures Institute and the Securities and Futures Commission of the Ministry of Finance.

Mr. Ding graduated from National Chung Hsing University (Department of Finance and Taxation) and National Chengchi University (Graduate Institute of Public Finance).

BOARD OF DIRECTORS

DR. PHILIP N. PILLAI

Non-Executive Director
Member of Audit Committee
Independent Director
Date of first appointment as a director: 17 April 2018
Date of last re-election as a director: N/A

Dr. Pillai served as non-executive director of the Company from 1997 to 2009. He was re-elected as non-executive director of the Company on 17 April 2018.

He graduated in law from the National University of Singapore and earned a master's degree and Doctor of Juridical Science from Harvard Law School. He started his career in law, teaching law at the National University of Singapore, going into private legal practice at Shook Lin & Bok LLP from 1986 to 2009 and serving as a Judicial Commissioner and then Judge of the Supreme Court of Singapore in 2009 until he retired in 2012.

He currently serves as a non-executive director on the boards of the Inland Revenue Authority of Singapore, Capitaland Limited, SMRT Corporation Ltd and SMRT Trains Ltd.

TA-SHENG CHEN

Non-Executive Director
Independent Director
Date of first appointment as a director: 14 August 2018
Date of last re-election as a director: N/A

Mr. Ta-Sheng Chen is a Non-Executive Director. He graduated from National Central University and received the master degree of Finance major.

Mr. Ta-Sheng Chen has worked as General Manager for various departments in Mega International Commercial Bank since 2013, and currently is the General Manager of Overseas Business Management Department.

KEY MANAGEMENT

(left to right):

STEVEN HUANG - *Senior Vice President, Head of Taiwan Investments, department II*
VINCENT JANG - *Senior Vice President, Head of Taiwan Investments, department I*
TSUI-HUI HUANG - *Chairman and Managing Director*
FELICIA HSU - *Senior Vice President, CFO & Head of Administration and Finance*
DAVID TSO - *Senior Vice President, Head of China Investments*

KEY MANAGEMENT

TSUI-HUI HUANG

Chairman and Managing Director

Ms. Tsui-Hui Huang is the Chairman and Managing Director of the Company and Chairman/CEO 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 Company in August 2006 and was elected as Chairman of HIC in April 2009. She was elected as Chairman of HIHL in June 2010. 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 Taipei Exchange during that period. Presently, Ms. Huang is serving the second term of the Chairman of Taiwan Venture Capital Association. She was appointed as the Member of Cornell University President Council. She was founding Vice Chairman of Children Charity Association in Taiwan. 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.

STEVEN HUANG

Senior Vice President
Head of Taiwan Investments, department II

Mr. Steven Huang is the Senior 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

VINCENT JANG

Senior Vice President
Head of Taiwan Investments, department I

Mr. Vincent Jang is the Senior 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.

DAVID TSO

Senior Vice President
Head of China Investments

Mr. David Tso is the Senior 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, 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.

FELICIA HSU

Senior Vice President
CFO & Head of Administration and Finance

Ms. Felicia Hsu is the 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
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 founded and co-founded Opto-Electronics & System Lab and Materials Research Lab during his service in ITRI. In 2001, after early retired 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 Associate 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 associate 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
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).

INVESTMENT ADVISORS

DR. RICK TSAI

Investment Advisor
Investment Committee Member

Dr. Lih Shyng Tsai (Rick) currently serves as Chief Executive Officer of MediaTek Incorporated, a global fabless semiconductor company that enables 1.5 billion connected devices a year; a market leader in developing innovative systems-on-chip (SoC) for mobile device, home entertainment, connectivity and IoT products. He served as Chairman and Chief Executive Officer of Chunghwa Telecom Co., Ltd., Taiwan's Largest integrated telecom service provider from January 2014 to December 2016. Under his leadership, Chunghwa telecom launched its 4G mobile broadband services in May 2015, the first in Taiwan, effectively propelling Taiwan's 4G penetration at the fastest rate worldwide. Dr. Tsai also took a lead role in promoting high-speed fiber broadband services and developing new businesses such as ICT, IoT and multimedia convergence as company's future growth drivers. He was elected by FinanceAsia as one of the three best CEOs in Taiwan in 2016.

From August 2011 to January 2014, Dr. Tsai concurrently served as Chairman and Chief Executive Officer of TSMC Solar Ltd., a provider of high-performance solar modules, and TSMC Solid State Lighting Ltd., a company providing integrated LED Lighting solutions, both of which were wholly-owned subsidiaries of Taiwan Semiconductor Manufacturing Company Limited (TSMC).

In December 1989, Dr. Tsai joined TSMC as an engineering manager and rose through the ranks over the following years. He held key executive positions such as Fab Director, EVP of Operations, EVP of Worldwide Sales and Marketing, President and COO. From July 2005 to June 2009 he served as President and CEO of TSMC. Then he became President of New Businesses till July 2011. During this period, Dr. Tsai also assumed the position of President of Vanguard International Semiconductor, a TSMC affiliate, from late 1998 to early 2000. Dr. Tsai received his B.S. in Physics from National Taiwan University and Ph.D. degree in Material Science and Engineering from Cornell University, USA.

OPERATING AND FINANCIAL REVIEW

In 2018, the global equity market underwent its most volatile movement since the 2008 financial crisis. Hotung has demonstrated over the past 32-years that our management team and the experience that we have accumulated is able to balance growth, profitability, and risk control.

In line with Hotung investment strategy, we continue to invest in the semiconductor, specialty materials, precision machinery, and education sectors in 2018. To promote better living environment and sustainability, the Group had further invested in the healthcare and life science sectors, and clean-energy and advanced agriculture sectors. Through management's thorough due diligence and careful selection process, total new long term investments in 2018 amounted to NT$705.1 million, a decrease of 38.3% from the new investments in 2017.

The Group stayed focused on leveraging resources on sound risk management for investments and divestment, resulting in a total investment portfolio amounting to NT$5,208.7 million as at the end of 2018 and achieved earnings per share of NT$2.81, with net profit attributable to shareholders of NT$270.8 million in 2018 (2017: NT$345.4 million). Total operating expenses decreased by 6.2% from NT$144.7 million to NT$135.8 million in 2018.

The Group's other comprehensive income of NT$89.2 million arose mainly from exchange differences on translation of foreign operations due to the appreciation of US dollar against NT dollar.

Net asset value ("NAV") per share increased from NT$63.48 as at the end of 2017 to NT$63.84 as at the end of 2018. The increase was mainly attributable to the increase of fair value through profit or loss ("FVTPL") in investments and the gains on divestment. Contribution to the Group's NAV from profits during the year was offset by the annual dividend payout of NT$3.42 per share for 2017.

IFRS 9 was effective on 1 January 2018. The Group's financial assets in relation to the portfolio of available-for-sale financial assets were designated as FVTPL and the associated balance of the fair value reserve was reclassified to retained earnings on the initial date of application of IFRS 9. Under the transition method chosen, comparative information was not restated. The impact of the adoption of IFRS 9 on the Group's equity was to transfer the fair value reserve of NT$63.2 million(loss) to the accumulated losses as at 1 January 2018.

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 2018, the total investment portfolio was carried at NT$5,208.7 million (2017: NT$4,906.7 million), of which comprised quoted investments of NT$562 million, representing 10.8% of total investments, were valued based on unadjusted closing prices as at reporting date. The remaining portfolio of unquoted investments of NT$4,646.7 million, were valued based on other methods, such as transaction price, the market approach of comparable trading companies and net asset value for fund investments.

Lyra Semiconductor

Lyra Semiconductor has been focusing on developing Type-C audio system-on-a-chip (SoC) and fast charging protocol with moderate success since it founded in 2016. The first Generation USB Audio SoC was put into mass production and being adopted by Nokia's parent company HMD to be a new flagship Nokia 9. To seek differentiation, it has become a trend for smartphone manufacturers taking on Type-C headphones or digital adapters to replace 3.5mm ones. In combination with the breakthrough of patents, Lyra Semiconductor is able to present intelligent functions such as quick charge and motion detection on digital headset SoC.

The development of Type-C Power Delivery (PD) with Fast Charge SoC was initiated in 2017, while providing multiple functions of dynamic intelligent monitor and control, was the first integrated circuit (IC) that entered markets. It already passed compliance testing and obtained certification from USB-IF. Qualcomm Quick Charge 4+ testing and certification were to be recognized by a third-party laboratory by the end of 2018, which is provided for IC companies to apply on their IC products or die. Nasdaq-listed company Alpha & Omega Semiconductor (AOS) has adopted Type-C PD on its AC/DC 18W and 45W adapters, along with 30W and 18W dual port fast chargers for car cigarette lighter.

FitTech Co., Ltd.

FitTech Co., Ltd. (FitTech), founded in 2004, invested in the research and development of LED chips/wafer probers, which performed excellently with affirmation from clients, and laid the foundation. FitTech successively introduced the LED post-package prober, solar power tester, automation solar sorter, laser driller, and laser cutting machine, etc.

The company has invested in LED equipment for more than a decade to accumulate intellectual assets. By high quality R&D capability and executive power, FitTech produces equipment promptly, and serves customers with a service team to optimize requests of clients after sales. In order to satisfy all the requests from clients and avoid repeating investment in domestic equipment industry resources, the company cooperated with SaulTech (2014) and ShiQi (2016), to become a strategic alliance, with great brand images for the production, sales and post-sales service. Within 3 years, FitTech has pushed up its sorter market share to approximately 70% in the world.

FitTech is selling its products with their own brand in China, Asia, and the other region. The company owns comprehensive high-precision mechanical designs, development and independent integration of software, efficient manufacturing, and other capabilities since FitTech's long term and stable management team recognize the re-investment from the strong financial result.

PrimeRich International Co., Ltd.

PrimeRich International Co., Ltd. (PrimeRich) is a professional liquid silicone rubber (LSR) producer established in 2010 with a primary manufacturing base in Dongguan. Owing to the increasing market penetration in LSR among automobile, electric vehicle, medical and bathroom accessories, the revenue is growing rapidly in recent years.

Mould design, raw material formulation, manufacturing process and quality control are the core technologies of PrimeRich, while product quality and cost management are well recognized both by domestic and international manufacturers. The major automotive product is ignition coil; key accounts are Eldor, BrogWarner, etc. In the electric vehicle field, PrimeRich is the supplier of Tesla's Tier 2. As to medical applications, the company produces items such as oxygen mask. It also served as OEM to supply accessories and parts of bathroom products like shower head to Kohler and Hansgrohe. Not long ago, PrimeRich entered Dyson's supply chain, with adding the amount of provision in the future, revenues are expected to grow.

PSS Co.,Ltd.

Since 1995, PSS Co.,Ltd. (PSS Group) has been running the business of parking management over 20 years. Parking management equipment is its bread-and-butter business, in addition, commercial automation and parking management. With a market share up to 70% and clients from top-ranking corporations, PSS Group is the most comphrehansive fee collection system company in Taiwan. By huge R&D investment together with its experienced operational support, PSS Group became the market leader. Due to its strong software design and good customer relationships, PSS Group has diversified its business into other territories like the intelligent self-help register/billing/payment system for hospitals and gas station.

In the area of parking management services, PSS Group is the first three management service providers. Last year, the company brought in a well-known insurance corporation with its capital injection, PSS Group is able to enlarge the business scale and lead the market. By establishing the business in Thailand, where the business is growing fast and achieved a good performance, PSS Group is planning to launch a service called "Online-to-Offline" to provide its clients more value-added services. As such, it is expected to be first top in the parking management industry next year.

REDIdea Co., Ltd.

REDIdea Co., Ltd. (REDIdea) was founded in 2013; its VoiceTube website is one of the most resourceful online digital English learning platforms in Taiwan. Last September, registered accounts at home and abroad were over 3 million.

The company introduced the first paid course material "HERO" in 2015. With orders from 20,000 members in 3 years, REDIdea transformed itself from an internet company that made profit through advertising into a professional online English language learning platform. The second product "VT Pro," which charges on a monthly basis, has launched the market last December.

It is expected that "VT Pro" will inherit the result and praise "HERO" accomplished, to turn 3 million free users into long-term subscribers.

With growing demands from Japan, Vietnam and other uprising countries in Asia, REDIdea offers course materials and lectures for all English learners without border limitation, which is an advantage that benefits itself. In addition, on the strength of English-Chinese words and phrases database accumulated through the years, the company will release the first Chinese learning product next year. REDIdea's growth is foreseen in the following 3 years.

EarlySense, Ltd.

Founded in 2004, EarlySense is an Israeli-based company and market leader in the field of real-time, contact-free, and continuous health monitoring technology. The company's unique systems have been successfully applied in numerous hospitals, nursing home and rehabilitation centers. These systems can wirelessly, continuously monitor patient vital signs while also providing information that maximizes patient safety by helping prevent falls and pressure ulcers.

The company has partnered with distributors in the US, Europe and Asia, and is credited with saving hundreds of lives and saving millions of dollars each year in reduced hospital days, patient falls, adverse events and more. EarlySense also broke into the consumer market with the product "EarlySense Live," a non-wearable sleep and health tracker designed for personal use at home.

Yongda Food Technology Co., Ltd.

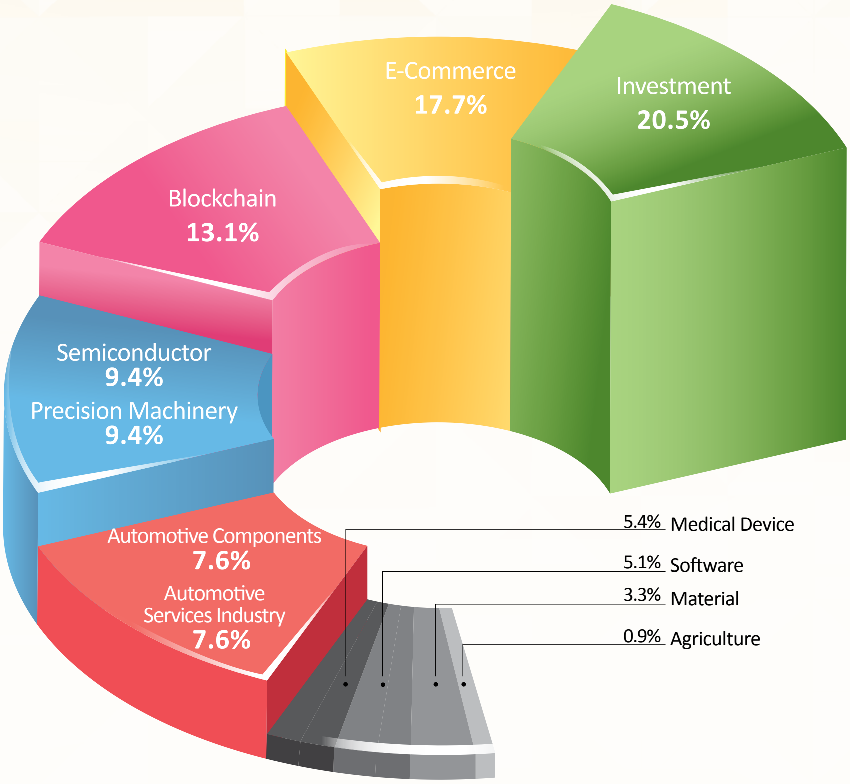
Yongda Food Technology Co., Ltd. (Yongda Food) is located in Neipu, Pingtung County. Founded in 2015, Yongda Food has become the largest lemon contract farming company in Taiwan, and supply to the Great Chinese Area and Southeast Asia.

As consumers are more concerned about food safety, chain restaurants are carefully selecting upstream material suppliers. Yongda Food supervises product traceability and original management in lemon with strict standard, for this reason, it earned affirmation from customers and large sales channels because of the quality and safety of its products. A stable and long-term relationship between the company and large restaurant groups is established on account of partnerships over the years. Since Yongda Food continues to expand contract farming areas, steady supply and quality assurance allows it to determine market prices. Apart from this, as an upstream vendor, it is highly anticipated that Yongda Food will benefit enormously from the consumption upgrade in Asia as well as the booming business of handmade drinks and fresh juice chain stores.

INVESTMENT MANAGER REPORT

2018 NEW INVESTMENT STATISTICS

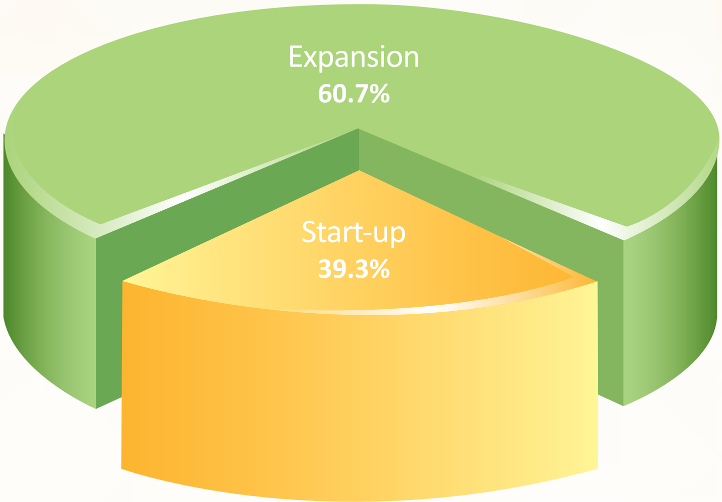
BY INDUSTRY



BY INDUSTRY	INV. AMT. (NT$ million)	%
Investment	144.9	20.5
E-Commerce	124.9	17.7
Blockchain	92.3	13.1
Semiconductor	66.0	9.4
Precision Machinery	65.9	9.4
Automotive Components	53.6	7.6
Automotive Services Industry	53.4	7.6
Medical Device	38.1	5.4
Software	36.0	5.1
Material	23.5	3.3
Agriculture	6.5	0.9
Total	**705.1**	**100.0**

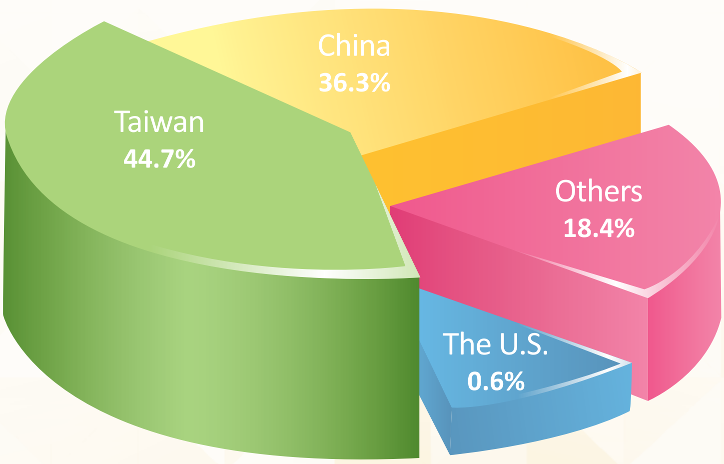
INVESTMENT MANAGER REPORT

BY STAGE



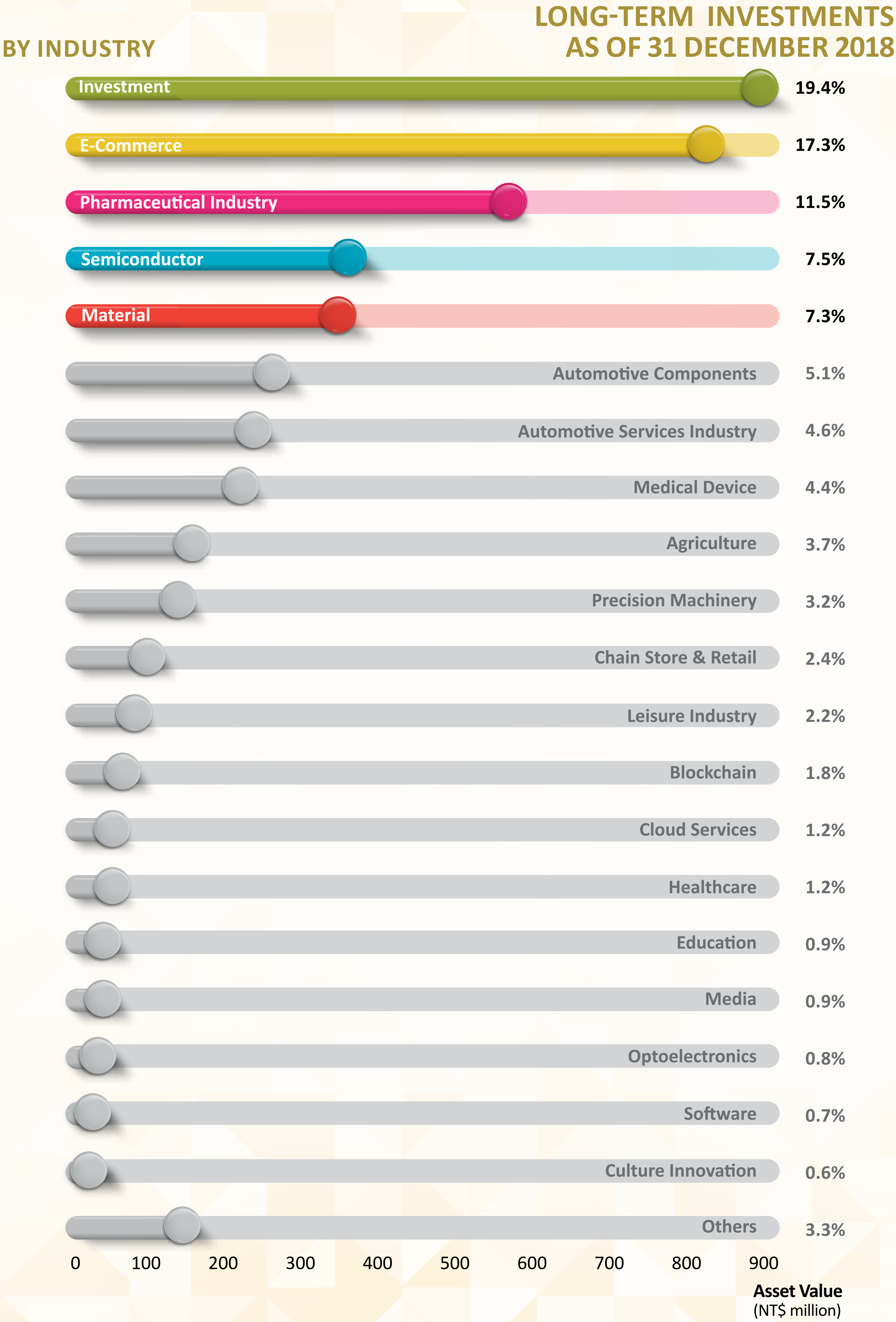
BY STAGE	INV. AMT. (NT$ million)	%
Start-up	277.0	39.3
Expansion	428.1	60.7
Mature	-	-
Total	**705.1**	**100.0**

BY AREA



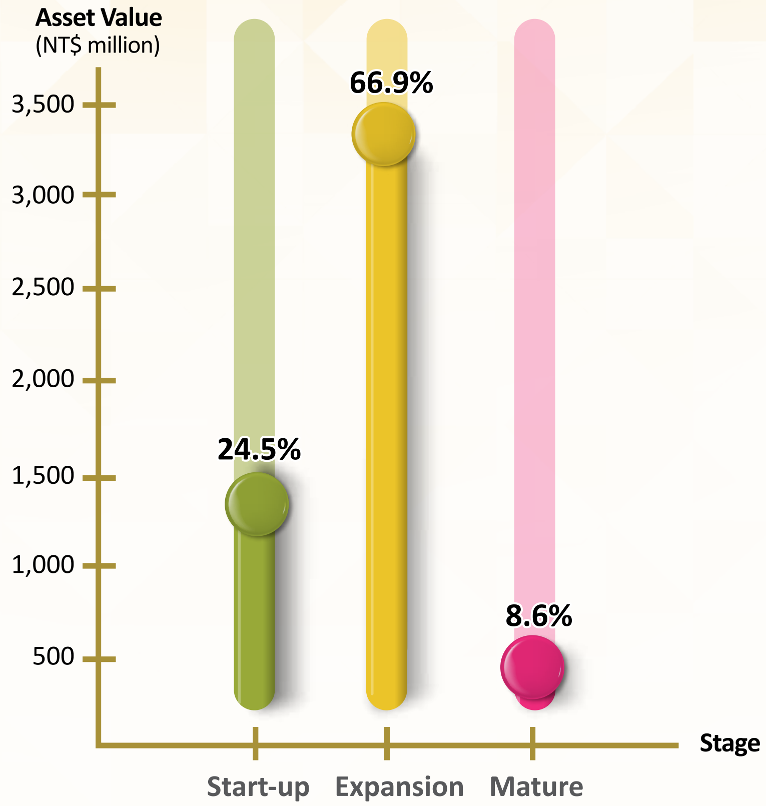
BY AREA	INV. AMT. (NT$ million)	%
Taiwan	315.1	44.7
China	256.1	36.3
The U.S.	4.2	0.6
Others	129.7	18.4
Total	**705.1**	**100.0**

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

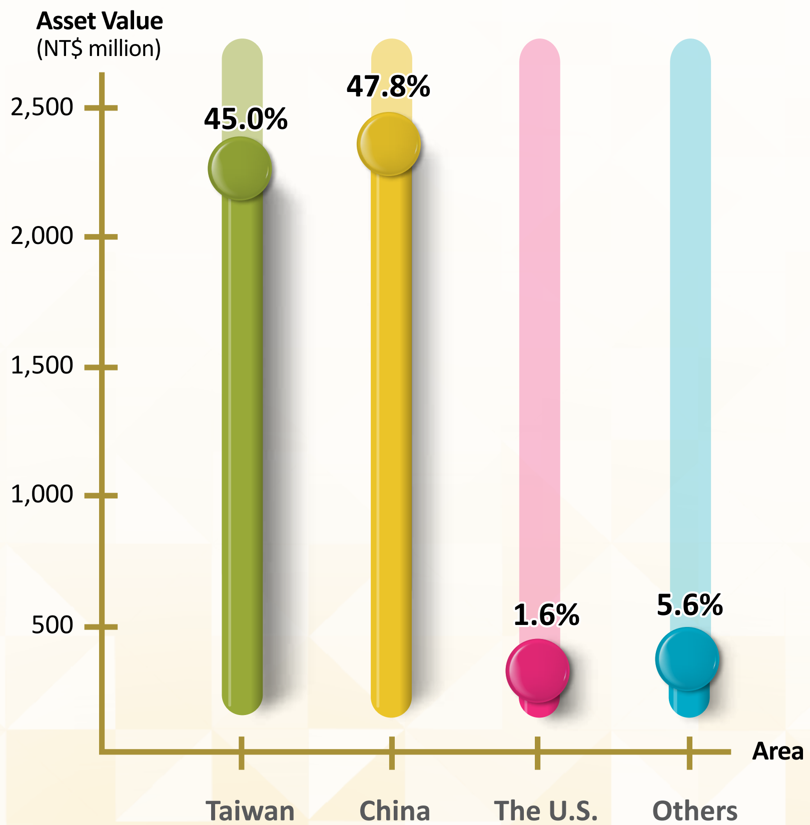

BY INDUSTRY
LONG-TERM INVESTMENTS
AS OF 31 DECEMBER 2018
Investment
19.4%
E-Commerce
17.3%
Pharmaceutical Industry
11.5%
Semiconductor
7.5%
Material
7.3%
Automotive Components
5.1%
Automotive Services Industry
4.6%
Medical Device
4.4%
Agriculture
3.7%
Precision Machinery
3.2%
Chain Store & Retail
2.4%
Leisure Industry
2.2%
Blockchain
1.8%
Cloud Services
1.2%
Healthcare
1.2%
Education
0.9%
Media
0.9%
Optoelectronics
0.8%
Software
0.7%
Culture Innovation
0.6%
Others
3.3%
0
100
200
300
400
500
600
700
800
900
Asset Value
(NT$ million)

INVESTMENT MANAGER REPORT

BY STAGE



BY AREA



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

CORPORATE GOVERNANCE REPORT
SUSTAINABILITY REPORT
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 of the Group during the financial year ended 31 December 2018, 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.

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	
Andy C.W. Chen	M		
Chun-Chen Tsou			
Ng-Chee Tan	C	M	M
Chang-Pang Chang		C	C
Yi-Sing Chan			
Kazuyoshi Mizukoshi			
Kung-Wha Ding			M
Philip N. Pillai	M		
Ta-Sheng Chen			

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 2018 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	–	–	2	2	–	–
Andy C.W. Chen	4	4	4	4	–	–	–	–
Chun-Chen Tsou[1]	4	3	–	–	–	–	4	1
Ng-Chee Tan[2]	4	4	4	4	2	2	4	3
Chang-Pang Chang	4	4	–	–	2	2	4	4
Yi-Sing Chan	4	3	–	–	–	–	–	–
Kazuyoshi Mizukoshi	4	3	–	–	–	–	–	–
Kung-Wha Ding[3]	4	4	–	–	–	–	4	3
Philip N. Pillai[4]	4	3	4	3	–	–	–	–
Ta-Sheng Chen[5]	4	1	–	–	–	–	–	–
Boon-Wan Tan[6]	*4*	*1*	*4*	*1*	–	–	*4*	*1*
Yu-Mei Hsiao[7]	*4*	*1*	–	–	–	–	–	–

Note(s):

1. Mr. Chun-Chen Tsou steps down as member of the Remuneration Committee with effect from the conclusion of the annual general meeting ("AGM") of 17 April 2018 ("2018 AGM").
2. Dr. Ng-Chee Tan joins the Remuneration Committee as a new member with effect from the conclusion of the 2018 AGM.
3. Mr. Kung-Wha Ding joins the Remuneration Committee as a new member with effect from the conclusion of the 2018 AGM.
4. Dr. Philip N. Pillai, the newly-appointed Director at the 2018 AGM, joins the Audit Committee as a new member with effect from the conclusion of the 2018 AGM.
5. Mr. Ta-Sheng Chen is newly-appointed Director effective from 14 August 2018.
6. Dr. Boon-Wan Tan was Director effective from 23 April 2012.
   He retired as Director at the conclusion of the 2018 AGM and accordingly ceased to be member of both the Audit Committee and Remuneration Committee.
7. Ms. Yu-Mei Hsiao was Director effective from 11 August 2017.
   She tendered her resignation as Director with effect from 13 August 2018 due to rotation of nominee director of Mega International Commercial Bank Co., Ltd., the substantial shareholder of the Company.

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 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

A formal letter is sent to newly-appointed Directors upon their appointment comprising director's roles and responsibilities. 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.

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 particular, our Directors have been briefed by our external auditors on the recent changes to the corporate governance practices applicable to companies listed on the SGX-ST, most of which will come into effect from 1 January 2019. 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 10 Directors, of whom 9 are non-executive. Of these non-executive Directors, 7 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 (or equivalent) is the same person.

All Board Committees are chaired by independent Directors.

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.

Save for Dr. Ng-Chee Tan, all of the other independent Directors have not served on the Board beyond nine years from the date of his/her first appointment. The independence of Dr. Ng-Chee Tan had been subjected to a rigorous review by the NC and the Board, and Dr. Ng-Chee Tan had abstained from all deliberations and discussion on the matter. The Board, in concurrence with the NC, is of the view that Dr. Ng-Chee Tan is considered independent, notwithstanding that he has been on the Board for more than nine years, as he has continued to demonstrate strong independence in character and judgement in the discharge of his responsibilities as a Director and has contributed effectively as lead independent Director by providing impartial and autonomous views. Further, in arriving at their decision, the Board and NC had also considered that Dr. Ng-Chee Tan and/or his associates have not entered into any interested person transactions with the Group during the course of the past nine years, and there have been various new members appointed to the Board during the course of the past nine years, which reflects that the Board as a whole has undergone a healthy gradual refresh of its members during the aforesaid period.

Please refer to the "Board of Directors" section in the Annual Report for the independence of each Director.

Chairman and Managing Director

Principle 3:

Chairman and Managing Director

The Chairman and Managing Director 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. Please refer to Principle 2 in this report on the basis of the Board's and the NC's determination on the continuing independence of Dr. Ng-Chee Tan. 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

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 as well as members of Board Committees, develops the process for evaluation of the performance of the Board, Board Committees and Directors, and reviews the Board composition and efficiency of the Board and Board Committee meetings. In addition, the NC constantly bears 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

Subject to Rule 720(5) of the Listing Manual of the SGX-ST ("Listing Manual") which comes into effect from 1 January 2019 and requires all directors to submit themselves for re-nomination and re-appointment at least once every three years*, pursuant to the Company's Bye-laws, at each AGM, one-third of the Directors shall retire from office by rotation as part of Board renewal. For the avoidance of doubt, in accordance with the Listing Manual and the Company's Bye-laws, each Director shall forthwith retire 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 Directors' performance during the period in which the Director has been a member of the Board. Information on the candidates for election or re-election as required in Appendix 7.4.1 of the Listing Manual will be provided to Shareholders in the notice of AGM, in accordance with Rule 720(6) of the Listing Manual (which comes into effect from 1 January 2019).

* Pursuant to Transitional Practice Note 3 (Transitional Arrangements Regarding Code of Corporate Governance 2018) of the Listing Manual which comes into effect from 1 January 2019, a director (including an executive director) appointed or re-appointed before 1 January 2019 is required to submit himself/ herself for re-nomination and re-appointment to the board at a general meeting no later than 31 December 2021. In addition, a director appointed or reappointed to the board on or after 1 January 2019 must submit himself/ herself for re-nomination and re-appointment to the board at a general meeting by the end of the calendar year of the third anniversary of his/ her appointment or re-appointment.

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/her 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.

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 2018 are set out in the "Directors' Statement" section in the Annual Report. The names of Directors proposed for appointment or re-appointment, as well as the information required in Appendix 7.4.1 of the Listing Manual, are set out in the notice of AGM in accordance with Rule 720(6) of the Listing Manual (which comes into effect from 1 January 2019), and any other information or details of such Directors will also be made available to shareholders during the AGM (where requested), 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 Board Committees as a whole. The process includes having Directors complete a questionnaire for their views on various aspects of Board and Board Committees 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.

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 Board Committees and between the Management. The Company Secretary attends all Board and Board Committees 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 and independent Directors. The members of RC are as follows:

Mr. Chang-Pang Chang (Chairman)
Dr. Ng-Chee Tan
Mr. Kung-Wha Ding

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.

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 2018 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	67	33	100
Below S$250,000			
Andy C.W. Chen	100		100
Chun-Chen Tsou	100		100
Ng-Chee Tan	100		100
Chang-Pang Chang	100		100
Yi-Sing Chan	100		100
Kazuyoshi Mizukoshi	100		100
Kung-Wha Ding	100		100
Philip N. Pillai	100		100
Ta-Sheng Chen	100		100

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

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 Managing Director of the Company) in aggregate for the financial year ended 31 December 2018 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 highly competitive conditions in the venture capital business.

Name of Key Management Personnel	Aggregate Salaries %	Aggregate Bonuses %	Total %
Steven Huang	75	25	100
David Tso			
Vincent Jang			
Felicia Hsu			

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 2018.

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 faced by 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 Managing Director 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 faced by 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.

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 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 Managing Director 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.

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)
Mr. Andy C.W. Chen
Dr. Philip N. Pillai

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 Managing Director, 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 auditors, whenever the AC deems necessary, without the presence of Management.

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 2018, and a breakdown of the fees paid in total for audit and non-audit services, respectively can be found on Page 89. The Company has complied with Rules 712 and 715 of the Listing Manual 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 2018

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 auditors 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, effectively and independently 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 simplified version of the AGM notice is also advertised in newspapers. At the 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 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 2018 is shown on Page 88, which is subject to the approval of the shareholders at the AGM to be held on 24 April 2019.

Conduct of Shareholder Meetings

Principle 16:

The Company supports the principle of encouraging shareholder participation and voting at the 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 the 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.

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 2018 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$4,020,660	–

Note(s):

Rental income received by Tai Lung Capital Inc. from Hotung International Company Limited. The value of NT$4,020,660 refers to the total contract sum for the financial year under review.

SUSTAINABILITY REPORT

Hotung Investment Holdings Limited ("HIHL") is pleased to present to you with its sustainability report ("this Report") for the financial year ended of 2018. As Hotung International Co., Ltd. ("HIC") is HIHL's subsidiary, this Report will also cover HIC's operation.

Board Statement

The Board of Directors of HIHL, being responsible for the strategic direction of HIHL, is aware of the importance in the integration of environment, society and governance ("ESG") considerations. As an investment company, ESG considerations are reflected in the Group's investment strategies and policies. Management's investment decisions are made in light of these ESG considerations. Management's attention is drawn to be guided by the SGX Sustainability Reporting Guide and Practice Note in their investment decisions. The Board reviews and monitors material ESG factors in its review of the new investments of the Group. With respect to the Group management and employees, sustainability considerations are reflected in our performance based employee remuneration and service conditions which are designed to attract and retain talent in a conducive work environment.

The following Group investments underscore the ESG drive:

Environment

Agriculture/ food safety

Yongda Food Technology Co., Ltd. is the largest lemon contract farming company in Taiwan, with a market scope including Taiwan, China and Southeast Asia. The company supervises product traceability and original management in lemon with strict standard, thus, it earned affirmation from customers and large sales channels because of the quality and safety of its products. Yongda Food continues to expand contract farming areas, steady supply and quality assurance.

Society

Education

REDIdea's VoiceTube website is one of the most resourceful online digital English learning platforms in Taiwan, with registered accounts at home and abroad over 3 million. The company introduced the first paid course material "HERO" in 2015 and a second product "VT Pro" in 2018. With growing demands from Japan, Vietnam and other uprising countries in Asia, REDIdea offers course materials and lectures for all English learners without border limitation. The company will release the first Chinese learning product in the near future.

Health Care

- EarlySense is a market leader in the field of real-time, contact-free, and continuous health monitoring technology. The company's unique systems have been successfully applied in numerous hospitals, nursing home and rehabilitation centers. These systems can wirelessly, continuously monitor patient vital signs while also providing information that maximizes patient safety by helping prevent falls and pressure ulcers.
- PrimeRich is a professional liquid silicone rubber (LSR) manufacturer that produces automobile, electric vehicle, medical and bathroom accessories. Its LSR material for medical parts and masks has been tested against ISO10993 biocompatibility and USP Class VI. As to bathroom accessories, the company makes spray nozzle of shower head with the function of self-cleaning, which will extend the service life. Also, it can meet the requirement of drinking water of EU and U.S., such as WRAS, KTW, ACS, W270, NSF, etc.

SUSTAINABILITY REPORT

Governance

To update the Board on the Changes of the Singapore Corporate Governance Code 2018, the Company held a briefing session for all Directors, conducted by KPMG. Introduction of SGX new CG Code and Listing Rules consists of the following subjects: Board Structure & Protocols, Director Independence & Board Composition, Remuneration, Risk Management and Internal Controls, Audit Committee, and Shareholders & Stakeholders. This training program was provided by means of video conference right after the Board meeting in November.

It is well recognized that when a corporate takes good care of its employees, a strong workforce is thus built to lead the team moving forward with strong and steady steps. The Group bears this faith in mind and carries out the attempts as providing ongoing professional learning for all employees. Recent training and education include:

- Cloud Services: Amazon AWS
- Insider trading and enterprise risk management in venture capital industry
- Amendments on Taiwan's Company Act
- Green finance
- AI and big data in healthcare sector and its applications

Gender, skill and experience have been addressed as diversity indicators material to business sustainability. HIC employees' male to female ratio is 48% to 52%; key management personnel of male to female ratio is 3:2. This year, the Company recruited two new comers under such guideline.

Regular Business Continuity Planning rehearsal ensures the Group's personnel and assets remain secure or restore swiftly when encountering disasters.

This report focuses on the demonstration of the Company's present status and previous performance by reviewing actions taken in accordance with the GRI standards. Also, material ESG factors are listed as objectives to achieve in the future.

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 2018.

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 49 to 96 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 2018, 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)
Andy C.W. Chen	
Chun-Chen Tsou	(Re-appointed on 17 April 2018)
Ng-Chee Tan	
Chang-Pang Chang	
Yi-Sing Chan	
Kazuyoshi Mizukoshi	(Re-appointed on 17 April 2018)
Kung-Wha Ding	
Philip N. Pillai	(Appointed on 17 April 2018)
Ta-Sheng Chen	(Appointed on 14 August 2018)

Subject to Rule 720(5) of the Listing Manual of the SGX-ST which comes into effect from 1 January 2019 and requires all directors to submit themselves for re-nomination and re-appointment at least once every three years*, pursuant to Bye-law 94 of the Company's Bye-laws, at each annual general meeting, one-third of the Directors shall retire from office by rotation. Given the fact that Mr. Ta-Sheng Chen who is to retire at the annual general meeting to be held on 24 April 2019 ("2019 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 will be retiring at the 2019 AGM pursuant to the Company's Bye-laws:

Mr. Andy C.W. Chen;
Dr. Ng-Chee Tan; and
Mr. Yi-Sing Chan.

All of the Directors who are retiring by rotation have offered themselves for re-election.

Pursuant to Bye-law 100 of the Company's Bye-laws, Mr. Ta-Sheng Chen, who was appointed as a Director by the Board of Directors of the Company to hold office with effect from 14 August 2018 in accordance with Bye-law 93 of the Company's Bye-laws, will retire at the 2019 AGM. Mr. Ta-Sheng Chen has offered himself for re-election at the 2019 AGM.

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* Pursuant to Transitional Practice Note 3 (Transitional Arrangements Regarding Code of Corporate Governance 2018) of the Listing Manual of the SGX-ST which comes into effect from 1 January 2019, a director (including an executive director) appointed or re-appointed before 1 January 2019 is required to submit himself/herself for re-nomination and re-appointment to the board at a general meeting no later than 31 December 2021. In addition, a director appointed or reappointed to the board on or after 1 January 2019 must submit himself/herself for re-nomination and re-appointment to the board at a general meeting by the end of the calendar year of the third anniversary of his/her appointment or re-appointment.

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' 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 its 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	–	–	21,342,912	21,342,912 [1]
Chun-Chen Tsou	–	–	2,171,869	2,171,869 [2]

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

The Directors' interests as at 21 January 2019 were the same as those at the end of the financial year.

Apart from the above, the Directors also have a minor interest in the share capital of the Company's related corporations but these amounts are not material in nature and thus have not been included above.

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 2017 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$2.7 million for the current financial year ended 31 December 2018.

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.

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.

DIRECTORS' STATEMENT

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 faced by 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.

Based on the Company's above described risk identification and management framework, regular reviews performed by Management, and assurances from the Managing Director 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 faced by 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

22 March 2019

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 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of 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 49 to 96.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018, and of the consolidated financial performance and 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 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 the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code, and 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters – Valuation of unquoted investments (NT$4,647 million)

(Refer to Note 9 to the financial statements)

Valuation of unquoted investments

The Group's portfolio of investments comprised quoted investments of NT$562 million and unquoted investments of NT$4,647 million. Of the portfolio of unquoted investments, NT$1,869 million were classified as Level 2 financial instruments which were valued using market observable prices or inputs which reduced the extent of management judgement and estimation and thus, reduced the uncertainty associated with the determination of fair values.

The remaining portfolio of NT$2,778 million comprised Level 3 financial instruments. 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.

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 also performed additional procedures over a selection of investments for each type of valuation methodology adopted by the Group. 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 2017 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.

For the portfolio of investments measured using transaction prices, our procedures to evaluate the reasonableness of the valuations included industry trend and analysis of the investee performance as well as application of market multiples approach as a cross-check of the Group's valuations. Our valuation specialists were involved in the market multiples approach to assess if comparable companies and multiples selected were appropriate. Similarly, the valuation specialists were also involved in the review of investment portfolio that was valued using the market multiples approach.

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

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, Sustainability report, Directors' statement and Shareholding statistics included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In preparing the 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.

The directors 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 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 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.

- 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 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 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 Lee Chin Siang Barry.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
22 March 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 2018	Group 2017	Company 2018	Company 2017
		NT$'000	NT$'000	NT$'000	NT$'000
Assets					
Non-current assets					
Investments in subsidiaries	7	–	–	4,714,147	4,960,021
Available-for-sale investments	8	–	2,830,613	–	–
Financial assets at fair value through profit or loss	9	5,122,927	1,928,046	–	–
Property, plant and equipment	10	770	1,149	–	–
		5,123,697	4,759,808	4,714,147	4,960,021
Current assets					
Held-for-trading investments	9	–	148,075	–	–
Financial assets at fair value through profit or loss	9	85,766	–	–	–
Trade and other receivables	11	8,184	13,758	1,548	684
Cash and cash equivalents	12	1,134,962	1,522,667	41,582	58,100
		1,228,912	1,684,500	43,130	58,784
Total assets		6,352,609	6,444,308	4,757,277	5,018,805
Equity					
Share capital	13	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	14	668,140	504,047	105,882	115,016
Accumulated losses		(1,102,307)	(959,777)	(1,949,738)	(1,701,112)
Equity attributable to owners of the Company		6,146,753	6,125,190	4,737,064	4,994,824
Non-controlling interests	15	95,156	101,456	–	–
Total equity		6,241,909	6,226,646	4,737,064	4,994,824
Current liabilities					
Advance receipts		–	73,748	–	–
Trade and other payables	17	74,419	81,437	20,213	23,981
Income tax payables		36,281	62,477	–	–
		110,700	217,662	20,213	23,981
Total liabilities		110,700	217,662	20,213	23,981
Total equity and liabilities		6,352,609	6,444,308	4,757,277	5,018,805

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	Group 2018 NT$'000	Group 2017 NT$'000
Revenue	18	443,419	662,378
Impairment losses	19	–	(97,721)
Operating expenses	20	(135,777)	(144,691)
Profit before tax		307,642	419,966
Tax expense	21	(13,797)	(45,720)
Profit for the year		293,845	374,246
Other comprehensive income/(losses):			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations and others		89,183	(243,611)
Financial assets – available-for-sale (AFS):			
- Net change in fair value		–	(439,309)
- Reclassification adjustments for impairment losses taken to profit before tax		–	(7,430)
- Reclassification adjustments for gains taken to profit before tax from sale of AFS financial assets		–	(416,317)
Tax relating to components of other comprehensive losses		–	40,404
Other comprehensive income/(losses) for the financial year, net of tax		89,183	(1,066,263)
Total comprehensive income/(losses) for the financial year		383,028	(692,017)
Profit attributable to:			
Owners of the Company		270,812	345,393
Non-controlling interests		23,033	28,853
		293,845	374,246
Total comprehensive income/(losses) for the financial year attributable to:			
Owners of the Company		359,995	(720,870)
Non-controlling interests		23,033	28,853
		383,028	(692,017)
Earnings per share (in NT$):			
Basic	22	2.81	3.56
Diluted	22	2.81	3.56

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	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
		<------ Attributable to owners of the Company										------>		
		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
Group														
At 1 January 2017		5,233,033	1,347,887	406,116	62,408	477,508	19,801	126,667	759,471	(254,062)	(994,400)	7,184,429	113,667	7,298,096
Total comprehensive (losses)/income for the year														
Profit for the year		–	–	–	–	–	–	–	–	–	345,393	345,393	28,853	374,246
Exchange differences on translation of foreign operations and others		–	–	–	(243,611)	–	–	–	–	–	–	(243,611)	–	(243,611)
Financial assets – available-for-sale		–	–	–	–	–	–	–	(822,652)	–	–	(822,652)	–	(822,652)
Total other comprehensive losses		–	–	–	(243,611)	–	–	–	(822,652)	–	–	(1,066,263)	–	(1,066,263)
Total comprehensive (losses)/income for the year		–	–	–	(243,611)	–	–	–	(822,652)	–	345,393	(720,870)	28,853	(692,017)
Transactions with owners, recognised directly in equity														
Contributions by and distributions to owners														
Shares bought back as treasury shares	14	–	–	–	–	–	–	–	–	(37,038)	–	(37,038)	–	(37,038)
Transfer to legal reserve of certain subsidiaries	14	–	–	–	–	9,439	–	–	–	–	(9,439)	–	–	–
Dividends paid to shareholders of the Company	16	–	–	–	–	–	–	–	–	–	(301,331)	(301,331)	(41,053)	(342,384)
Capital reduction in subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(11)	(11)
Total transactions with owner		–	–	–	–	9,439	–	–	–	(37,038)	(310,770)	(338,369)	(41,064)	(379,433)
At 31 December 2017		5,233,033	1,347,887	406,116	(181,203)	486,947	19,801	126,667	(63,181)	(291,100)	(959,777)	6,125,190	101,456	6,226,646

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

Year ended 31 December 2018

	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
		<---- Attributable to owners of the Company										---->		
		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
Group														
At 1 January 2018, as previously reported		5,233,033	1,347,887	406,116	(181,203)	486,947	19,801	126,667	(63,181)	(291,100)	(959,777)	6,125,190	101,456	6,226,646
Adjustment on initial application of IFRS 9, net of tax	2.5	–	–	–	–	–	–	–	63,181	–	(63,181)	–	–	–
Adjusted balance at 1 January 2018		5,233,033	1,347,887	406,116	(181,203)	486,947	19,801	126,667	–	(291,100)	(1,022,958)	6,125,190	101,456	6,226,646
Total comprehensive income for the year														
Profit for the year		–	–	–	–	–	–	–	–	–	270,812	270,812	23,033	293,845
Exchange differences on translation of foreign operations and others		–	–	–	89,183	–	–	–	–	–	–	89,183	–	89,183
Total other comprehensive income		–	–	–	89,183	–	–	–	–	–	–	89,183	–	89,183
Total comprehensive income for the year		–	–	–	89,183	–	–	–	–	–	270,812	359,995	23,033	383,028
Transactions with owners, recognised directly in equity														
Contributions by and distributions to owners														
Shares bought back as treasury shares	14	–	–	–	–	–	–	–	–	(9,134)	–	(9,134)	–	(9,134)
Transfer to legal reserve of certain subsidiaries	14	–	–	–	–	20,863	–	–	–	–	(20,863)	–	–	–
Dividends paid to shareholders of the Company	16	–	–	–	–	–	–	–	–	–	(329,298)	(329,298)	(29,323)	(358,621)
Capital reduction in subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(10)	(10)
Total transactions with owner		–	–	–	–	20,863	–	–	–	(9,134)	(350,161)	(338,432)	(29,333)	(367,765)
At 31 December 2018		5,233,033	1,347,887	406,116	(92,020)	507,810	19,801	126,667	–	(300,234)	(1,102,307)	6,146,753	95,156	6,241,909

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Group	
	2018	2017
	NT$'000	NT$'000 Restated*
Cash flows from operating activities		
Profit after tax	293,845	374,246
Adjustments for:		
Changes in fair value of other financial assets at fair value through profit or loss	–	4,118
Net gains on financial assets at fair value through profit or loss	(291,662)	–
Dividend/distribution income	(138,477)	(143,952)
Net gains on sale of held-for-trading investments	–	(8,254)
Net gains on sale of available-for-sale investments	–	(516,323)
Net gains on sale of other financial assets at fair value through profit or loss	–	(8,184)
Impairment losses on available-for-sale investments	–	97,721
Depreciation expense	379	296
Interest income	(4,619)	(6,674)
Tax expenses	13,797	45,720
	(126,737)	(161,286)
Changes to:		
Held-for-trading investments	–	(98,770)
Available-for-sale investments	–	795,723
Financial assets at fair value through profit or loss	(5,057)	(838,669)
Trade and other receivables	5,213	120
Trade and other payables	(9,151)	(10,706)
Advance receipts	–	73,748
Cash used in operations	(135,732)	(239,840)
Interest received	5,553	6,786
Dividend/distribution income received	137,904	143,952
Tax paid	(39,993)	(45,085)
Net cash used in operating activities	(32,268)	(134,187)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

Year ended 31 December 2018

	Note	Group 2018 NT$'000	Group 2017 NT$'000 Restated*
Cash flows from investing activities			
Acquisition of property, plant and equipment		–	(429)
Net cash used in investing activities		–	(429)
Cash flows from financing activities			
Dividend paid to non-controlling shareholders in subsidiaries		(28,067)	(39,295)
Capital reduction in subsidiaries paid to non-controlling interests		(10)	(11)
Dividends paid to shareholders of the Company		(329,298)	(301,331)
Purchase of treasury shares		(9,134)	(44,363)
Net cash used in financing activities		(366,509)	(385,000)
Net decrease in cash and cash equivalents		(398,777)	(519,616)
Cash and cash equivalents at 1 January		1,521,959	2,078,778
Effect of exchange rate on cash and cash equivalents		11,780	(37,203)
Cash and cash equivalents at 31 December	12	1,134,962	1,521,959

* In 2018, the Group reassessed the classification of its portfolio of investments, including those previously classified as available-for-sale under IAS 39, and classified the whole portfolio as measured at fair value through profit or loss, with related cash flows arising from operating activities. Accordingly, the 2017 comparative information in connection with cash flows from the portfolio of investments was restated to provide consistencty in the presentation of the financial statements.

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 22 March 2019.

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.

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 ("NT$"), 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 the 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, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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.

2.5 Changes in significant accounting policies

The Group has initially applied IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

2. Basis of preparation (cont'd)

2.5 Changes in significant accounting policies (cont'd)

The effect of initially applying these standards is mainly attributed to the reclassification of financial assets on adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

IFRS 15 does not have a significant impact on the Group's accounting policies with respect to its revenue as its main sources of revenue are derived from sale of investments, dividend income and changes in fair value of investments at fair value through profit or loss.

For additional information about the Group's accounting policies relating to revenue recognition, see Note 3.6.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification and measurement – Financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and at amortised cost. Financial assets or derivative assets that are equity instruments are generally classified at FVTPL. The classification of all other financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 no longer bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has no significant effect on the Group's accounting policies for financial liabilities.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 3.3.

Impairment – Financial assets

IFRS 9 replaces the 'incurred loss' model in previous IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model will apply to debt investments that are measured at FVOCI and at amortised cost, trade receivables, other receivables (including dividend receivables and receivables arising from sale of investments) and cash at bank, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under the previous IAS 39 – see Note 3.3(viii).

2. Basis of preparation (cont'd)

2.5 Changes in significant accounting policies (cont'd)

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

i. The Group chose to apply the exemption from the requirement to restate the comparative information for IFRS 9 including related disclosures in IFRS 7 *Financial Instruments: Disclosures* to the extent that the disclosures relate to items within the scope of IFRS 9. Comparative information is presented in accordance with the previous IAS 39.

ii. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The following table summarises the impact, net of tax, of transition to IFRS 9 on reserves and accumulated losses at 1 January 2018.

	Impact of adopting IFRS 9 at 1 January 2018
	NT$'000
Group	
Fair value reserve	
Closing balance under the previous IAS 39 (31 December 2017)	(63,181)
Reclassification of fair value reserve for investments at FVTPL under IFRS 9 to accumulated losses	63,181
Related tax	–
Opening balance under IFRS 9 (1 January 2018)	–
Accumulated losses	
Closing balance under the previous IAS 39 (31 December 2017)	(959,777)
Reclassification of fair value reserve for financial assets at FVTPL under IFRS 9 to accumulated losses	(63,181)
Related tax	–
Opening balance under IFRS 9 (1 January 2018)	(1,022,958)

The following table shows the original measurement categories under the previous IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities and the reconciliation of the carrying amount as at 1 January 2018.

2. Basis of preparation (cont'd)

2.5 Changes in significant accounting policies (cont'd)

Transition (cont'd)

				IFRS 9 classification and carrying amount		
	Note	Original classification under the previous IAS 39	Previous IAS 39 carrying amount as at 31 December 2017	Mandatorily at FVTPL	Amortised cost	IFRS 9 carrying amount as at 1 January 2018
Group			NT$'000	NT$'000	NT$'000	NT$'000
Financial assets						
Available-for-sale equity investments	(a)	Available-for-sale	2,830,613	–	–	–
Investments at fair value through profit or loss (non-current)	(b)	Designated as at FVTPL	1,928,046	4,758,659	–	4,758,659
Investments at fair value through profit or loss (current)	(c)	Held-for-trading	148,075	148,075	–	148,075
Trade and other receivables*	(d)	Loans and receivables	13,059	–	13,059	13,059
Cash and cash equivalents	(d)	Loans and receivables	1,522,667	–	1,522,667	1,522,667
			6,442,460	4,906,734	1,535,726	6,442,460
Financial liabilities						
Advance receipts		Amortised cost	73,748	–	73,748	73,748
Trade and other payables		Amortised cost	81,437	–	81,437	81,437
			155,185	–	155,158	155,185

* *Excludes prepayments*

The Company's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 3.3. The application of these policies resulted in the reclassifications set out in the table above and explained below.

a) Equity investments categorised as available-for-sale under the previous IAS 39 are long term investments. On adoption of IFRS 9, the Group reclassified the investments to investments at FVTPL.

b) Equity investments that were previously designated as at FVTPL under IAS 39 because they were managed on a fair value basis are now classified mandatorily at FVTPL.

c) Investments that were classified as held-for-trading under the previous IAS 39 are now classified mandatorily at FVTPL and identified as trading.

d) Trade and other receivables (excluding prepayments) and cash and cash equivalents categorised as loans and receivables under the previous IAS 39 are now classified at amortised cost. Given the short maturities of the exposures, the Group's assessment did not indicate any material ECL impact at 1 January 2018.

3. Significant accounting policies

Except as described in Note 2.5, 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 consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

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.

(ii) *Subsidiaries*

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

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. When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) *Non-controlling interests*

Non-controlling interests are measured initially at either their proportionate share of the acquiree's identifiable net assets at the date of acquisition or at fair value. The measurement basis taken is elected on a transaction-by-transaction basis.

(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 losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) *Subsidiaries in the separate financial statements*

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

3. Significant accounting policies (cont'd)

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 based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of investments in equity securities designated at FVOCI are recognised in other comprehensive income (2017: available-for-sale equity investments (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.

Foreign currency differences are recognised in other comprehensive income, and presented in the 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 of 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 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

Financial instruments were accounted for under the previous IAS 39 up to 31 December 2017. On 1 January 2018, IFRS 9 was adopted as described in Note 2.5.

(i) *Recognition and initial measurement – Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity investments, trade and other receivables (excluding prepayments and tax recoverable), cash and cash equivalents, trade and other payables and advance receipts.

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(i) *Recognition and initial measurement – Non-derivative financial instruments (cont'd)*

Cash and cash equivalents comprise cash balances, bank deposits and other short-term highly liquid investments.

The Group initially recognises trade and other receivables (excluding prepayments and tax recoverable) and cash and cash equivalents on the date that they are originated. All other financial instruments are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. For financial instruments that are at FVTPL, at initial recognition, attributable transaction costs are recognised in the income statement when incurred. A trade receivable without a significant financing component is initially measured at transaction price.

(ii) *Classification and subsequent measurement – Financial assets*

Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVTPL').

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through comprehensive income

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) *Classification and subsequent measurement – Financial assets (cont'd)*

Financial assets at fair value through profit or loss

Mandatorily at FVTPL

Financial assets that are held for trading are measured at FVTPL. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the short-term or on initial recognition they are part of a portfolio of identified financial instruments that are managed together for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets which are managed and whose performance is evaluated on a fair value basis and those that are not classified as measured at amortised cost or FVOCI are measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset that does not meet the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or any dividend income, are recognised in the profit or loss.

Associates

Associates are entities over which the Group has significant influence, but not control or joint control, generally accompanied by a shareholding giving rise to 20% to 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee companies but is not control or joint control.

Investments in associates which are held as part of the Group's investment portfolio are designated upon initial recognition as investments at FVTPL as their performance is evaluated on a fair value basis. This is permitted by IAS 28 *Investments in Associates and Joint Ventures* which allows a venture capital organisation to measure its investment in an associate to be measured at FVTPL in accordance with IFRS 9. This election shall be made separately for each associate at initial recognition.

Investments in associates that are measured at FVTPL are subsequently measured at fair value.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) *Classification and subsequent measurement – Financial assets (cont'd)*

Financial assets – Business model assessment (cont'd)

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or contractual cash flows collected); and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Policy applicable before 1 January 2018

Financial assets at fair value through profit or loss

Investments are classified as 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.

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.

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) *Classification and subsequent measurement – Financial assets (cont'd)*

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.

(iii) *Derivative financial instruments*

Policy applicable from 1 January 2018

A derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) is deemed as held-for-trading.

Derivatives are recognised initially at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

Embedded derivatives are separated from host contracts that are not financial assets and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivatives are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at FVTPL.

Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, embedded derivatives are not separated for host contracts that are financial assets in the scope of IFRS 9. Instead, the hybrid instrument is assessed as a whole for classification of financial assets under IFRS 9.

(iv) *Classification and subsequent measurement - 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 advance receipts and trade and other payables.

(v) *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.

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(v) *Fair value measurement (cont'd)*

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. For investments where 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, the Group will measure such investments at cost less impairment.

(vi) *Derecognition*

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of 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 it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all of substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(vii) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(viii) *Impairment*

Non-derivative financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit loss ('ECL') on financial assets measured at amortised cost and contract assets.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(viii) Impairment (cont'd)

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

General approach

The Group applies the general approach to provide for ECL on all other financial instruments. Under the general approach, loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Group assessed whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improve such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Policy applicable before 1 April 2018

A financial asset not carried at fair value through profit or loss 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.

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(viii) Impairment (cont'd)

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.

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.

3. Significant accounting policies (cont'd)

3.4 Property, plant and equipment (cont'd)

(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.

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 shares recognised as equity are 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, net gains/losses on financial assets at fair value through profit or loss, and consultancy fee income.

3. Significant accounting policies (cont'd)

3.6 Revenue recognition (cont'd)

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.

Net gains/losses on financial assets at fair value through profit or loss

Net gains/losses on financial assets at fair value through profit or loss comprises gains/losses from sale of investments and net changes in fair value of investments.

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 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.

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.

3. Significant accounting policies (cont'd)

3.9 Income tax expense (cont'd)

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.

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 not yet affective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 26.

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) and (iv).

(ii) *Key sources of estimation uncertainty*

Determining fair value

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

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
2018					
Investments at FVTPL	9				
Quoted equity investments – at FVTPL		562,034	–	–	562,034
Unquoted equity investments – at FVTPL		–	1,672,712	2,777,371	4,450,083
Associate, at fair value – at FVTPL		–	196,576	–	196,576
		562,034	1,869,288	2,777,371	5,208,693

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
2017					
Held-for-trading investments	9				
Quoted equity investments – at FVTPL		148,075	–	–	148,075
Investments at FVTPL	9				
Quoted equity investments – at FVTPL		346,296	–	–	346,296
Unquoted equity investments – at FVTPL		–	1,094,146	449,115	1,543,261
Available-for-sale investments	8				
Quoted equity investments, at fair value		345,714	–	–	345,714
Unquoted equity investments, at fair value		–	313,746	2,132,542	2,446,288
		840,085	1,407,892	2,581,657	4,829,634

At 31 December 2018, financial assets at fair value through profit or loss investments with a carrying amount of NT$174 million were transferred from Level 1 to Level 2 because those investments were delisted during the year. Financial assets at fair value through profit or loss investments with a carrying amount of NT$126 million were transferred from Level 2 to Level 1 because those investments were listed during the year.

The fair value hierarchy table excludes financial assets and financial liabilities such as cash and cash equivalents, trade and other receivables, advance receipts and trade and other payables because their carrying amounts approximate their fair values due to their short-term nature.

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:

	Financial assets at FVTPL
	NT$'000
2018	
At beginning of year	449,115
Reclassified due to initial adoption of IFRS 9	2,132,542
Total loss recognised in profit or loss	
- net loss on investments at fair value through profit or loss	(136,368)
Disposals	(236,810)
Purchases	147,854
Transfers to Level 3	
- from Level 1 (d)	48,233
- from Level 2 (a)	731,367
- from cost less impairment (a)	74,463
Transfers out of Level 3	
- to Level 2 (c)	(433,025)
At end of year	2,777,371
Total unrealised loss for the year included in profit or loss for investments held as at 31 December	(136,368)

	Available-for-sale investments	Other financial assets at FVTPL
	NT$'000	NT$'000
2017		
At beginning of year	2,743,878	243,211
Losses recognised in profit or loss		
- net change in fair value	–	(47,694)
- impairment losses on available-for-sale investments	(89,009)	–
Losses recognised in other comprehensive income		
- net change in fair value	(686,053)	–
Disposals	(182,063)	–
Purchases	134,293	–
Transfers to Level 3		
- from Level 2 (a)	482,609	253,598
- from cost less impairment (a)	7,556	–
Transfers out of Level 3		
- to Level 1 (b)	(31,500)	–
- to Level 2 (c)	(247,169)	–
At end of year	2,132,542	449,115
Total unrealised loss for the year included in profit or loss for investments held as at 31 December	–	(47,694)

(a) Certain investments were transferred from cost less impairment and 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 observable market data.

(d) Certain investments were transferred from Level 1 to Level 3 when they were delisted.

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	• Adjusted price-earnings ratio multiple* 7.2x to 15.5x (2017: 5.7x to 18.2x) • Adjusted price-book ratio multiple* 0.6x to 3.3x (2017: 0.6x to 2.9x) • Adjusted price-to-sale ratio multiple* 0.8x to 2.9x (2017: 0.6x to 4.2x) * The multiples were adjusted for discount for lack of marketability 20% to 50% (2017: 20% to 50%)	• The estimated fair value would increase if the multiples were higher or the discount for lack of marketability was lower.
Transacted prices	• Not applicable	• Not applicable
Net asset values	• Not applicable	• Not applicable

Sensitivity analysis

For the fair values of level 3 unquoted equity investments (2017: available-for-sale investments), a 5% increase/(decrease) in the discount for lack of marketability at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have a net effect of (decreasing)/increasing equity by NT$33,744,000 (2017: NT$46,511,000).

5. Financial risk management

Overview

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

- market risk
- 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.

5. Financial risk management (cont'd)

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 risk

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 risk 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 United States dollars, Japanese yen and Hong Kong dollars.

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.

5. Financial risk management (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	JPY	HKD
	NT$'000	NT$'000	NT$'000
Group			
2018			
Investments at fair value through profit or loss	710,121	82,943	12,955
Trade and other receivables	1,598	97	–
Cash and cash equivalents	29,413	5	57,529
Trade and other payables	(7,556)	–	–
Net exposure	733,576	83,045	70,484
2017			
Available-for-sale investments	145,694	58,109	12,578
Investments at fair value through profit or loss	193,775	–	–
Trade and other receivables	1,236	180	–
Cash and cash equivalents	296,478	5	89,039
Trade and other payables	(7,359)	–	–
Net exposure	629,824	58,294	101,617
Company			
2018			
Trade and other receivables	1,548	–	–
Cash and cash equivalents	29,130	–	–
Trade and other payables	(7,556)	–	–
Net exposure	23,122	–	–
2017			
Trade and other receivables	684	–	–
Cash and cash equivalents	33,486	–	–
Trade and other payables	(7,299)	–	–
Net exposure	26,871	–	–

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. Their translation has been adjusted at the year end for a 5% change in foreign currency exchange rates.

5. Financial risk management (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	Profit or loss
	NT$'000	NT$'000
2018		
USD	(1,173)	(1,156)
JPY	(5)	–
HKD	(2,876)	–
2017		
USD	(14,518)	(1,344)
JPY	(9)	–
HKD	(4,452)	–

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 12.

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.

Exposure to market price risk

As at 31 December 2018, if market prices had been 5% higher with all other variables held constant, the increase in the fair value of financial assets at fair value through profit or loss quoted investments and the corresponding increase in profit before tax, would be NT$28 million (2017: increase in fair value of available for sale quoted investments and the corresponding increase in fair value reserves of NT$17 million and increase in 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 of NT$25 million). If market prices had been 5% lower with all other variables held constant, the fair values would have decreased by equal amounts.

5. Financial risk management (cont'd)

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 (2017: not past due) and no impairment loss allowance was made.

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. The Group maintains a current ratio of 11.1 as at 31 December 2018 (2017: 7.74). 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:

		Cash flows	
	Carrying amount	Contractual cash flows	Within 1 year
Group	**NT$'000**	**NT$'000**	**NT$'000**
2018			
Non-derivative financial liabilities			
Trade and other payables	74,419	74,419	74,419
2017			
Non-derivative financial liabilities			
Advance receipts	73,748	73,748	73,748
Trade and other payables	81,437	81,437	81,437
	155,185	155,185	155,185

5. Financial risk management (cont'd)

Liquidity risk (cont'd)

		Cash flows	
	Carrying amount	Contractual cash flows	Within 1 year
Company	**NT$'000**	**NT$'000**	**NT$'000**
2018			
Non-derivative financial liabilities			
Trade and other payables	20,213	20,213	20,213
2017			
Non-derivative financial liabilities			
Trade and other payables	23,981	23,981	23,981

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 14. 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	Mandatorily at FVTPL (non-current)	Mandatorily at FVTPL (current)	Amortised cost	Total carrying amount
		NT$'000	NT$'000	NT$'000	NT$'000
2018					
Financial assets designated at fair value through profit or loss	9	5,122,927	85,766	–	5,208,693
Trade and other receivables*	11	–	–	6,242	6,242
Cash and cash equivalents	12	–	–	1,134,962	1,134,962
		5,122,927	85,766	1,141,204	6,349,897
Trade and other payables	17	–	–	(74,419)	(74,419)
		–	–	(74,419)	(74,419)

	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
2017							
Available-for-sale investments	8	–	–	–	2,830,613	–	2,830,613
Financial assets designated at fair value through profit or loss	9	–	–	1,928,046	–	–	1,928,046
Held-for-trading investments	9	148,075	–	–	–	–	148,075
Trade and other receivables*	11	–	13,059	–	–	–	13,059
Cash and cash equivalents	12	–	1,522,667	–	–	–	1,522,667
		148,075	1,535,726	1,928,046	2,830,613	–	6,442,460
Advance receipts		–	–	–	–	(73,748)	(73,748)
Trade and other payables	17	–	–	–	–	(81,437)	(81,437)
		–	–	–	–	(155,185)	(155,185)

* *Excludes prepayments*

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

	Note	Amortised cost	Total carrying amount
		NT$'000	NT$'000
Company			
2018			
Cash and cash equivalents	12	41,582	41,582
Trade and other payables	17	(20,213)	(20,213)

	Note	Loans and receivables	Other financial liabilities within scope of IAS 39	Total carrying amount
2017				
Cash and cash equivalents	12	58,100	–	58,100
Trade and other payables	17	–	(23,981)	(23,981)

7. Investments in subsidiaries

	Company	
	2018	2017
	NT$'000	NT$'000
Unquoted equity investments, at cost	4,714,147	4,960,021

7. Investments in subsidiaries (cont'd)

Details of significant subsidiaries are as follows:

Name	Principal activities	Principal place of business/Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
Daitung Development and Investment Corp. (a)(b)	Invest in listed/over the counter and unlisted companies	Taiwan, Republic of China	99.99	99.99
Hotung Venture Capital Corp. (a)(b)(e)	Invest in listed/over the counter and unlisted companies	Taiwan, Republic of China	99.99	99.99
Huitung Investments (BVI) Ltd. (a)(b)(f)	Invest in listed/over the counter and unlisted companies	British Virgin Islands	100.00	100.00
Hotung Management International Ltd. (c)	Provision of consultancy services	People's Republic of China/ Cayman Islands	100.00	100.00
Hotung International Co., Ltd. (a)(d)(g)	Provision of consultancy services	Taiwan, Republic of China	41.35	41.35
Held by subsidiaries				
Horizon Consultants Co., Ltd. (a)(b)	Investment holding	Cayman Islands	100.00	100.00
Infinitude Investment Co., Ltd. (a)(b)	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) These are investment companies and the investment management operations are performed by Hotung International Co., Ltd ("HIC").

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

(d) Although the Group owns less than half of the ownership interest 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.

(e) During the year, Hotung Venture Capital Corp. ("HVCC") embarked on capital reduction exercises, reducing its contributed capital by NT$250 million (2017: NT$300 million) by way of return of cash to its shareholders. The Group's shareholding in Venture remains unchanged subsequent to the capital reduction exercise.

(f) During the year, Huitung Investments (BVI) Ltd. ("Huitung") declared cash dividend of NT$89 million (2017: nil) to the Company.

(g) During the year, Hotung International Co., Ltd. ("HIC") declared cash dividend of NT$50 million (2017: NT$70 million) to its shareholders.

8. Available-for-sale investments

	Group	
	2018	2017
	NT$'000	NT$'000
Quoted equity investments, at fair value	–	345,714
Unquoted equity investments, at fair value	–	2,446,288
Unquoted equity investments, at cost [(1)]	–	38,611
	–	2,830,613

Equity investments categorised as available-for-sale under the previous IAS 39 are long term investments. On adoption of IFRS 9, the Group reclassified the investments to investments at FVTPL.

(1) The investments represent equity interests 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 Group's exposure to market risks and fair value information are disclosed in notes 5 and 4 respectively.

9. Investments at fair value through profit or loss

The effect of initially applying IFRS 9 in the Group's financial statements is described in Note 2.5. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirements.

	Group	
	2018	2017
	NT$'000	NT$'000
Non-current		
Quoted equity investments – mandatorily at FVTPL	476,268	346,296
Unquoted equity investments – mandatorily at FVTPL	4,450,083	1,543,261
Unquoted equity shares, at cost[(1)]	–	38,489
	4,926,351	1,928,046
Investment in associate – mandatorily at FVTPL[(2)]	196,576	–
	5,122,927	1,928,046
Current		
Quoted equity investments – mandatorily at FVTPL	85,766	148,075

For the year ended 31 December 2017, the classification under IAS 39 is disclosed in note 2.5.

(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.

(2) During the year, the Group acquired equity interest of 29.36% in a privately held portfolio company that is principally engaged in e-Commerce. In accordance with the Group's accounting policies, the investment in this associate was measured at FVTPL.

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

10. Property, plant and equipment

	Motor vehicles NT$'000	Office equipment NT$'000	Total NT$'000
Group			
Cost			
At 1 January 2017	898	307	1,205
Additions	–	429	429
At 31 December 2017	898	736	1,634
At 1 January 2018	898	736	1,634
Additions	–	–	–
At 31 December 2018	898	736	1,634
Accumulated depreciation and impairment losses			
At 1 January 2017	90	99	189
Depreciation	179	117	296
At 31 December 2017	269	216	485
At 1 January 2018	269	216	485
Depreciation	180	199	379
At 31 December 2018	449	415	864
Group			
Carrying amounts			
At 1 January 2017	808	208	1,016
At 31 December 2017	629	520	1,149
At 31 December 2018	449	321	770

11. Trade and other receivables

	Group		Company	
	2018 NT$'000	2017 NT$'000	2018 NT$'000	2017 NT$'000
Trade receivables	5,039	10,910	–	–
Interest receivable	266	1,200	–	–
Other receivables	937	949	–	–
Prepayments	1,942	699	1,548	684
	8,184	13,758	1,548	684

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

12. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	NT$'000	NT$'000	NT$'000	NT$'000
Time deposits	320,042	660,855	–	8,798
Cash and bank balances	814,920	861,812	41,582	49,302
Cash and cash equivalents in the statement of financial position	1,134,962	1,522,667	41,582	58,100
Cash held by trustee	–	(708)	–	–
Cash and cash equivalents in the statement of cash flows	1,134,962	1,521,959	41,582	58,100

The time deposits bear effective interest at rates ranging from 0.07% to 2.38% (2017: 0.07% to 1.6%) per annum at the reporting date. The time deposits mature on varying dates within 3 months (2017: 7 months) from the reporting date.

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.

13. Share capital

	Group and Company			
	2018	2017	2018	2017
	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 the beginning and 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.

14. Reserves

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

	Group		Company	
	2018	2017	2018	2017
	NT$'000	NT$'000	NT$'000	NT$'000
Contributed surplus reserve	406,116	406,116	406,116	406,116
Currency translation and other reserve	(92,020)	(181,203)	–	–
Legal reserve	507,810	486,947	–	–
Special reserve	19,801	19,801	–	–
Capital surplus – net assets from merger	126,667	126,667	–	–
Fair value reserve	–	(63,181)	–	–
Treasury share reserve	(300,234)	(291,100)	(300,234)	(291,100)
	668,140	504,047	105,882	115,016

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.

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 has 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

Available-for-sale investments under the previous IAS 39 were reclassified as investments at FVTPL on initial adoption of IFRS 9 on 1 January 2018. Accordingly, the fair value reserve of NT$63,181,000 as at 31 December 2017 was transferred to accumulated losses as at 1 January 2018.

14. Reserves (cont'd)

Fair value reserve (cont'd)

As at 31 December 2017, the fair value reserve comprised cumulative net change in the fair value of available-for-sale investments until the investments were derecognised or impaired.

Treasury share reserve

Pursuant to the general mandate obtained in General Meetings held on 13 April 2017 and 17 April 2018, the Company continued with its share buy-back exercise. During the year, the number of shares purchased by way of market acquisition was 199,400 (2017: 934,900), for an aggregated consideration of NT$9,134,000 (2017: NT$37,038,000). Pursuant to the Bye-laws of the Company, the shares purchased are treated as treasury shares.

As at 31 December 2018, the total number of shares that remain in issuance excluding treasury shares amounted to 96,286,082 (2017: 96,485,482).

15. Non-controlling interests

The following summarises the financial information of the Group's significant subsidiary with material non-controlling interests, based on its 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 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.

15. Non-controlling interests (cont'd)

	HIC	
	2018	2017
	NT$'000	NT$'000
Percentage shareholdings by non-controlling interests	58.65%	58.65%
Revenue	132,086	151,041
Profit	39,261	49,178
Other comprehensive losses	–	–
Total comprehensive income	39,261	49,178
Attributable to NCI:		
- Profit	23,025	28,841
- Other comprehensive losses	–	–
Total comprehensive income	23,025	28,841
Non-current assets	793	1,174
Current assets	216,997	235,333
Non-current liabilities	–	–
Current liabilities	(56,152)	(64,131)
Net assets	161,638	172,376
Net assets attributable to NCI	94,801	101,099
Cash flows from operating activities	40,761	73,023
Cash flows used in investing activities	–	(98)
Cash flows used in financing activities	(48,744)	(68,242)
Net (decrease)/increase in cash and cash equivalents	(7,983)	4,683

16. Dividends

	Group and Company	
	2018	2017
	NT$'000	NT$'000
Ordinary dividends paid		
NT$3.42 per ordinary share (2017: NT$3.10)	329,298	301,331

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	
	2018	2017
	NT$'000	NT$'000
NT$2.80 per ordinary share (2017: NT$3.42)	269,601	329,298

17. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	NT$'000	NT$'000	NT$'000	NT$'000
Accrued expenses	74,419	81,437	20,213	23,981

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

18. Revenue

	Group	
	2018	2017
	NT$'000	NT$'000
Interest income	4,619	6,674
Dividend/distribution income	138,477	143,952
Net gain on sale of available-for-sale investments	–	516,323
Net gains on financial assets at fair value through profit or loss	291,662	19,518
Foreign exchange losses	(317)	(35,598)
Others	8,978	11,509
	443,419	662,378

19. Impairment losses

	Group	
	2018	2017
	NT$'000	NT$'000
Impairment losses on available-for-sale investments, at fair value	–	97,721

20. Operating expenses

	Group	
	2018	2017
	NT$'000	NT$'000
Staff cost	74,384	80,767
Audit fees		
- auditors of the Company	2,236	2,404
- other auditors	2,723	3,155
Non-audit fees		
- other auditors	733	710
Operating lease expense	10,866	11,149
Other administrative expenses	44,835	46,506
	135,777	144,691

21. Tax expense

	Group	
	2018	2017
	NT$'000	NT$'000
Current tax expense		
Current year	19,079	54,787
Adjustment for prior years	(5,282)	(9,067)
	13,797	45,720

Reconciliation of effective tax rate

	2018 NT$'000	2017 NT$'000
Profit before tax	307,642	419,966
Tax at the statutory rate of respective jurisdictions	38,574	49,509
Difference in tax rates applicable to capital gains on securities	(5,325)	(31,321)
Effect of tax on bonus shares	–	(11,206)
Non-taxable income	(36,370)	(12,872)
Non-deductible expenses	6,490	25,962
Deductible losses from investee	(7,597)	(2,887)
Adjustment for prior years	(5,282)	(9,067)
Utilisation of previously unrecognised tax losses	–	(709)
Current year losses for which no deferred tax asset was recognised	12,215	10,739
Tax on undistributed profits of subsidiaries	7,622	23,372
Foreign investors' withholding tax	3,470	4,200
	13,797	45,720

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%. According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing financial year 2018.

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 20% (2017:17%) 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.

21. Tax expense (cont'd)

Subsidiaries: withholding tax

Dividends paid by Taiwanese companies are subjected to foreign investors' withholding tax. According to the amendments to the Income Tax Act enacted by the office of the President of the Republic of China (Taiwan) on 7 February 2018, the withholding tax rate was increased from 20% to 21% with effect from 1 January 2018. 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$2,730 million (2017: NT$2,674 million). The withholding tax that would be incurred should the above earnings be distributed are estimated to be NT$573 million (2017: NT$282 million), since the cumulated paid tax on the previous years' undistributed earnings will no longer be deductible after the tax amendments in 2018. It does not affect the amounts of the current or deferred income taxes recognized for the year ended 31 December 2018. However, it will increase the Group's withholding tax impact accordingly in the future.

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.

Unrecognised deferred tax assets

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

	Group	
	2018	**2017**
	NT$'000	**NT$'000**
Tax losses	563,094	496,520

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

	Group	
	2018	**2017**
	NT$'000	**NT$'000**
2019	2,327	2,327
2021	94,061	94,061
2024	137,146	137,146
2026	199,814	199,814
2027	68,670	63,172
2028	61,076	–
	563,094	496,520

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

22. Earnings per share

For the financial year ended 31 December 2018, basic earnings per share is calculated by dividing the consolidated profit attributable to owners of the Company of NT$270,812,000 (2017: NT$345,393,000) by the weighted average number of ordinary shares outstanding of 96,338,030 (2017: 96,890,135).

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

	Group	
	2018	**2017**
	'000	**'000**
Issued ordinary shares at beginning of the year	96,485	97,420
Effect of repurchase of shares	(147)	(530)
Weighted average number of shares at end of the year	96,338	96,890

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.

23. 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	
	2018	**2017**
	NT$'000	**NT$'000**
Directors' fees	8,263	8,417
Incentive bonus to director	2,735	3,489
Remuneration and other short term employee benefits	28,431	36,052
	39,429	47,958

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$2.7 million (2017: NT$3.5 million) for the year.

Other related parties transactions

	Group	
	2018	**2017**
	NT$'000	**NT$'000**
Rental expenses to a corporate shareholder in which directors have interests	7,361	7,361

24. Operating segments

The Group identified the operating segments based on internal reporting that the Group's chief decision makers regularly review. The Investments segment includes all investment subsidiaries of the Group and the Fund Management segment relates to the activities of the fund management subsidiary.

1. Investments – 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.

2. Fund Management – relates to the Group's fund management activities 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 Investments segment to the Fund Management subsidiary company in the Fund Management segment which was eliminated on consolidation.

	Investments	Fund Management	Eliminations	Consolidated
	NT$'000	NT$'000	NT$'000	NT$'000
2018				
Revenue				
External revenue	435,027	8,392	–	443,419
Inter-segmental revenue	332	123,694	(124,026)	–
Total revenue	435,359	132,086	(124,026)	443,419
Interest income	4,222	397	–	4,619
Depreciation	–	379	–	379
Profit before tax	263,583	44,059	–	307,642
Tax expenses	(8,999)	(4,798)	–	(13,797)
Profit after tax but before non-controlling interests	254,584	39,261	–	293,845
Non-controlling interests	(8)	(23,025)	–	(23,033)
Profit attributable to owners of the Company	254,576	16,236	–	270,812
Other information				
Segment assets	6,160,697	217,790	(25,878)	6,352,609
Segment assets includes:				
Additions to:				
Property, plant and equipment	–	–	–	–
Segment liabilities	47,888	52,409	(25,878)	74,419
Current income tax liability	32,538	3,743	–	36,281
Total liabilities	80,426	56,152	(25,878)	110,700

24. Operating segments (cont'd)

	Investments	Fund Management	Eliminations	Consolidated
	NT$'000	NT$'000	NT$'000	NT$'000
2017				
Revenue				
External revenue	661,071	1,307	–	662,378
Inter-segmental revenue	420	149,734	(150,154)	–
Total revenue	661,491	151,041	(150,154)	662,378
Interest income	5,740	934	–	6,674
Depreciation	–	296	–	296
Impairment losses on AFS	97,721	–	–	97,721
Profit before tax	361,812	58,154	–	419,966
Tax expenses	(36,744)	(8,976)	–	(45,720)
Profit after tax but before non-controlling interests	325,068	49,178	–	374,246
Non-controlling interests	(12)	(28,841)	–	(28,853)
Profit attributable to owners of the Company	325,056	20,337	–	345,393
Other information				
Segment assets	6,243,780	236,507	(35,979)	6,444,308
Segment assets includes:				
Additions to:				
Property, plant and equipment	–	429	–	429
Segment liabilities	134,839	56,325	(35,979)	155,185
Current income tax liability	54,671	7,806	–	62,477
Total liabilities	189,510	64,131	(35,979)	217,662

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	
	2018	2017
	NT$'000	NT$'000
Greater China	421,084	555,747
United States of America	(11,348)	104,340
Other countries	33,683	2,291
	443,419	662,378

24. Operating segments (cont'd)

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		Investments at fair value through profit or loss (non-trading)	
	2018	2017	2018	2017	2018	2017
	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000	NT$'000
Greater China	–	148,075	–	2,646,329	4,835,014	1,898,286
United States of America	–	–	–	60,227	82,649	29,760
Other countries	–	–	–	124,057	291,030	–
	–	148,075	–	2,830,613	5,208,693	1,928,046

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.

25. Commitments

(a) Capital commitments

The Group has uncalled capital commitments of NT$260 million (2017: NT$334 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	
	2018	2017
	NT$'000	NT$'000
Within one year	7,153	7,195
Within the second and fifth year inclusive	1,482	3,536
	8,635	10,731

26. 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 2019, 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 16 – Leases

IFRS 16 introduces a single, on-balance sheet lease 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.

26. New standards and interpretations not adopted (cont'd)

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 Group is required to adopt IFRS 16 *Leases* from 1 January 2019 and plans to apply the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that the Group will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group does not expect the impact of IFRS 16 on its financial statements to be material as the Group's main lease contract entered into as a lessee relates to office rental, which is not material to the Group.

SHAREHOLDING STATISTICS

As at 15 March 2019

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)	:	96,286,082
No. of Treasury Shares Held	:	8,374,580
No. of Subsidiary Holdings Held	:	0
Percentage of Treasury Shares Held	:	8.7% 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	26	0.2	1,035	0.0
100 – 1,000	7,254	65.5	3,278,038	3.1
1,001 – 10,000	3,119	28.1	11,473,325	11.0
10,001 – 1,000,000	671	6.1	33,669,087	32.2
1,000,001 and above	10	0.1	56,239,177	53.7
	11,080	100.0	104,660,662	100.0

Shareholding Held in Hands of Public

Based on information available to the Company as at 15 March 2019, approximately 63.8% 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	18.1
2	Daiwa Capital Markets Singapore Limited	8,614,320	8.9
3	Mega International Commercial Bank Co., Ltd	6,025,255	6.3
4	DBS Nominees Pte Ltd	4,343,374	4.5
5	Citibank Nominees Singapore Pte Ltd	2,879,936	3.0
6	KGI Securities (Singapore) Pte. Ltd.	2,536,190	2.6
7	Chung Lung Investment Co., Ltd	1,894,477	2.0
8	Phillip Securities Pte Ltd	1,598,960	1.7
9	DB Nominees (Singapore) Pte Ltd	1,343,085	1.4
10	Sunshine Ventures Pte Ltd	1,213,900	1.3
11	Wong Seng Loong Solomon	850,188	0.9
12	Lim and Tan Securities Pte Ltd	749,300	0.8
13	HSBC (Singapore) Nominees Pte Ltd	683,796	0.7
14	United Overseas Bank Nominees Pte Ltd	669,200	0.7
15	See Beng Lian Janice	652,010	0.7
16	Raffles Nominees (Pte) Limited	586,620	0.6
17	Lew Wing Kit	558,300	0.6
18	CGS-CIMB Securities (Singapore) Pte Ltd	537,738	0.6
19	UOB Kay Hian Pte Ltd	512,833	0.5
20	Liu Zou-Hsin	436,300	0.4
		54,100,882	56.3

* The percentage of issued ordinary shares is calculated based on the total number of 96,286,082 issued ordinary shares of the Company (excluding treasury shares) as at 15 March 2019.

SHAREHOLDING STATISTICS
As at 15 March 2019

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholder

	Direct Interest	%	Deemed Interest	%
Tai Lung Capital Inc.	17,415,100	18.09	1,894,477[1]	1.97
Mega International Commercial Bank Co., Ltd.	6,025,255	6.26	–	–
Daiwa Corporate Investment Co., Ltd.	–	–	5,275,513[2]	5.48
Tsui-Hui Huang	–	–	21,342,912[3]	22.17
Cheng-Wang Huang	–	–	19,309,577[4]	20.05

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

HONORARY CHAIRMAN

Cheng-Wang Huang

BOARD OF DIRECTORS

Tsui-Hui Huang (Chairman)
Andy C.W. Chen
Chun-Chen Tsou
Ng-Chee Tan
Chang-Pang Chang
Yi-Sing Chan
Kazuyoshi Mizukoshi
Kung-Wha Ding
Philip N. Pillai
Ta-Sheng Chen

AUDIT COMMITTEE

Ng-Chee Tan (Chairman)
Andy C.W. Chen
Philip N. Pillai

REMUNERATION COMMITTEE

Chang-Pang Chang (Chairman)
Ng-Chee Tan
Kung-Wha Ding

NOMINATING COMMITTEE

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

COMPANY SECRETARY

Hsin-Chieh Chung

AUDITORS

KPMG LLP
Public Accountants and Chartered Accountants
Partner in charge
Mr. Lee Chin Siang Barry
(appointed on 17 April 2018)

BERMUDA SHARE REGISTRAR

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

SINGAPORE SHARE TRANSFER AGENT

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112 Robinson Road #05-01
Singapore 068902
Tel: 65-6228-0530
Fax: 65-6225-1452

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和通集團
HOTUNG GROUP

HOTUNG INVESTMENT HOLDINGS LIMITED