

Annual Report 2015

HOTUNG INVESTMENT HOLDINGS LIMITED

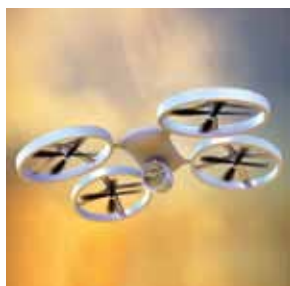


GROUP PROFILE

HOTUNG INVESTMENT HOLDINGS LIMITED and its subsidiaries (“The Group”) is a premier venture capital investment management group with over 25 years of investment and fund management experience in Greater China.

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 the prime position to comprehend and accelerate in a fast moving market, and to invest in novel and blossoming businesses and technologies across the Greater China region. 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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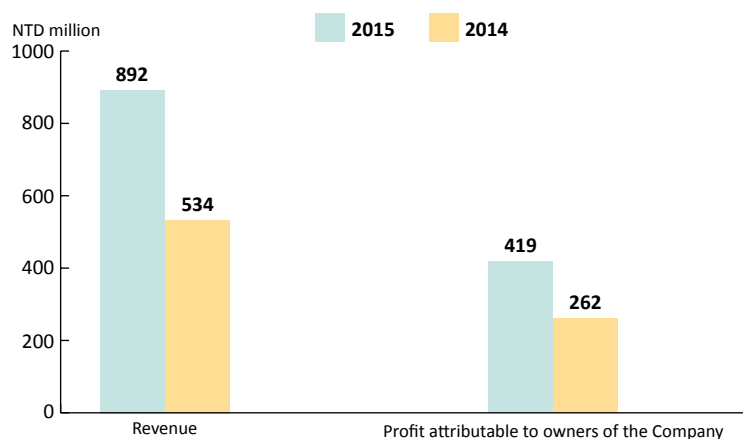
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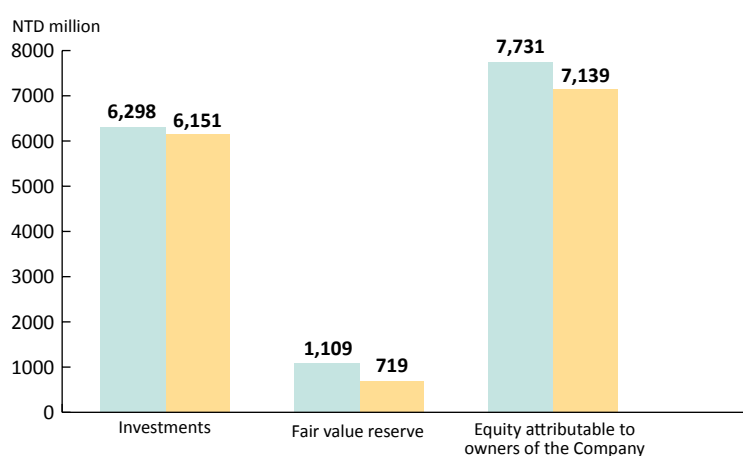
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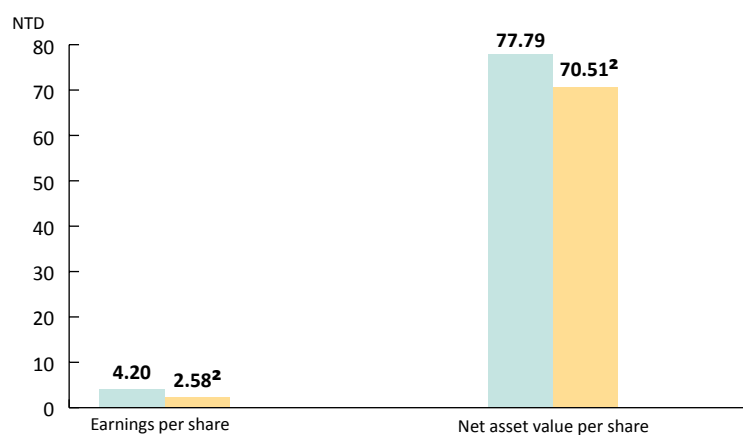
GROUP REVENUE
NT\$892 million
(+67.0%)

2014: NT\$534 million



FAIR VALUE RESERVE
NT\$1,109 million
(+54.2%)

2014: NT\$719 million



NET ASSET VALUE
PER SHARE
NT\$77.79
(+10.3%)

2014: NT\$70.51²

2015					
Group quarterly result (NTD million)	1Q	2Q	3Q	4Q	Total
Revenue	235	213	88	356	892
Profit attribute to owners of the Company	106	93	27	193	419
Earnings per share (NTD)	1.05	0.93	0.27	1.95	4.20

FINAL DIVIDEND
PER SHARE
NT\$4.02484¹

2014: NT\$0.258³

¹The Board's 2015 final dividend recommendation is subject to shareholders' approval at 2016 Annual General Meeting.

²On 9 December 2015, the Company consolidated every 10 ordinary shares into 1 ordinary share in the capital of the Company. Earnings per share and net asset value per share for 2014 had been adjusted for the effect of the share consolidation for comparison purposes.

³Before effect of share consolidation in 2015.

CHAIRMAN'S STATEMENT

“Despite uncertain global financial market sentiments in 2015, we are glad to announce that Hotung’s full year net profit after tax attributable to owners of the Company grew by 60.0% to NT\$419.5 million and earnings per share (EPS) was NT\$4.20.”

DEAR SHAREHOLDERS,

2015 was a challenging year for the financial markets, particularly from the second half. Several headwinds contributed to stock market crashes across the world. Crude prices dropped to levels close to the levels experienced during the Global Financial Crisis, the commodities market remained weak, growth in China’s economy slowed along with a currency devaluation, and the United States Federal Reserve took its time to raise interest rates.

The global stock market crash and the slide in oil prices, coupled with the slowing growth in China’s economy, resulted in a negative year-on-year growth for Taiwan’s 3rd Quarter GDP, the worst recorded since the Global Financial Crisis. The sharp global slowdown in sales of smartphones and mobile devices, as well as overcapacity issues facing traditional industries, has also led to Taiwan’s exports from industries such as steel, petrochemicals, printed circuit board and semiconductor facing stiff competition and downward pressure. Amid all these, Taiwan’s economy grew by less than 1% in 2015, its lowest since 2009. The Initial Public Offering market in Taiwan saw a total of 55 new listings on the Taiwan Stock Exchange and the Taipei Exchange during 2015, compared with 50 in 2014. Of the new listings in 2015, five were Hotung’s investee companies, up from three in the previous year.

2015 FINANCIAL OVERVIEW

Despite uncertain global financial market sentiments in 2015, we are glad to announce that Hotung’s full year net profit after tax attributable to owners of the Company grew by 60.0% to NT\$419.5 million and earnings per share (EPS) was NT\$4.20. The Net Asset Value (NAV) per share at fiscal year end increased to NT\$77.79 (2014: NT\$70.51*) and Fair Value Reserve increased by 54.2% from NT\$719.2 million to NT\$1,108.5 million due to the appreciation on portfolio valuation at the end of 2015. The Board has proposed a dividend of NT\$4.02484 per share for the year ended 31 December 2015, which is in line with the Group’s objective to distribute the majority of annual net profit after tax.

*Restated for the effect of the share consolidation for comparison purposes.

BUSINESS OVERVIEW

During the year, Hotung was selected by the Small and Medium Enterprise Administration, Ministry of Economic Affairs in Taiwan, to participate in The International Cooperation Investment Management Project for the Enterprises of the Business Start-up and Incubation Trust Account. Hotung was also one of eight venture capital companies appointed by the Industrial Development Bureau, under the government’s Project for Strengthening Investment in Strategic Manufacturing, to jointly invest in the domestic manufacturing sector.

CHAIRMAN'S STATEMENT

Hotung continues to look out for innovative and promising businesses with products and/or services that aim to improve general living standards. In 2015, we made investments in biotechnology, e-commerce, materials and smart home key components. Hotung continues to practice prudence and value investment to withstand the capriciousness of the market.

FUTURE PROSPECTS

Looking ahead, we expect global political and economic environment to remain uncertain as each country pursues aggressive monetary and fiscal policies to boost economic growth and liquidity. Consequently, the equity and foreign exchange market will experience tremendous volatility in the coming year.

Hotung's investment strategy remains committed in value investment and long-term investment. Despite foreseeable fluctuations in the equity market, our investments will be focused in leaders of growth sectors with promising long term prospects. While the market is challenging, we will make our best efforts to continue to deliver profit and value to our shareholders.

On behalf of the Board and Investment Managers, I would like to express our sincere appreciation to our shareholders for their continual support.

Sincerely,

Tsui-Hui Huang
Chairman
Taipei, Taiwan
24 March 2016



BOARD OF DIRECTORS



Tsui-Hui Huang

Chairman, Managing Director and Executive Director

Member of Nominating Committee

Date of first appointment as a director:

26 July 1997

Date of last re-election as a director:

28 April 2006

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



Cheng-Wang Huang

Non-Executive Director

Date of first appointment as a director:

6 March 1997

Date of last re-election as a director:

24 April 2015

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

BOARD OF DIRECTORS



Dr. Ng-Chee Tan

Non-Executive Director

Chairman of Audit Committee

Member of Nominating Committee

Lead Independent Director

Date of first appointment as a director:

31 August 2009

Date of last re-election as a director:

24 April 2013

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



Chang-Pang Chang

Non-Executive Director

Chairman of Nominating Committee

Member of Remuneration Committee

Independent Director

Date of first appointment as a director:

23 April 2012

Date of last re-election as a director:

29 April 2014

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

BOARD OF DIRECTORS



Dr. Boon-Wan Tan

Non-Executive Director

Chairman of Remuneration Committee

Member of Audit Committee

Independent Director

Date of first appointment as a director:

23 April 2012

Date of last re-election as a director:

29 April 2014

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



Hann-Ching Wu

Non-Executive Director

Independent Director

Date of first appointment as a director:

29 April 2014

Date of last re-election as a director: N/A

Mr. Hann-Ching Wu is a Non-Executive Director. He is Director and President of Mega International Commercial Bank Co., Ltd. (formerly the International Commercial Bank of China). Mr. Wu has extensive experience at various departments, such as Credit Control Department, Business Center-Kaohsiung, Kaohsiung Metropolitan Branch, Kaohsiung Branch, Nan Tze Branch, Kaohsiung Export Processing Zone Branch and Kaohsiung International Airport Branch for 35 years. He holds a Bachelor of National Cheng Kung University, Tainan, Taiwan and a Master of National Taiwan University, Taipei, Taiwan.

BOARD OF DIRECTORS



Kazuyoshi Mizukoshi

Non-Executive Director

Independent Director

Date of first appointment as a director:

11 November 2014

Date of last re-election as a director:

24 April 2015

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

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



Chun-Chen Tsou

Non-Executive Director

Member of Remuneration Committee

Date of first appointment as a director:

26 July 1997

Date of last re-election as a director:

24 April 2015

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

BOARD OF DIRECTORS



Andy C.W. Chen

Non-Executive Director

Member of Audit Committee

Date of first appointment as a director:

26 July 1997

Date of last re-election as a director:

24 April 2013

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



Yi-Sing Chan

Non-Executive Director

Independent Director

Date of first appointment as a director:

24 April 2013

Date of last re-election as a director: N/A

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

BOARD OF DIRECTORS



Yang-Fu Kuo

Non-Executive Director

Date of first appointment as a director:

26 July 1997

Date of last re-election as a director:

24 April 2015

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

KEY MANAGEMENT

Tsui-Hui Huang

Chairman and President

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



Seated
(left to right):
Tsui-Hui Huang
Joseph Yu

Standing
(left to right):
David Tso
Vincent Jang
Steven Huang
Felicia Hsu

KEY MANAGEMENT

Joseph Yu

Vice President

Head of Taiwan Investments, department I

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

Steven Huang

Vice President

Head of Taiwan Investments, department II

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

David Tso

Vice President

Head of China Investments

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

KEY MANAGEMENT

Felicia Hsu

Vice President

CFO & Head of Administration and Finance

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

Vincent Jang

Associate Vice President

Taiwan Investments

Mr. Vincent Jang is the Associate 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.

INVESTMENT ADVISORS



Dr. Min-Shyong Lin

*Investment Advisor
and Investment
Committee Member*

Dr. Lin, a former ITRI Executive Vice President, served nearly 20 years in ITRI pioneering and promoting optoelectronic infrastructure, computer peripherals and MEMS technologies. He found and co-found 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 Associated professor in 1976 and in 1977, he started his tenure at Department of Electrical Engineering, National Tsing Hua University where he worked for 10 years as associated professor, professor and head of the department.

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



Xu, Xiao-Ping

*Investment Advisor
and Investment
Committee Member*

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

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

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

INVESTMENT ADVISORS



Dr. Chih-Kung Lee
*Investment Advisor
 and Investment
 Committee Member*

Dr. Chih-Kung Lee is a Distinguished Professor at the Institute of Applied Mechanics, National Taiwan University and also a Distinguished Professor in the Dept. of Engineering Science & Ocean Engineering, National Taiwan University. Beginning on 1 January 2014, his additional responsibilities include CEO and co-Principal Investigator of Phase II of Taiwan's National Energy Program, as appointed by the Ministry of Science and Technology and the Ministry of Economic Affairs. The National Energy Program is involved in setting the direction of all Taiwan's energy programs as well as supervising and coordinating all energy-related research programs from years 2014 to 2018. His previous experiences include President of the Institute of Information Industry (III), Executive Vice-President of Industrial Technology Research Institute (ITRI) and Director-General of Engineering & Applied Sciences at Taiwan's National Science Council (now Ministry of Science and Technology). He joined National Taiwan University's faculty at the Institute of Applied Mechanics in 1994 and since 2007, has concurrently been a Distinguished Professor in the Dept. of Engineering Science & Ocean Engineering, National Taiwan University. Prior to 1994, he was with IBM's Almaden Research Center in San Jose, California, where he was a Research Staff Member on the Management track. He was a recipient of many IBM Technical and Invention Awards.

He has received many optical and engineering awards during his teaching career including the world recognized TWAS Prize for Engineering, awarded in Mexico City. He is a Fellow of the Institute of Physics, ASME, and Chinese Society for Management of Technology. He holds over 300 research papers and patents in various fields and has completed many academic-industrial technology transfers. He is a well-recognized expert in the areas of sensors & actuators, optoelectronics, electronics, optics, mechanical technologies, automation, MEMS, nanotechnology, and medical devices. He received his B.S. in Civil Engineering from National Taiwan University and M.S. and Ph.D. degrees in Theoretical & Applied Mechanics with minor in Physics from Cornell University, Ithaca, New York, USA.

OPERATING AND FINANCIAL REVIEW



Through its thorough assessments and careful selection process, the Group strengthened its focus on biotechnology, e-commerce, materials and smart home key components.

It was a challenging year for the global economy in 2015 and the capital markets of Taiwan and China were not spared. Faced with a challenging environment, the Group toned down its investment activities for 2015 and sought to review its existing portfolio to identify possible exits to build up its cash position for potential investments in the future. Through its thorough assessment and careful selection process, the Group strengthened its focus on key industries, namely biotechnology, e-commerce, materials and smart home key components through acquisitions, and also invested in leading companies in various sectors in the Greater China region. Total new long-term investments in 2015 amounted to NT\$713.7 million, of which NT\$224.4 million and NT\$401.0 million were invested in Taiwan and China, accounting for 31.4% and 56.2% of total new investments respectively. As at end 2015, the Group's total investment portfolio amounted to NT\$6,297.9 million, a 2.4% increase from the previous year. In line with its operating strategy, the Group stepped up its divestment activities, resulting in a NT\$706.9 million increase in its cash position as at end of 2015 to NT\$1,774.6 million.

The Group achieved earnings per share of NT\$4.20, with net profit attributable to shareholders of NT\$419.5 million in 2015 (2014: NT\$262.1 million), on the back of revenue after impairment losses amounting to NT\$639.3 million (2014: NT\$429.3 million). As a result of its risk assessment, the Group recorded impairment losses of NT\$252.4 million in 2015, which relate to loss-making investee companies that showed little signs of improvement. Total operating expenses decreased by 3.0% from NT\$177.1 million in 2014 to NT\$171.7 million in 2015. Income tax expense increased to NT\$44.1 million, mainly due to capital gains tax from divestments made by the Group's Taiwan subsidiaries.

The Group's other comprehensive income of NT\$494.9 million was mainly attributable to the net fair value gains on available-for-sale investments of NT\$513.1 million and foreign exchange gain on translation of foreign operations of NT\$105.6 million due to the depreciation of NT dollars against US dollars during the year. These gains were offset by the reclassification of previously accumulated fair value gains of NT\$106.8 million in fair value reserve to profit or loss from investments disposed during the year.

Net asset value ("NAV") per share increased by 10.3% from NT\$70.51* as at the end of 2014 to NT\$77.79 as at the end of 2015. The increase was mainly attributable to increases in the fair value reserve and currency translation reserve, as explained in the preceding paragraph. Contribution to

OPERATING AND FINANCIAL REVIEW

the Group's NAV from profits during the year was offset by the annual dividend payout of NT\$257.6 million in respect of 2014.

On 26 May 2015, the Board of Directors (the "Board") announced that the Company was deemed to control Hotung International Co., Ltd. ("HIC") following its restructuring exercise, while the Company retained its equity interest of 41.0%. As HIC is not material to the Group, and there is no material impact to the consolidated financial statements, the Group consolidated HIC as a subsidiary with effect from 1 July 2015 and consequently the Group recorded non-controlling interests to NT\$96.6 million at the end of 2015.

The Group has put in place portfolio risk management policies and procedures to ensure sound risk assessment practices and asset quality. Valuation assessment procedures have also been implemented to ensure that valuation of the investment portfolio is in accordance with International Financial Reporting Standards ("IFRS"). As of 31 December 2015, the total investment portfolio was carried at NT\$6,297.9 million (2014: NT\$6,150.7 million), of which 31.2% of the investments were quoted financial assets. For unquoted financial assets, the Group has reviewed and applied appropriate valuation methods to value these investments. Where the investment cannot be reliably measured at fair value, the Group has carried the investment at cost less impairment losses.

As at 31 December 2015, the investment portfolio comprised the following:

Quoted financial assets including:

- Held-for-trading investments at fair value of NT\$38.7 million;
- Available-for-sale investments at fair value of NT\$1,404.8 million; and
- Other financial assets at fair value through profit or loss ("FVTPL") at fair value of NT\$521.9 million.

Unquoted financial assets including:

- Available-for-sale investments at fair value of NT\$3,518.6 million;
- Available-for-sale investments at cost less impairment of NT\$110.3 million;
- Other financial assets at FVTPL at fair value of NT\$661.1 million; and
- Other financial assets at FVTPL at cost less impairment of NT\$42.5 million.

*On 9 December 2015, the Company consolidated every 10 ordinary shares into 1 ordinary share in the capital of the Company and net asset value per share for 2014 had been adjusted for the effect of the share consolidation for comparison purposes.

The Group has put in place portfolio risk management policies and procedures to ensure sound risk assessment practices and asset quality.



INVESTMENT MANAGER REPORT



Nien Made

Nien Made designs and manufactures shades, blinds, and shutters and related components. They are the one of few players in its industry to have a complete vertically-integrated business model. Equipped with in-house design and manufacturing capabilities, Nien Made ensures customer could purchase high quality products at lower cost and with faster delivery. Its vertical integration also protects the Company's design and intellectual properties, maintaining Nien Made's competitive advantage ahead of its industry peers.

Furthermore, Nien Made adopted the Toyota Production System (TPS), a proprietary order placement system that allows the Company to satisfy global demand by optimizing customer order management and its internal production, reducing additional cost and curtailing delivery time to create a higher entry barrier for competitors.

Nien Made has continued to invest in product design and custom-made window treatment products, whose total market size is estimated at minimum 5-times greater than that of ready-made products. Backed by strong product design and manufacturing capabilities, Nien Made has revolutionized the shutter industry by reducing the installation time by over 70%. The Company is also poised to leverage its experience and design team to broaden its services to clients, expanding from shutters to a wider variety of custom-made window fashion products.

Nien Made has also patented a cutting machine made available at retailers such as Home Depot, which allows customers to purchase custom-made quality readymade products while shopping.

Nien Made has been publicly listed on the Taiwan Stock Exchange Corporation, effective 22 December 2015.



Quantenna Communications Inc. ("Quantenna")

Quantenna Communications Inc. is the leading developer of 802.11ac and 802.11n semiconductor solutions for the next generation of Wi-Fi networks. It is the first company to introduce a commercially available, standards-based 802.11ac and 802.11n 4x4 Multiple Input Multiple Output (MIMO) chipsets, and it continues to lead its industry peers in chip technology by announcing its 8x8 MIMO chipset product in 2015 CES. Quantenna is focused on enabling a new wave of wireless multimedia entertainment solutions that support whole-home, full HD video distribution and networking services over standard Wi-Fi networks. Quantenna's technology is targeted at devices such as wireless set-top boxes, residential gateways, video bridges, and other devices that deliver broadband multimedia video and data services over Wi-Fi anywhere in the home or public space. Quantenna's technology is deployed by major service providers including: AT&T, DirecTV, Swisscom, Telefonica, France Telecom, and many other global telecom players, and is on track to continue its leadership in providing stable and reliable high-speed Wi-Fi video and data networks.

INVESTMENT MANAGER REPORT



JHL Biotech, Inc. (“JHL”)

JHL Biotech (“JHL”) is an emerging biopharmaceuticals company founded by a group of biotech veterans with decades of manufacturing experience. JHL Biotech’s mission is to provide affordable medicines, especially protein drugs and biosimilars, to more patients worldwide. The Company has strong expertise in cell line development, both up-stream and down-stream, and GMP manufacturing. The Company has signed co-development agreements with four international medical companies.

The Company has facilities in Taiwan that support all pre-clinical and early clinical activities for biologics development. JHL is currently building facilities to support commercial manufacturing in Wuhan, China, with an expected completion within two years. With this comprehensive infrastructure in place, JHL Biotech is uniquely positioned to deliver manufacturing solutions to its worldwide partners.

JHL Biotech has been publicly listed on the Taiwan Emerging Stock Board, effective 17 September, 2015.



nFore Technology (“nFore”)

nFore was founded in 2005 by a team of Bluetooth and Wi-Fi module specialists. As a member of Bluetooth SIG Associate, nFore provides high-quality Bluetooth module, wireless protocol, system integration solution and DSP algorithm solutions to OEM manufacturers in the automotive and IT industries. The automotive Bluetooth and Wi-Fi modules enable internet access in vehicles and are also capable of integrating vehicle information, mobile networks, and GPS data for in-vehicle infotainment systems and remote vehicle monitoring and diagnosis. Driven by safety and security features as well as infotainment and navigation services, industry experts estimate that more than 50% of vehicles sold worldwide in 2015 will be connected and every new vehicle will be connected in multiple ways by 2025. Global connected vehicle market has become one of the fastest growing segments of the IoT (Internet of Things) market and nFore is enjoying its exponential growth from in-vehicle connectivity and smartphone integration platforms that was developed earlier on with its OEM customers in 2012 and 2013.

INVESTMENT MANAGER REPORT



CNano Technology Ltd. (“CNT”)

CNano Technology Ltd. is the world-leader in manufacturing, R&D, and commercialization of high quality multi-wall carbon nanotubes (MW-CNT) product. The Company continues to leverage and enhance upon its technologies to enable consistent mass production of high quality, high purity and high yield of CNT. Main applications include energy storage-especially lithium-ion battery application, conductive plastics, anti-static paint, and enforced rubber tires. CNT include qualities such as high electrical conductivity, high thermal conductivity, high tensile strength, high elasticity, high absorbency, and low weight. For the energy storage application, CNT improves power and energy density, extend battery cycle time, and enhance safety; the demand for CNT is expected to grow exponentially along with the continued deployment of electric vehicle and continued growth of consumer electronic devices.

CNT could also be used in electronics such as hard disks and semi-conductors, automotive fuel systems and electrostatic paint, structural composites for aerospace and sporting good uses, as well as other product with high demand for thermal management and flame retardant.



Hongku Info Co., Ltd. (“Hongku”)

Hongku Info Co., Ltd. develops, hosts, and markets iPeen.com and iPeen Lifestyle APP, the leading crowd-sourced review websites and APP about restaurants, service providers and other businesses in Taiwan. The Company also helps restaurants and service providers to advertise and conduct promotions to online audiences. The website and APP each draws more than 3-million unique users per month with 90-million monthly page views; iPeen.com consistently ranks in the Top-40 in Taiwan website traffic. Taking advantage of its large online audience, Hongku is now a premier advertiser for restaurants and service providers in Taiwan and a growing O2O shopping destination for consumers.

INVESTMENT MANAGER REPORT



Great Gentry Co., Ltd. (“Great Gentry”)

Great Gentry was founded in 2007; the company manages the MamiBuy website and brand name, administering online maternal care and childcare forums and communities as well as an e-commerce business. MamiBuy launched its website and App in 2011 and 2015 respectively. The Company’s target audience is mothers to children between age 0 and 6, as the demand for maternal care and childcare related knowledge, advice, and products are at its peak for new parents; MamiBuy creates a platform for these new parents to seek advice from other more experienced peers and directly purchase products on the website. The company has expanded its target audience to pregnant women, and increased product lines and forum topics to support pregnant women and mothers of children in preschool education.

MamiBuy has over 500,000 members, 20,000 Q&A articles, 20,000 products and 300 product suppliers. Users can easily acquire parental knowledge and product information on the platform. Since its inauguration, MamiBuy has accumulated a strong customer database through its web and mobile application, which will contribute to user behavior comprehension that will drive sales and website traffic growth. MamiBuy also has access to customer information such as age and preference of specific baby and parents, and can offer product promotions accordingly to improve purchase rate. To date, MamiBuy continues to lead traffic and user loyalty amongst its industry peers in Taiwan.

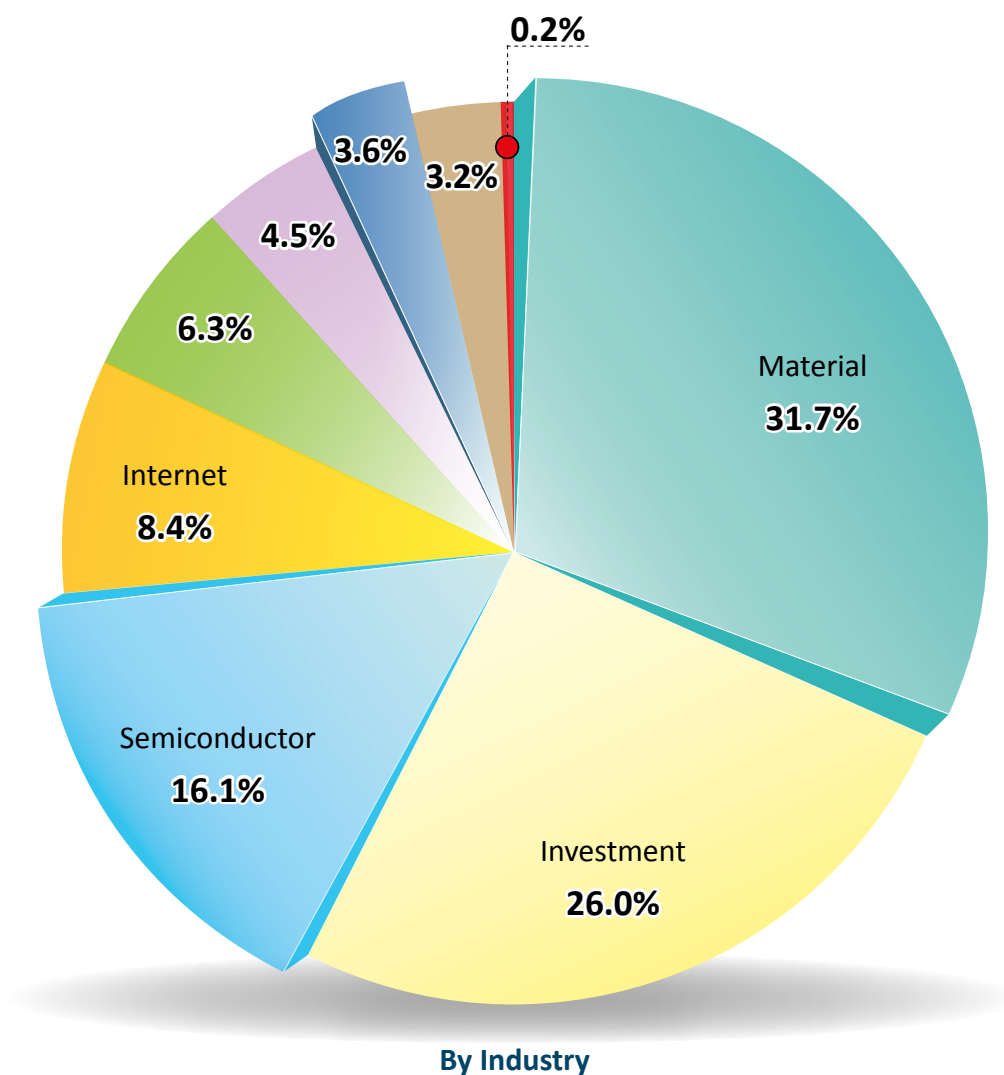
Great Gentry will continue to improve convenience and user experience of its community and e-commerce platform. The Company will also cooperate with other leading maternal and children knowledge database, and e-commerce platforms in other countries such as Vipshop.com and Baby Tree of China and Akasugu of Japan, which will allow MamiBuy to build market share outside of Taiwan. In the coming year, MamiBuy will deliver its content and product selection to Chinese consumers; China and Taiwan customers will be also be able to purchase exclusive maternal and children products from Japan through the MamiBuy platform.



Innopharmax Inc. (“Innopharmax”)

Innopharmax is a specialty pharmaceutical company focused in the area of oncology, infectious diseases and MRI contrast agents. The company has its own know-how in drug delivery platforms that enables them to develop oral administrated drugs for better safety profiles and better efficacy. With strong formulation knowledge and unique global partnership strategy, Innopharmax is committed to delivering superior and cost-effective products and meeting global quality standards to fulfill patients’ needs. Their most advanced product, GemOral -a new formulation of Gemcitabine given by oral- is currently under Phase I clinical study and will kick-off its phase II trial by 2016. The Company currently is also seeking global partners to co-develop the GemOral product.

INVESTMENT MANAGER REPORT

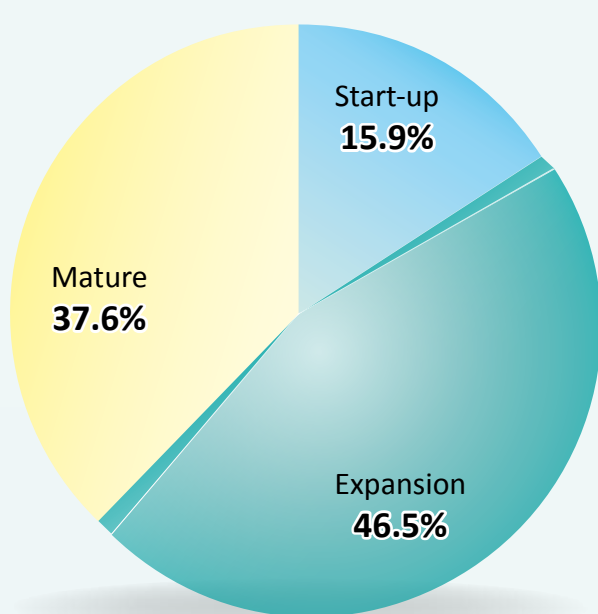


BY INDUSTRY	INV. AMT. (NTD million)	%
Material	226.3	31.7
Investment	185.5	26.0
Semiconductor	114.5	16.1
Internet	60.0	8.4
Biotechnology	45.0	6.3
Optoelectronics	31.9	4.5
E-Commerce	25.7	3.6
Precision Machinery Equipment	23.0	3.2
Software	1.8	0.2
Total	713.7	100.0

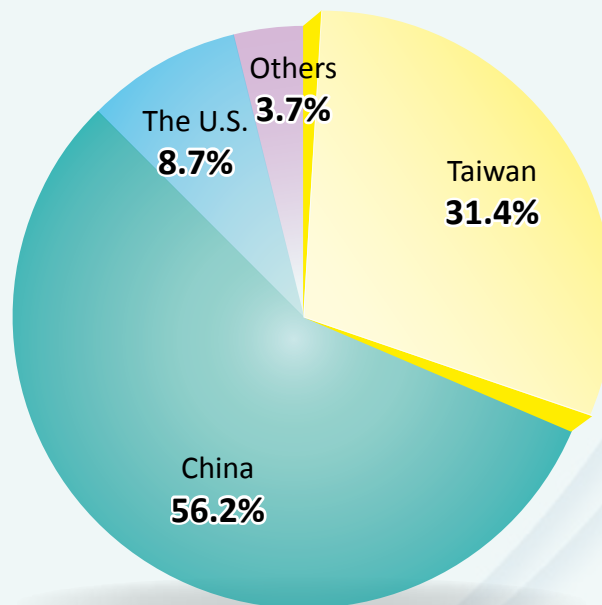
2015 NEW INVESTMENT STATISTICS

INVESTMENT MANAGER REPORT

2015 NEW INVESTMENT STATISTICS



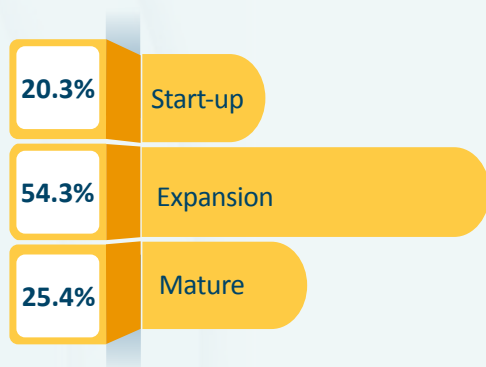
By Stage



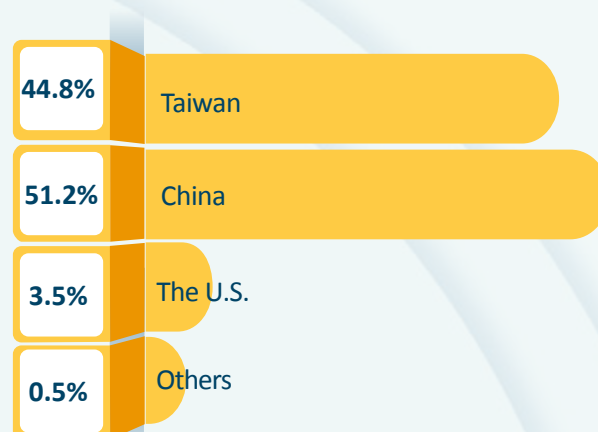
By Area

LONG-TERM INVESTMENTS AS OF 31 DECEMBER 2015

By Stage



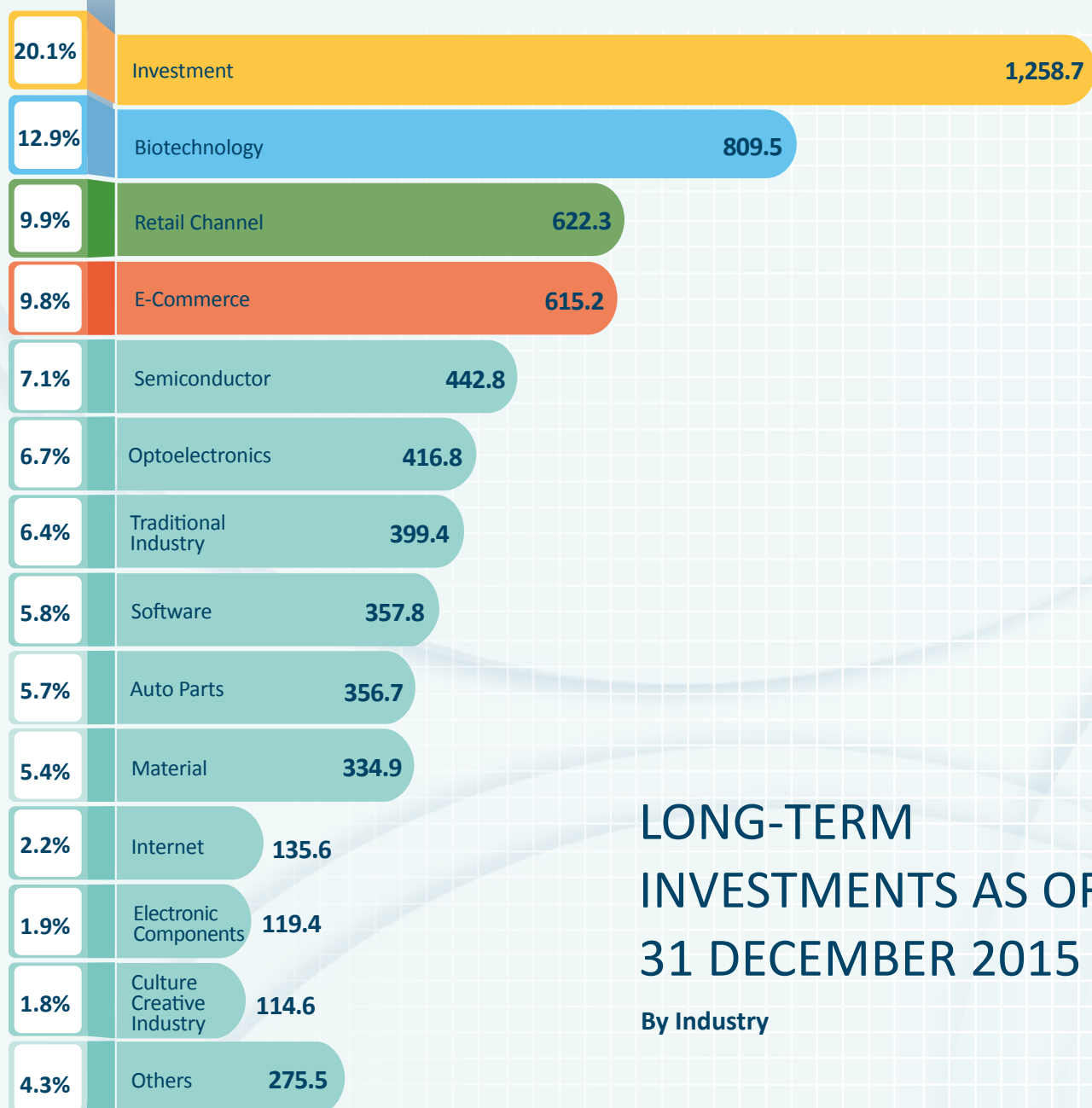
By Area



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

INVESTMENT MANAGER REPORT

Unit: NTD million



LONG-TERM INVESTMENTS AS OF 31 DECEMBER 2015

By Industry



CORPORATE GOVERNANCE
DIRECTORS' STATEMENT
FINANCIAL REPORT

CORPORATE GOVERNANCE REPORT

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

Issues	Current Practices and Activities	Remarks:
1. BOARD MATTERS Principle 1: The Board’s Conduct of Affairs	The Board meets at least four times a year. Key functions of the Board are: - Guiding the Group’s business strategies; - Approving annual budgets and targets; - Monitoring the performance and proper conduct of the Group’s business; - Overseeing the processes for evaluating the adequacy of internal control, risk management, financial reporting and compliance; and - Appointing directors (“Directors”) to Nominating, Audit and Remuneration Committees and senior management and receiving reports of these Committees. Matters requiring the Board’s decision and approval include the following: - The annual and quarterly financial reports; - Matters in relation to the share-buyback undertaken by the Company; - Matters in relation to the declaration of dividends; - The annual budgets and targets of the Group; and - The appointment and re-appointment of Directors, including remuneration packages. To assist in the execution of its 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. 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. In the event of any major developments in areas of accounting and governance standards, relevant sessions are conducted by external auditors of the Company to assist Directors in performing their duties and responsibilities. In addition, Directors are encouraged to attend other appropriate courses, conferences and seminars, such as programs run by the Singapore Institute of Directors.	The matrix of the Directors’ appointments on the Board and their participation in various Board Committees is as table 1. Details of Directors’ attendance at the Board and Board Committee meetings held in year 2015 are summarized as table 2. Details of Directors’ profile are set out on page 4 to 9.

CORPORATE GOVERNANCE REPORT

Issues	Current Practices and Activities	Remarks:
Principle 2: Board Composition and Guidance	The Board comprises 11 Directors, of whom 10 are non-executive. Of these non-executive Directors, 6 are considered by the NC to be independent of the Company's management and principal shareholders, which fulfills the Code's requirements that the independent Directors should make up at least half of the Board where the Chairman and the Chief Executive Officer ("CEO") is the same person. All Board Committees are chaired by independent Directors. Please refer to the "Board of Directors" section in the Annual Report for the independence of each Director.	
Principle 3: Chairman and Chief Executive Officer	The Chairman and CEO of the Company is the same person. Having regard to the nature of business and the structure of the Board and the management of the Company, Dr. Ng-Chee Tan was appointed the lead independent Director on 11 November 2010.	The Chairman and Managing Director is Ms. Tsui-Hui Huang.
Principle 4 : Board Membership	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 reviews and makes recommendations to the Board on the appointment and re-appointment of Directors of the Company. It also reviews annually the independence of a Director. 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. 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. Several of the non-executive Directors have been members of the Board since the Company's listing on the Singapore Stock Exchange, demonstrating their continuing long term commitment to the Company. 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 accounting, finance, business and management experience.	

CORPORATE GOVERNANCE REPORT

Issues	Current Practices and Activities	Remarks:
	Other than Ms. Tsui-Hui Huang, who is Managing Director of the Company and who is exempt from the one-third rotation rule, all Directors of the Company are subject to retirement and re-election by shareholders at the Company's annual general meeting ("AGM") in accordance with the one-third rotation rule as part of Board renewal. New Directors appointed by the Board shall hold office only until the next AGM and shall then be eligible for re-election. 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.	
Principle 5: Board Performance	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 as a whole. The process includes having Directors complete a questionnaire for their views on various aspects of Board performance, such as Board composition, Board meeting process and Board responsibilities. The Company Secretary compiles the Directors' responses to the questionnaire into a consolidated report, which is reviewed and discussed during the NC meeting. In addition, the NC reviews and evaluates the performance of individual Directors 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.	
Principle 6: Access to Information	To ensure that the Board would fulfill its responsibilities, the Directors are provided with complete, adequate and timely information 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. The Directors may take independent professional advice, where necessary, in furtherance of their duties at the Company's expense. 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.	

CORPORATE GOVERNANCE REPORT

Issues	Current Practices and Activities	Remarks:
2. REMUNERATION MATTERS Principle 7 : Procedures for Developing Remuneration Policies	The RC was established in 2002. Current members are entirely non-executive Directors with the majority of members including the Chairman being independent Directors. The members of RC are as follows: Dr. Boon-Wan Tan (Chairman) Mr. Chun-Chen Tsou Mr. Chang-Pang Chang The 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.	
Principle 8 : Level and Mix of Remuneration	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. 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.	
Principle 9 : Disclosure on 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 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 2015 is set out as table 3-1. 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. The breakdown of salaries and bonuses in percentage of the total remuneration paid to the Company's key management personnel (who are not directors or the CEO of the Company) in aggregate for the financial year ended 31 December 2015 is set out as table 3-2. The Board believes that such disclosure provides sufficient overview of the remuneration of the Company's key management personnel considering the confidentiality of remuneration matters. Such disclosure is made in the best interests of the Company given the competitive conditions in the venture capital business.	1% incentive bonus was first established during the Company's Initial Public Offering in 1997 and no change has been made since then.

CORPORATE GOVERNANCE REPORT

Issues	Current Practices and Activities	Remarks:
3. ACCOUNTABILITY AND AUDIT Principle 10 : Accountability	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.	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.
Principle 11 : Risk Management and Internal Controls Principle 12 : Audit Committee Principle 13 : Internal Audit	The AC was established in 1997. Current members are entirely non-executive Directors, with the majority including the Chairman of AC being independent Directors: Dr. Ng-Chee Tan (Chairman) Dr. Boon-Wan Tan Mr. Andy C.W. Chen The AC performs the following functions: - reviews with the external auditors their audit plan and evaluates and advises on accounting controls, audit reports and any matters which the external auditors raise to the AC; - reviews with the internal auditor, the scope and the results of internal audit procedures and his evaluation of the overall internal control system; - commissions an independent audit on internal control for its assurance, or where it is not satisfied with the system of internal control; - reviews the quarterly and annual financial statements, including announcements to shareholders and the SGX-ST prior to submission to the Board; - reviews any significant findings of internal investigations; - makes recommendations to the Board on the appointment of external auditors, the audit fee and any questions of their resignation or dismissal; - reviews and approves the appointment, replacement, reassignment or dismissal of the internal auditor; - reviews the assistance given by the Company's officers to the external and internal auditors; and - reviews interested person transactions to ensure that internal control procedures are adhered to. AC has taken measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements. 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 internal control system comprises all the procedures, which combine to give the Board of Directors reasonable assurance of: - the maintenance of proper accounting records and reliability of financial information used within or published by the Group; - the safeguarding and proper documentation of the Group's assets; and - the compliance with applicable legislation, regulation and best practices.

CORPORATE GOVERNANCE REPORT

Issues	Current Practices and Activities	Remarks:
	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 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 perform its functions. 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. <u>Market Risks</u> The changes in equity market prices and/or foreign 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. <u>Liquidity Risks</u> 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. <u>Credit Risks</u> 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.	

CORPORATE GOVERNANCE REPORT

Issues	Current Practices and Activities	Remarks:
	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 Board has received assurance from the CEO and the Chief Financial Officer 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.	
4. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES Principle 14 : Shareholder Rights Principle 15 : Communication with Shareholders Principle 16 : Conduct of Shareholder Meetings	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. All shareholders of the Company receive a copy of the Annual Report and notice of AGM. The notice is also advertised in newspapers. At AGM, shareholders are given the opportunity to air their views and raise their concerns with the Directors or question the management on matters regarding the Company and its operations. The Articles of Association 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.	
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.	

CORPORATE GOVERNANCE REPORT

Issues	Current Practices and Activities	Remarks:
Financial Risk and Capital Risk Management	The Board of Directors 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 Company's interested person transactions for the financial year ended 31 December 2015 are disclosed in table 4.	

table 1
Committee Members

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

Note(s):

"C" : Chairman of the relevant Board Committee

"M" : Member of the relevant Board Committee

CORPORATE GOVERNANCE REPORT

table 2

Details of Directors' attendance at the Board and Board Committee meetings held in year 2015:

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	—	—	1	1	—	—
Cheng-Wang Huang	4	0	—	—	—	—	—	—
Andy C.W. Chen	4	4	4	4	—	—	—	—
Hann-Ching Wu	4	2	—	—	—	—	—	—
Kazuyoshi Mizukoshi	4	4	—	—	—	—	—	—
Chun-Chen Tsou	4	4	—	—	—	—	2	2
Yang-Fu Kuo	4	4	—	—	—	—	—	—
Chang-Pang Chang	4	3	—	—	1	1	2	2
Ng-Chee Tan	4	4	4	4	1	1	—	—
Boon-Wan Tan	4	4	4	4	—	—	2	2
Yi-Sing Chan	4	4	—	—	—	—	—	—

table 3-1

Remuneration of Directors

The breakdown of the remuneration of the Directors for the financial year ended 31 December 2015 is set out as below:

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

* This represents the total remuneration received by Ms. Tsui-Hui Huang for 2015 whole year for assuming the Chairman/Managing Director of the Company and the Chairman/President positions at Hotung International Company Limited.

CORPORATE GOVERNANCE REPORT

table 3-2

Remuneration of key management personnel

The breakdown of salaries and bonuses in percentage of the total remuneration paid to the Company's key management personnel in aggregate for the financial year ended 31 December 2015 is set out as below:

Name of Key Management Personnel	Aggregate Salaries %	Aggregate Bonuses %	Total %
Joseph Yu	88	12	100
Steven Huang			
David Tso			
Felicia Hsu			

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

No employees of the Company or any of its principal subsidiaries are the Directors' immediate family members; thus, no disclosure is required for employee whose remuneration exceeds S\$50,000 per annum for the financial year ended 31 December 2015.

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

table 4

Interested person transactions

Details of the interested person transactions carried out during the financial year under review

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)
Yi-Sing Chan (director of the Company) and his associate ¹	US\$500,000	—
Tai Lung Capital Inc. (controlling shareholder of the Company) ²	NT\$6,760,320	—

Notes:

1. Purchase of the convertible bond issued by an associate of Mr. Yi-Sing Chan, by a subsidiary of the Company.
2. Rental income received by Tai Lung Capital Inc. from Hotung International Company Limited. The value of NT\$6,760,320 refers to the total contract sum for the financial year under review.

DIRECTORS' STATEMENT

The Directors are pleased to present their statement together with the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2015.

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 40 to 86 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 2015, and the financial performance, changes in equity and cash flows of the Group for the financial year then ended, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Directors

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

Tsui-Hui Huang	(Executive)
Cheng-Wang Huang	(Re-appointed on 24 April 2015)
Andy C.W. Chen	
Hann-Ching Wu	
Kazuyoshi Mizukoshi	(Re-appointed on 24 April 2015)
Chun-Chen Tsou	(Re-appointed on 24 April 2015)
Yang-Fu Kuo	(Re-appointed on 24 April 2015)
Chang-Pang Chang	
Ng-Chee Tan	
Boon-Wan Tan	
Yi-Sing Chan	

Pursuant to Bye-law 94 of the Company's Bye-laws, except for the Directors holding office as Managing Director, at each annual general meeting, one-third of the Directors shall retire from office by rotation. The following Directors, being the longest in service, will be retiring at the annual general meeting to be held on 21 April 2016 pursuant to Bye-law 95 of the Company's Bye-laws.

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

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

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

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

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

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

	Interest held ⁽¹⁾		Directors' deemed interest ⁽¹⁾	
	At beginning of the financial year	At end of the financial year ⁽²⁾	At beginning of the financial year	At end of the financial year ⁽²⁾
In the Company				
Ordinary shares of NT\$50 each				
Tsui-Hui Huang	—	—	206,493,635	20,939,012 ⁽³⁾
Cheng-Wang Huang	—	—	193,095,782	19,309,577 ⁽⁴⁾
Chun-Chen Tsou	—	—	21,718,699	2,171,869 ⁽⁵⁾
Yang-Fu Kuo	12,652,047	1,265,204	26,160,870	2,616,086 ⁽⁶⁾

⁽¹⁾ This represents the Directors' interests based on on-market trades conducted up to 28 December 2015 (where applicable), on account of the fact that trades on the Singapore Exchange Securities Trading Limited are settled on a "T+3" settlement cycle, that is, an acquisition or sale of shares on day T will be settled at T plus three (3) market days later, ie. 31 December 2015.

⁽²⁾ On 9 December 2015, the Company completed a share consolidation of every ten (10) ordinary shares in the issued and authorized share capital of the Company into one (1) ordinary share (which was approved by shareholders of the Company at the annual general meeting held on 24 April 2015).

⁽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) 289,650 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.

⁽⁵⁾ These shares are registered in the name of Daiwa Capital Markets Singapore Limited.

⁽⁶⁾ Yang-Fu Kuo has deemed interests in the following: (i) 933,107 shares held by his spouse as a scrip holder; (ii) 1,203,700 shares held by his spouse and registered in the name of Citibank Nominees Singapore Private Limited; and (iii) 479,279 shares held by Big Ben Industries Inc. as a scrip holder.

As at 21 January 2016, Tsui-Hui Huang has deemed interests in 20,981,512 shares comprising 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) 332,150 shares held by Daiwa Capital Markets Singapore Limited. Save for the foregoing, the Directors' interests as at 21 January 2016 were the same as those at the end of the financial year.

Directors' receipt and entitlement to contractual benefits

Service agreement

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

Under the terms of the service agreement, Tsui-Hui Huang is entitled to an incentive bonus equivalent to 1% of the Group's audited profit after tax and minority interests attributable to owners of the Company as set out in the audited accounts of the Group for the relevant financial year ("Incentive Bonus"). The Incentive Bonus payable to Tsui-Hui Huang amounted to NT\$4.2 million for the current financial year ended 31 December 2015.

DIRECTORS' STATEMENT

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.

DIRECTORS' STATEMENT

(iv) Internal controls

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

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

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

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

On behalf of the Directors

Tsui-Hui Huang
Director

Ng-Chee Tan
Director

21 March 2016

INDEPENDENT AUDITORS' REPORT

Members of the Company Hotung Investment Holdings Limited and its subsidiaries

Report on the financial statements

We have audited the accompanying financial statements of Hotung Investment Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 86.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

21 March 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

		Group		Company	
	Note	2015	2014	2015	2014
		NT\$'000	NT\$'000	NT\$'000	NT\$'000
Assets					
Non-current assets					
Investments in subsidiaries	7	—	—	5,255,069	5,544,252
Investments in associates	8	—	67,350	—	8,260
Available-for-sale investments	9	5,033,759	4,919,263	—	—
Other financial assets at fair value through profit or loss	10	1,225,459	1,095,463	—	—
Property, plant and equipment	11	95	—	—	—
Trade and other receivables	13	9,847	—	—	—
		6,269,160	6,082,076	5,255,069	5,552,512
Current assets					
Held-for-trading investments	12	38,714	135,896	—	—
Trade and other receivables	13	47,317	13,001	1,611	1,429
Cash and cash equivalents	14	1,774,550	1,067,658	57,310	93,932
		1,860,581	1,216,555	58,921	95,361
Total assets		8,129,741	7,298,631	5,313,990	5,647,873
Equity					
Share capital	15	5,233,033	5,233,034	5,233,033	5,233,034
Share premium		1,347,887	1,347,887	1,347,887	1,347,887
Contributed surplus reserve	15	406,116	406,116	406,116	406,116
Currency translation reserve		112,293	6,721	—	—
Legal reserve	16	457,504	437,112	—	—
Special reserve	16	19,801	19,801	—	—
Capital surplus - net assets from merger	17	126,667	126,667	—	—
Fair value reserve		1,108,544	719,213	—	—
Treasury share reserve	18	(188,777)	(123,885)	(188,777)	(123,885)
Accumulated losses		(892,274)	(1,033,718)	(1,507,229)	(1,233,285)
Equity attributable to owners of the Company		7,730,794	7,138,948	5,291,030	5,629,867
Non-controlling interests	19	96,551	408	—	—
Total equity		7,827,345	7,139,356	5,291,030	5,629,867
Liabilities					
Non-current liabilities					
Advance receipts		—	13,243	—	—
Deferred tax liability	21	101,750	36,286	—	—
		101,750	49,529	—	—
Current liabilities					
Advance receipts		59,951	—	—	—
Trade and other payables	22	72,249	44,156	22,960	18,006
Income tax payables		68,446	65,590	—	—
		200,646	109,746	22,960	18,006
Total liabilities		302,396	159,275	22,960	18,006
Total equity and liabilities		8,129,741	7,298,631	5,313,990	5,647,873

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	Group	
		2015 NT\$'000	2014 NT\$'000
Revenue	23	891,658	534,128
Impairment losses	24	(252,406)	(104,806)
Operating expenses	25	(171,707)	(177,071)
Share of profits of associates	8	9,353	18,150
Profit before tax		476,898	270,401
Tax expense	26	(44,050)	(8,259)
Profit for the year		432,848	262,142
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		105,572	149,190
Financial assets — available-for-sale (AFS):			
– Net change in fair value		513,083	309,142
– Reclassification adjustments for impairment losses taken to profit before tax		36,988	(5,058)
– Reclassification adjustments for gains taken to profit before tax from sale of AFS financial assets		(106,772)	(233,623)
Share of other comprehensive income of associates		-	195
Tax relating to components of other comprehensive income/(losses)		(53,968)	15,100
Other comprehensive income for the financial year, net of tax		494,903	234,946
Total comprehensive income for the financial year		927,751	497,088
Profit attributable to:			
Owners of the Company		419,469	262,136
Non-controlling interests		13,379	6
		432,848	262,142
Total comprehensive income for the financial year attributable to:			
Owners of the Company		914,372	497,082
Non-controlling interests		13,379	6
		927,751	497,088
Earnings per share (in NT\$):			
Basic	27	4.20	2.58*
Diluted	27	4.20	2.58*

* On 9 December 2015, the Company consolidated every 10 ordinary shares into 1 ordinary share in the capital of the Company and earnings per share for 2014 has been adjusted for the effect of the share consolidation for comparison purposes.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

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

Note	Share capital	Share premium	Contributed surplus	Currency translation reserve	Legal reserve	Special reserve	Fair value reserve	Treasury share reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Group												
At 1 January 2014	5,233,034	1,347,887	406,116	(142,664)	405,641	19,801	126,667	633,652	(83,117)	(950,532)	6,996,485	411 6,996,896
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	-	262,136	262,136	6 262,142
Exchange differences on translation of foreign operations	-	-	-	149,190	-	-	-	-	-	-	149,190	- 149,190
Financial assets – available-for-sale (AFS)	-	-	-	-	-	-	-	85,561	-	-	85,561	- 85,561
Share of other comprehensive income of associates	-	-	-	195	-	-	-	-	-	-	195	- 195
Total other comprehensive income	-	-	-	149,385	-	-	-	85,561	-	-	234,946	- 234,946
Total comprehensive income for the year	-	-	-	149,385	-	-	-	85,561	-	262,136	497,082	6 497,088
Transactions with owners, recognised directly in equity Contributions by and distributions to owners												
Shares bought back as treasury shares	18	-	-	-	-	-	-	(40,768)	-	(40,768)	-	(40,768)
Capital reduction in subsidiaries		-	-	-	-	-	-	-	-	-	(9)	(9)
Transfer from accumulated losses to legal reserve	16	-	-	-	31,471	-	-	-	(31,471)	-	-	-
Dividends paid to shareholders of the Company	20	-	-	-	-	-	-	-	(313,851)	(313,851)	-	(313,851)
Total transactions with owner		-	-	-	31,471	-	-	(40,768)	(345,322)	(354,619)	(9)	(354,628)
At 31 December 2014	5,233,034	1,347,887	406,116	6,721	437,112	19,801	126,667	719,213	(123,885)	(1,033,718)	7,138,948	408 7,139,356

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

Year ended 31 December 2015

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

Note	Share capital	Share premium	Contributed surplus reserve	Currency translation reserve	Legal reserve	Special reserve	Fair value reserve	Treasury share reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Group												
At 1 January 2015	5,233,034	1,347,887	406,116	6,721	437,112	19,801	126,667	719,213	(1,033,718)	7,138,948	408	7,139,356
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	419,469	419,469	13,379	432,848
Exchange differences on translation of foreign operations	-	-	-	105,572	-	-	-	-	-	105,572	-	105,572
Financial assets – available-for-sale (AFS)	-	-	-	-	-	-	389,331	-	-	389,331	-	389,331
Total other comprehensive income	-	-	-	105,572	-	-	389,331	-	-	494,903	-	494,903
Total comprehensive income for the year	-	-	-	105,572	-	-	389,331	-	419,469	914,372	13,379	927,751
Transactions with owners, recognised directly in equity Contributions by and distributions to owners												
Shares bought back as treasury shares	18	-	-	-	-	-	-	(64,892)	-	(64,892)	-	(64,892)
Capital reduction in subsidiaries		-	-	-	-	-	-	-	-	-	(23)	(23)
Transfer from accumulated losses to legal reserve	16	-	-	-	20,392	-	-	-	(20,392)	-	-	-
Dividends paid to shareholders of the Company		-	-	-	-	-	-	-	(257,633)	(257,633)	-	(257,633)
Effect on share consolidation	20	(1)	-	-	-	-	-	-	-	(1)	-	(1)
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	-	-	-	-	-	-
Total transactions with owner		(1)	-	-	20,392	-	-	(64,892)	(278,025)	(322,526)	82,787	(239,762)
At 31 December 2015	5,233,033	1,347,887	406,116	112,293	457,504	19,801	126,667	1,108,544	(892,274)	7,730,794	96,551	7,827,345

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Group	
	2015	2014
	NT\$'000	NT\$'000
Cash flows from operating activities		
Profit after tax	432,848	262,142
Adjustments for:		
Changes in fair value of other financial assets at fair value through profit or loss	(179,726)	(105,980)
Dividend/distribution income	(293,216)	(179,531)
Losses/(gains) on sale of held-for-trading investments	1,347	(1,061)
Gains on sale of available-for-sale investments	(217,320)	(284,257)
(Gains)/losses on sale of other financial assets at fair value through profit or loss	(165,968)	18,256
Gains on sale of investments in associates	(185)	–
Impairment losses on available-for-sale investments	232,297	94,751
Impairment losses on other financial assets at fair value through profit or loss	20,109	10,055
Depreciation expense	23	–
Interest income	(3,901)	(5,155)
Share of profits of associates	(9,353)	(18,150)
Tax expenses	44,050	8,259
	(138,995)	(200,671)
Changes to:		
Held-for-trading investments	91,464	18,849
Trade and other receivables	14,069	267
Trade and other payables	(4,602)	(14,875)
Cash used in operating activities	(38,064)	(196,430)
Interest received	4,578	4,995
Tax paid	(36,482)	(32,041)
Net cash used in operating activities	(69,968)	(223,476)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

Year ended 31 December 2015

		Group	
	Note	2015	2014
		NT\$'000	NT\$'000
Cash flows from investing activities			
Acquisition of available-for-sale investments		(432,253)	(986,207)
Acquisition of other financial assets at fair value through profit or loss		(286,472)	(363,189)
Distributions received from available-for-sale investments		18,888	6,060
Proceeds from disposal of available-for-sale investments		718,246	897,311
Proceeds from disposal of other financial assets at fair value through profit or loss		507,745	66,729
Dividend/distribution income received from investments		379,310	204,889
Dividends/distributions received from associates		18,484	18,124
Cash and cash equivalents acquired on control of an subsidiary	7	160,356	—
Acquisition of property, plant and equipment		(63)	—
Net cash from/(used in) investing activities		<u>1,084,241</u>	<u>(156,283)</u>
Cash flows from financing activities			
Capital reduction in subsidiaries paid to non-controlling interests		(23)	(9)
Dividends paid to shareholders of the Company		(257,633)	(313,851)
Purchase of treasury shares		(64,892)	(40,768)
Net cash used in financing activities		<u>(322,548)</u>	<u>(354,628)</u>
Net increase/(decrease) in cash and cash equivalents		691,725	(734,387)
Cash and cash equivalents at 1 January		1,058,082	1,774,456
Effect of exchange rate on cash and cash equivalents		16,819	18,013
Cash and cash equivalents at 31 December	14	<u>1,766,626</u>	<u>1,058,082</u>

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 21 March 2016.

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 and associates are disclosed in notes 7 and 8 to the financial statements respectively.

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

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies

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

3.1 Basis of consolidation

(i) *Business combinations*

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

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

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

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

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

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

(ii) *Subsidiaries*

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

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

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

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

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

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

(iv) *Transactions eliminated on consolidation*

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

(v) *Subsidiaries and associates in the separate financial statements*

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

3.2 Foreign currency

(i) *Foreign currency transactions*

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.2 Foreign currency (cont'd)

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

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

3.3 Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

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

Financial assets at fair value through profit or loss

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

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

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

A financial asset 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 FVTPL upon initial recognition if the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

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

Loans and receivables

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

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

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

Available-for-sale financial assets

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

Available-for-sale financial assets comprise equity securities.

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

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

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

Derivative financial instruments

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

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

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

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

Non-derivative financial liabilities

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

Other financial liabilities comprise trade and other payables.

(iii) Fair value measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(iii) 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.

(iv) Impairment

Non-derivative financial assets

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

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

Loans and receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(iv) *Impairment (cont'd)*

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.

(v) *Derecognition*

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

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

3.4 Property, plant and equipment

(i) *Recognition and measurement*

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

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

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

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

(ii) *Subsequent costs*

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

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.4 Property, plant and equipment (cont'd)

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

3.5 Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

3.6 Revenue recognition

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

Dividend/distribution income

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

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.6 Revenue recognition (cont'd)

Interest income

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

Consultancy fee income

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

3.7 Employee benefits

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

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

3.8 Lease payments

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

3.9 Income tax expense

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.9 Income tax expense (cont'd)

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 effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 – Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

As at 31 December 2015, the Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

4 Use of estimates and judgements

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

Financial asset and liability classification

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

(ii) Key sources of estimation uncertainty

Determining fair value

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

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

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

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

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

Fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS

4 Use of estimates and judgements (cont'd)

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

	Note	Level 1 NT\$'000	Level 2 NT\$'000	Level 3 NT\$'000	Total NT\$'000
2014					
Held-for-trading investments	12				
Quoted equities, at fair value		135,896	—	—	135,896
Other financial assets at FVTPL	10				
Quoted equities, at fair value		124,606	—	—	124,606
Unquoted equities, at fair value		—	500,222	408,550	908,772
Available-for-sale investments	9				
Quoted equities, at fair value		867,854	—	—	867,854
Unquoted equities, at fair value		—	1,198,510	2,649,022	3,847,532
		<u>1,128,356</u>	<u>1,698,732</u>	<u>3,057,572</u>	<u>5,884,660</u>

At 31 December 2015, available-for-sale investments with a carrying amount of NT\$260 million (2014: NT\$281 million) were transferred from Level 2 to Level 1 because those investments were listed during the year. There were no transfers from Level 1 to Level 2 in 2015 and 2014.

At 31 December 2015, other financial assets at FVTPL with a carrying amount of NT\$310.7 million were transferred from Level 2 to Level 1 because those investments were listed during the year. A carrying amount of NT\$82.8 million was transferred from Level 1 to Level 2 as the investment was delisted. There were no transfers between Level 1 and Level 2 in 2014.

The fair value hierarchy table excludes financial assets and financial liabilities such as cash and cash equivalents, trade and other receivables and payables because their carrying amounts approximate their fair values due to their short-term nature. The fair value table also excludes investments in equity instruments which are carried at cost less impairment losses of NT\$153 million (2014: NT\$266 million) because the fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

4 Use of estimates and judgements (cont'd)

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

Fair value hierarchy (cont'd)

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

	Available- for-sale investments	Other financial assets at FVTPL
	NT\$'000	NT\$'000
2015		
At beginning of year	2,649,022	408,550
Losses recognised in profit or loss		
– net change in fair value	–	(23,539)
– impairment losses on available-for-sale investments	(44,442)	–
Gains recognised in other comprehensive income		
– net change in fair value	23,588	–
Disposals	(417,342)	(94,950)
Capital reduction	(7,981)	–
Purchases	98,694	–
Transfers to Level 3		
– from Level 2	768,525	42,944
Transfers out of Level 3		
– to Level 2 ^(b)	(159,278)	–
At end of year	2,910,786	333,005
Total unrealised losses for the year included in profit or loss for assets held as at 31 December	–	(23,539)
2014		
At beginning of year	1,635,796	330,898
Gains recognised in profit or loss		
– net change in fair value	–	23,816
Gains recognised in other comprehensive income		
– net change in fair value	228,154	–
Disposals	(73,943)	–
Capital reduction	(4,804)	–
Purchases	83,685	–
Transfers to Level 3		
– from Level 2	832,134	101,586
Transfers out of Level 3		
– to Level 1 ^(a)	(52,000)	–
– to Level 2 ^(b)	–	(47,750)
At end of year	2,649,022	408,550
Total unrealised gains for the year included in profit or loss for assets held as at 31 December	–	23,816

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

^(b) Certain investments were transferred from Level 3 to Level 2 because measurement of fair value was based on valuation techniques based on observable inputs and recent financing rounds.

NOTES TO THE FINANCIAL STATEMENTS

4 Use of estimates and judgements (cont'd)

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

Fair value hierarchy (cont'd)

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

The following table shows the valuation techniques and the key unobservable inputs used in the determination of fair value of the Level 3 available-for-sale equity securities.

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 5.9x to 13.5x (2014: 3.3x to 8.2x) - Adjusted price-book ratio multiple 0.7x to 5.3x (2014: 0.7x to 1.1x)	The estimated fair value increases if the adjusted multiples were higher.
Transacted prices	Not applicable	Not applicable
Net asset values	Not applicable	Not applicable

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

	2015		2014	
	Effect on fair value reserve		Effect on fair value reserve	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Level 3 available-for-sale equity securities	39,699	(39,699)	93,361	(68,640)

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

NOTES TO THE FINANCIAL STATEMENTS

5 Financial risk management

Overview

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

- market risks
- credit risk
- liquidity risk

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

Risk management framework

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

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

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

Market risks

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

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

Currency risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

5 Financial risk management (cont'd)

Market risks (cont'd)

Exposure to currency risk

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

	USD	NTD	JPY	SGD	HKD
	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Group					
2015					
Available-for-sale investments	289,510	–	25,214	–	13,992
Other financial assets at fair value through profit or loss	132,326	–	–	–	54,254
Trade and other receivables	1,863	–	–	–	–
Cash and cash equivalents	263,753	510	25	8,140	57,890
Trade and other payables	(4,235)	(150)	–	(1,787)	–
Net exposure	683,217	360	25,239	6,353	126,136
2014					
Available-for-sale investments	538,147	20,507	95	–	43,509
Other financial assets at fair value through profit or loss	184,201	–	–	–	–
Trade and other receivables	7,377	–	–	–	–
Cash and cash equivalents	68,957	603	–	14,620	90,353
Trade and other payables	(4,281)	(150)	–	(1,231)	–
Net exposure	794,401	20,960	95	13,389	133,862
Company					
2015					
Trade and other receivables	1,610	–	–	–	–
Cash and cash equivalents	33,870	–	–	8,135	–
Trade and other payables	(4,235)	–	–	(1,787)	–
Net exposure	31,245	–	–	6,348	–
2014					
Trade and other receivables	1,428	–	–	–	–
Cash and cash equivalents	63,612	–	–	14,620	–
Trade and other payables	(4,281)	–	–	(1,231)	–
Net exposure	60,759	–	–	13,389	–

NOTES TO THE FINANCIAL STATEMENTS

5 Financial risk management (cont'd)

Market risks (cont'd)

Sensitivity analysis

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

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

	Group		Company
	Profit or loss	Other comprehensive income (Fair value reserve)	Profit or loss
	NT\$'000	NT\$'000	NT\$'000
2015			
USD	(19,685)	(14,476)	(1,562)
NTD	(18)	–	–
JPY	(1)	(1,261)	–
SGD	(318)	–	(317)
HKD	(5,607)	(700)	–
2014			
USD	(12,813)	(26,907)	(3,038)
NTD	(23)	(1,025)	–
JPY	–	(5)	–
SGD	(669)	–	(669)
HKD	(4,518)	(2,175)	–

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

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

Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

5 Financial risk management (cont'd)

Market risks (cont'd)

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

At 31 December 2015, if market prices had been 5% higher with all other variables held constant, the increase in fair value of available-for-sale quoted investments and the corresponding increase in fair value reserve would be NT\$70 million (2014: NT\$43 million), whereas the increase in the fair value of held-for-trading and other FVTPL quoted investments and the corresponding increase in profit before tax, would be NT\$28 million (2014: NT\$13 million). If market prices had been 5% lower with all other variables held constant, the fair values would have decreased by equal amounts.

Credit risk

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

Exposure to credit risk

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

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

As at the financial reporting date, the trade and other receivables are not past due (2014: not past due).

Impairment losses

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

NOTES TO THE FINANCIAL STATEMENTS

5 Financial risk management (cont'd)

Credit risk (cont'd)

Impairment losses (cont'd)

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

	Group		Company	
	2015	2014	2015	2014
	NT\$'000	NT\$'000	NT\$'000	NT\$'000
At beginning of year	5,604	5,604	—	—
Impairment losses write off	(5,604)	—	—	—
At end of year	—	5,604	—	—

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

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. There are no external borrowings, and the current liabilities of the Group are not significant in relation to the current assets level. The Group maintains a high current ratio of 9.27 as at 31 December 2015 (2014: 11.1). 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
	NT\$'000	NT\$'000	NT\$'000
Group			
2015			
Non-derivative financial liabilities			
Trade and other payables	72,249	72,249	72,249
2014			
Non-derivative financial liabilities			
Trade and other payables	44,156	44,156	44,156
Company			
2015			
Non-derivative financial liabilities			
Trade and other payables	22,960	22,960	22,960
2014			
Non-derivative financial liabilities			
Trade and other payables	18,006	18,006	18,006

NOTES TO THE FINANCIAL STATEMENTS

5 Financial risk management (cont'd)

Capital management

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

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

NOTES TO THE FINANCIAL STATEMENTS

6 Classification of financial assets and liabilities

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

Group	Note	Held-for- trading	Loans and receivables	Designated at fair value	Available- for-sale	Other financial liabilities within scope of IAS 39		Total carrying amount
						NT\$'000	NT\$'000	
2015								
Available-for-sale investments	9	–	–	–	5,033,759	–	–	5,033,759
Other financial assets designated at fair value through profit or loss	10	–	–	1,225,459	–	–	–	1,225,459
Held-for-trading investments	12	38,714	–	–	–	–	–	38,714
Trade and other receivables*	13	–	55,114	–	–	–	–	55,114
Cash and cash equivalents	14	–	1,774,550	–	–	–	–	1,774,550
		38,714	1,829,664	1,225,459	5,033,759	–	–	8,127,596
Trade and other payables	22	–	–	–	–	(72,249)	–	(72,249)
2014								
Available-for-sale investments	9	–	–	–	4,919,263	–	–	4,919,263
Other financial assets designated at fair value through profit or loss	10	–	–	1,095,463	–	–	–	1,095,463
Held-for-trading investments	12	135,896	–	–	–	–	–	135,896
Trade and other receivables*	13	–	11,076	–	–	–	–	11,076
Cash and cash equivalents	14	–	1,067,658	–	–	–	–	1,067,658
		135,896	1,078,734	1,095,463	4,919,263	–	–	7,229,356
Trade and other payables	22	–	–	–	–	(44,156)	–	(44,156)

* Excludes prepayments and tax recoverable

NOTES TO THE FINANCIAL STATEMENTS

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

	Note	Loans and receivables NT\$'000	Other financial liabilities within scope of IAS 39 NT\$'000	Total carrying amount NT\$'000
Company				
2015				
Trade and other receivables*	13	1	—	1
Cash and cash equivalents	14	57,310	—	57,310
		57,311	—	57,311
Trade and other payables	22	—	(22,960)	(22,960)
2014				
Trade and other receivables*	13	5	—	5
Cash and cash equivalents	14	93,932	—	93,932
		93,937	—	93,937
Trade and other payables	22	—	(18,006)	(18,006)

* Excludes prepayments

7 Investments in subsidiaries

	Company	
	2015	2014
	NT\$'000	NT\$'000
Unquoted equity investments, at cost	5,255,069	5,544,252

Details of significant subsidiaries are as follows:

Name	Principal activities	Principal place of business/Country of incorporation	Ownership interest	
			2015	2014
			%	%
Hotung Venture Capital Corp. ^{(a)(b)(g)}	Invest in listed/over the counter and unlisted companies	Taiwan, Republic of China	99.99	99.99
Huitung Investments (BVI) Ltd. ^{(a)(d)(g)}	Invest in listed/over the counter and unlisted companies	British Virgin Islands	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS

7 Investments in subsidiaries (cont'd)

Name	Principal activities	Principal place of business/Country of incorporation	Ownership interest	
			2015	2014
			%	%
Daitung Development and Investment Corp. ^{(a)(c)(g)}	Invest in listed/over the counter and unlisted companies	Taiwan, Republic of China	99.99	99.99
Hotung Management International Ltd. ^(e)	Provision of consultancy services	People's Republic of China/Cayman Islands	100.00	100.00
Hotung International Co., Ltd. ^{(a)(f)}	Provision of consultancy services	Taiwan, Republic of China	41.35	—
Held by subsidiaries				
Horizon Consultants Co., Ltd. ^{(a)(g)}	Investment holding	Cayman Islands	100.00	100.00
Infinitude Investment Co., Ltd. ^{(a)(g)}	Invest in listed/over the counter and unlisted companies	British Virgin Islands	100.00	100.00

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

^(b) During the year, Hotung Venture Capital Corp. ("Venture") embarked on capital reduction exercises, reducing its contributed capital by NT\$150 million (2014: NT\$200 million) by way of return of cash to its shareholders. The Group's shareholding in Venture remains unchanged subsequent to the capital reduction exercise.

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

^(d) In 2014, Huitung Investments (BVI) Ltd. ("Huitung") declared cash dividend of US\$3.5 million (NT\$106 million) to the Company.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

8 Investments in associates

The Group has interests in individually immaterial associates. The following table analyses in aggregate, the carrying amount and share of profit and other comprehensive income ("OCI") of these associates.

	Group		Company	
	2015	2014	2015	2014
	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Carrying amount of interests in associates	–	67,350	–	8,260
Share of:				
– Profit from continuing operations	9,353	18,150	–	–
– OCI	–	195	–	–
Total comprehensive income	9,353	18,345	–	–

During the year, the Company obtained control of an associate, HIC, which was consequently consolidated as a subsidiary as at 31 December 2015 (refer to note 7). The net assets of HIC as at the date that control commenced amounted to NT\$131 million.

9 Available-for-sale investments

	Group	
	2015	2014
	NT\$'000	NT\$'000
Quoted equity shares, at fair value	1,404,807	867,854
Unquoted equity shares, at fair value	3,518,642	3,847,532
	4,923,449	4,715,386
Unquoted equity shares, at cost ⁽¹⁾	461,031	2,522,685
Allowance for impairment losses ⁽¹⁾	(350,721)	(2,318,808)
	110,310	203,877
	5,033,759	4,919,263

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

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

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

During the current financial year, the Group wrote off allowance for impairment losses amounting to NT\$1,964.3 million. The main reason for the change was because reliable measures of company values were no longer available.

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

NOTES TO THE FINANCIAL STATEMENTS

10 Other financial assets at fair value through profit or loss

	Group	
	2015	2014
	NT\$'000	NT\$'000
Quoted equity shares, at fair value	521,917	124,606
Unquoted equity shares, at fair value	661,090	908,772
	<u>1,183,007</u>	<u>1,033,378</u>
Unquoted equity shares, at cost ⁽¹⁾	131,244	130,768
Allowance for impairment losses	(88,792)	(68,683)
	<u>42,452</u>	<u>62,085</u>
	<u>1,225,459</u>	<u>1,095,463</u>

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

11 Property, plant and equipment

	Office equipment
	NT\$'000
Group	
2015	
Cost	
At 1 January 2015	–
Acquisition of subsidiary (note 7)	55
Additions	63
At 31 December 2015	118
Accumulated depreciation and impairment losses	
At 1 January 2015	–
Depreciation	23
At 31 December 2015	23
Carrying amounts	
At 1 January 2015	–
At 31 December 2015	95

12 Held-for-trading investments

	Group	
	2015	2014
	NT\$'000	NT\$'000
Equity securities, at fair value	38,714	135,896

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

NOTES TO THE FINANCIAL STATEMENTS

13 Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Trade receivables (non-current)	9,847	—	—	—
Trade receivables (current)	43,435	9,321	—	—
Interest receivable	502	1,106	1	5
Other receivables	1,330	649	—	—
Tax recoverable	123	47	—	—
Prepayments	1,927	1,878	1,610	1,424
	47,317	13,001	1,611	1,429

Trade receivables arise from sale of investments and dividend receivables.

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

14 Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Time deposits	1,188,677	595,755	8,780	68,946
Cash and bank balances	585,873	471,903	48,530	24,986
Cash and cash equivalents in the statement of financial position	1,774,550	1,067,658	57,310	93,932
Cash held by trustee	(7,924)	(9,576)	—	—
Cash and cash equivalents in the statement of cash flows	1,766,626	1,058,082	57,310	93,932

The time deposits bear effective interest at rates ranging from 0.03% to 0.80% (2014: 0.09% to 3.25%) per annum at the end of the reporting period. The time deposits mature on varying dates within 6 months (2014: 6 months) from the financial year end.

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

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

NOTES TO THE FINANCIAL STATEMENTS

15 Share capital

	Company			
	2015	2014	2015	2014
	Number of ordinary shares, including treasury shares '000		NT\$'000	
Authorised	2,000,000	2,000,000	10,000,000	10,000,000
Issued and fully paid:				
At beginning of the year	1,046,607	1,046,607	5,233,034	5,233,034
Effect of share consolidation	(941,946)	–	(1)	–
At end of the year	104,661	1,046,607	5,233,033	5,233,034

Ordinary shares

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

As a result of share consolidation of every 10 existing ordinary shares into 1 ordinary share on 9 December 2015, the number of issued shares of the Company was reduced to 104,660,662 with par value of NT\$50 (2014: NT\$5) each.

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.

16 Legal and special reserves

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

17 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.

NOTES TO THE FINANCIAL STATEMENTS

18 Treasury share reserve

Pursuant to the general mandate obtained in General Meetings held on 29 April 2014 and 24 April 2015, the Company continued with its share buy-back exercise. During the year, the number of shares purchased by way of market acquisition was 1,859,380 (2014: 10,433,000*), for an aggregated consideration of NT\$64,892,000 (2014: NT\$40,768,000). Pursuant to the Bye-laws of the Company, the shares purchased are treated as treasury shares.

As at 31 December 2015, the total number of shares that remain in issuance excluding treasury shares amounted to 99,382,882 (2014: 1,012,422,783*).

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

19 Non-controlling interest

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

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

	HIC NT\$'000
2015	
Percentage shareholdings by non-controlling interests	58.65%
Revenue	158,423
Profit	41,062
Other comprehensive income	—
Total comprehensive income	41,062
Attributable to NCI:	
– Profit	13,370
– Other comprehensive income	—
Total comprehensive income	13,370
Non-current assets	124
Current assets	223,607
Non-current liabilities	—
Current liabilities	(59,723)
Net assets	164,008
Net assets attributable to NCI	96,191
Cash flows from operating activities	45,731
Cash flows used in investing activities	(62)
Cash flows used in financing activities	(40,000)
Net increase in cash and cash equivalents	5,669

NOTES TO THE FINANCIAL STATEMENTS

20 Dividends

	Group and Company	
	2015	2014
	NT\$'000	NT\$'000
<i>Ordinary dividends paid</i>		
NT\$0.258* per ordinary share (2014: NT\$0.31*)	257,633	313,851

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	
	2015	2014
	NT\$'000	NT\$'000
NT\$4.02484 per ordinary share (2014: NT\$0.258*)	400,000	257,633

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

21 Deferred tax liability

	Group	
	2015	2014
	NT\$'000	NT\$'000
Deferred tax liability		
– available-for-sale investments net change in fair value	90,254	36,286
– other financial assets at FVTPL	11,496	–
	101,750	36,286

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

	Balance as at 1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income	Balance as at 31 December 2014 and 2015	Recognised in profit or loss	Recognised in other comprehensive income	Balance as at 31 December 2015
	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Available-for-sale investments	51,386	–	(15,100)	36,286	–	53,968	90,254
Other financial asset at FVTPL	–	–	–	–	11,496	–	11,496
	51,386	–	(15,100)	36,286	11,496	53,968	101,750

NOTES TO THE FINANCIAL STATEMENTS

22 Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Amount due to associate (trade)	–	24,808	–	–
Accrued expenses	72,249	19,348	22,960	18,006
	<u>72,249</u>	<u>44,156</u>	<u>22,960</u>	<u>18,006</u>

As at 31 December 2014, outstanding balances with associate were unsecured, interest-free and repayable on demand.

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

23 Revenue

	Group	
	2015	2014
	NT\$'000	NT\$'000
Interest income	3,901	5,155
Dividend/distribution income	293,216	179,531
(Losses)/gains on sale of held-for-trading investments	(1,347)	1,061
Gains on sale of available-for-sale investments	217,320	284,257
Gains/(losses) on sale of other financial assets at fair value through profit or loss	165,968	(18,256)
Gains on sale of investments in associates	185	–
Changes in fair value of held-for-trading investments	17,835	(34,693)
Changes in fair value of other financial assets at fair value through profit or loss	179,726	105,980
Foreign exchange gains	3,542	7,846
Others	11,312	3,247
	<u>891,658</u>	<u>534,128</u>

24 Impairment losses

	Group	
	2015	2014
	NT\$'000	NT\$'000
Impairment losses on available-for-sale investments, at fair value	178,756	66,833
Impairment losses on available-for-sale investments, at cost	53,541	27,918
Impairment losses on other financial assets at fair value through profit or loss	20,109	10,055
	<u>252,406</u>	<u>104,806</u>

NOTES TO THE FINANCIAL STATEMENTS

25 Operating expenses

	Group	
	2015	2014
	NT\$'000	NT\$'000
Staff cost*	54,356	1,777
Audit fees		
– auditors of the Company	2,440	2,440
– other auditors	2,864	2,824
Non-audit fees		
– other auditors	660	543
Operating lease expense	7,175	3,228
Management fees to an associate**	51,571	105,253
Incentive fees to an associate**	11,240	23,626
Management incentive bonus	4,237	2,648
Other administrative expenses	37,164	34,732
	<u>171,707</u>	<u>177,071</u>

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

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

26 Tax expense

	Group	
	2015	2014
	NT\$'000	NT\$'000
Current tax expense		
Current year	50,653	37,212
Adjustment for prior years	(10,338)	(28,953)
	<u>40,315</u>	<u>8,259</u>
Deferred tax expense		
Origination and reversal of temporary difference	11,496	–
Recognition of previously unrecognised tax losses	(7,761)	–
	<u>3,735</u>	<u>–</u>
Tax expense on continuing operations	<u>44,050</u>	<u>8,259</u>

NOTES TO THE FINANCIAL STATEMENTS

26 Tax expense (cont'd)

	Group	
	2015	2014
	NT\$'000	NT\$'000
<i>Reconciliation of effective tax rate</i>		
Profit before tax	476,898	270,401
Tax at the statutory rate of respective jurisdictions	45,472	22,803
Difference in tax rates applicable to capital gains on securities	(10,996)	(30,809)
Effect of tax on bonus shares	(21,310)	(13,233)
Non-taxable income	(39,156)	(6,557)
Non-deductible expenses	50,405	12,718
Adjustment for prior years	(10,338)	(28,953)
Deferred tax on other financial assets FVTPL	11,496	–
Recognition of previously unrecognised tax losses	(7,761)	–
Current year losses for which no deferred tax asset was recognised	–	23,994
Tax on undistributed profits of subsidiaries	22,564	18,353
Foreign tax (tax levied outside respective entity's own jurisdiction)	3,674	9,943
	44,050	8,259

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

Subsidiaries: capital gains tax

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

Subsidiaries: withholding tax

Dividends paid by Taiwanese companies are subjected to foreign investors' withholding tax. At the end of the reporting period, the aggregate amount of undistributed earnings of the Taiwanese subsidiaries (without making a distinction between pre-acquisition and post-acquisition earnings) are NT\$2,521 million (2014: NT\$2,320 million). Included therein is legal reserve amounting to NT\$515 million (2014: NT\$495 million), which cannot be distributed under the Taiwanese law unless the balance of legal reserve is greater than 25% of the issued capital following the revision of the Company Act which took effect from 4 January 2012. The withholding tax that would be incurred should the above earnings be distributed are estimated to be NT\$273 million (2014: NT\$252 million), including the withholding tax impact computed on the legal reserve alone amounting to NT\$65 million (2014: NT\$63 million).

NOTES TO THE FINANCIAL STATEMENTS

26 Tax expense (cont'd)

As the fair valuation of the investment portfolio may result in higher earnings, the Taiwan subsidiaries are further subject to potential withholding tax should the earnings be distributed. For the year ended 31 December 2015, the additional withholding tax that would be incurred on the distributed earnings is estimated to be NT\$156 million (2014: NT\$68 million).

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

Unrecognised deferred tax assets

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

	Group	
	2015	2014
	NT\$'000	NT\$'000
Tax losses	284,085	329,460

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

	Group	
	2015	2014
	NT\$'000	NT\$'000
2018	16,985	62,642
2019	15,307	15,307
2020	16,307	16,307
2021	94,061	94,061
2024	141,425	141,143
	284,085	329,460

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

NOTES TO THE FINANCIAL STATEMENTS

27 Earnings per share

For the financial year ended 31 December 2015, basic earnings per share is calculated by dividing the consolidated profit attributable to owners of the Company of NT\$419,469,000 (2014: NT\$262,136,000) by the weighted average number of ordinary shares outstanding of 99,892,209 (2014: 101,552,926⁽¹⁾).

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

	Group	
	2015	2014
	'000	'000
Issued ordinary shares at beginning of the year	1,012,423	1,022,856
Effect of repurchase of shares	(13,501)	(7,327)
Share consolidation ⁽¹⁾	(899,030)	—
Weighted average number of shares at end of the year	99,892	1,015,529

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.

⁽¹⁾ On 9 December 2015, the Company completed a share consolidation of every 10 existing issued ordinary shares into 1 consolidated ordinary share in the capital of the Company and the weighted average number of ordinary shares used for the calculation of earnings per share as at 31 December 2014 has been adjusted for the effect of the share consolidation.

28 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	
	2015	2014
	NT\$'000	NT\$'000
Directors' fees	8,810	8,813
Incentive bonus to directors	4,237	2,648
Remuneration and other short term employee benefits*	14,064	—
	27,111	11,461

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\$4.2 million (2014: NT\$2.6 million) for the year.

NOTES TO THE FINANCIAL STATEMENTS

28 Related parties (cont'd)

Other related parties transactions

	Group	
	2015	2014
	NT\$'000	NT\$'000
Management fees to an associate**	51,571	105,253
Incentive fees to an associate**	11,240	23,626
Rental expenses to a corporate shareholder in which directors have interests	4,171	960

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

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

29 Operating segments

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

1. Investment — the Group's core business segment conducted mainly through its three subsidiaries: Hotung Venture Capital Corp. (Taiwan), Daitung Development and Investment Corp. (Taiwan) and Huitung Investments (BVI) Ltd., with the objective of achieving significant long-term capital appreciation by investing in a balanced and well-diversified portfolio, and assisting and adding value to the portfolio of companies.
2. Fund management — relates to the Group's fund management activities through its subsidiary, Hotung International Co., Ltd., with the main objective of providing investment consultancy and advisory services to entities within the Group.

NOTES TO THE FINANCIAL STATEMENTS

29 Operating segments (cont'd)

There were no inter-segment transactions during the period except for the management and incentive fees paid from entities within the “investment” business segment to the fund management subsidiary company in the “fund management” segment which were eliminated on consolidation. In 2014, the management and incentive fees transactions with the associate company were not eliminated as the associate company was equity accounted.

	Investment business	Fund management	Eliminations	Consolidated
	NT\$'000	NT\$'000	NT\$'000	NT\$'000
2015				
Revenue				
External revenue	886,275	5,383	–	891,658
Inter-segmental revenue	2,384	84,211	(86,595)	–
Total revenue	888,659	89,594	(86,595)	891,658
Result				
Segment result	431,779	31,865	–	463,644
Share of profits of associates	–	9,353	–	9,353
Interest income	3,574	327	–	3,901
Profit before tax	435,353	41,545	–	476,898
Tax expenses	(34,654)	(9,396)	–	(44,050)
Profit after tax but before non-controlling interests	400,699	32,149	–	432,848
Non-controlling interests	(10)	(13,369)	–	(13,379)
Profit attributable to owners of the Company	400,689	18,780	–	419,469
Other information				
Segment assets	7,952,507	177,234	–	8,129,741
Segment assets includes:				
Additions to:				
Property, plant and equipment	–	95	–	95
Segment liabilities	84,692	47,508	–	132,200
Current income tax liability	56,643	11,803	–	68,446
Deferred tax liability	101,750	–	–	101,750
Consolidated total liabilities	243,085	59,311	–	302,396
Depreciation	–	23	–	23
Impairment losses on AFS	232,297	–	–	232,297
Impairment losses on FVTPL	20,109	–	–	20,109

NOTES TO THE FINANCIAL STATEMENTS

29 Operating segments (cont'd)

	Investment Business	Fund management	Consolidated
	NT\$'000	NT\$'000	NT\$'000
2014 (Restated)			
Revenue			
External revenue	534,128	–	534,128
Inter-segmental revenue	–	–	–
Total revenue	534,128	–	534,128
Result			
Segment result	247,096	–	247,096
Share of profits of associates	–	18,150	18,150
Interest income	5,155	–	5,155
Profit before tax	252,251	18,150	270,401
Tax expenses	(8,259)	–	(8,259)
Profit after tax but before non-controlling interests	243,992	18,150	262,142
Non-controlling interests	(6)	–	(6)
Profit attributable to owners of the Company	243,986	18,150	262,136
Other information			
Segment assets	7,231,281	–	7,231,281
Investments in associates	1,766	65,584	67,350
Consolidated total assets	7,233,047	65,584	7,298,631
Segment liabilities	57,399	–	57,399
Current income tax liability	65,590	–	65,590
Deferred tax liability	36,286	–	36,286
Consolidated total liabilities	159,275	–	159,275
Impairment losses on AFS	94,751	–	94,751
Impairment losses on FVTPL	10,055	–	10,055

NOTES TO THE FINANCIAL STATEMENTS

29 Operating segments (cont'd)

Geographical information

The Group's activities are conducted predominantly in Greater China. Income from sales of investments and securities trading is segregated based on the countries 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	
	2015	2014
	NT\$'000	NT\$'000
Greater China	814,994	539,470
United States of America	75,258	(36,989)
Other countries	1,406	31,647
	<u>891,658</u>	<u>534,128</u>

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

	Held-for-trading investments		Available-for-sale investments		Other financial assets at fair value through profit or loss	
	2015	2014	2015	2014	2015	2014
	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000
Greater China	38,714	135,896	4,783,309	4,614,302	1,225,459	1,095,463
United States of America	–	–	218,395	295,933	–	–
Other countries	–	–	32,055	9,028	–	–
	<u>38,714</u>	<u>135,896</u>	<u>5,033,759</u>	<u>4,919,263</u>	<u>1,225,459</u>	<u>1,095,463</u>

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

NOTES TO THE FINANCIAL STATEMENTS

30 Commitments

(a) Capital commitments

The Group has uncalled capital commitments of NT\$238 million (2014: NT\$131 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	
	2015	2014
	NT\$'000	NT\$'000
Within one year	8,305	3,020
Within the second and fifth year inclusive	3,294	4,363
	<u>11,599</u>	<u>7,383</u>

SHAREHOLDING STATISTICS

As at 11 March 2016

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)*	:	99,382,882
No. of Treasury Shares Held*	:	5,277,780
Percentage of Treasury Shares Held*	:	5.3% 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)

* This represents the number of issued shares and/or treasury shares held based on the total number of share buy-backs as at 8 March 2016, on account of the fact that trades on the Singapore Exchange Securities Trading Limited are settled on a "T+3" settlement cycle, that is, a buy-back of shares on day T will be settled at T plus three (3) market days later, ie. 11 March 2016.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	20	0.2	696	0.0
100 – 1,000	8,237	66.9	3,787,698	3.6
1,001 – 10,000	3,388	27.5	11,876,917	11.4
10,001 – 1,000,000	651	5.3	36,747,794	35.1
1,000,001 and above	11	0.1	52,247,557	49.9
	<u>12,307</u>	<u>100.0</u>	<u>104,660,662</u>	<u>100.0</u>

Shareholding Held in Hands of Public

Based on information available to the Company as at 11 March 2016, approximately 61.1% of the issued ordinary shares of the Company (excluding treasury shares) is held by the public and therefore Rule 723 of the Listing Manual is complied with.

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%**
1	Tai Lung Capital Inc.	17,415,100	17.5
2	Daiwa Capital Markets Singapore Ltd	8,545,220	8.6
3	Mega International Commercial Bank Co., Ltd	6,025,255	6.1
4	Citibank Nominees Singapore Pte Ltd	4,056,336	4.1
5	DBS Nominees Pte Ltd	4,051,830	4.1
6	Chung Lung Investment Co., Ltd	1,894,477	1.9
7	DB Nominees (S) Pte Ltd	1,414,385	1.4
8	Kuo Yang-Fu	1,265,204	1.3
9	Raffles Nominees (Pte) Ltd	1,219,480	1.2
10	United Overseas Bank Nominees Pte Ltd	1,062,790	1.1
11	Phillip Securities Pte Ltd	997,832	1.0
12	Kuo Hsin-Kuei	933,107	0.9
13	CIMB Securities (S) Pte Ltd	894,791	0.9
14	UOB Kay Hian Pte Ltd	823,796	0.8
15	Maybank Kim Eng Securities Pte. Ltd.	704,013	0.7
16	Wong Seng Loong Solomon	688,888	0.7
17	Ho Juat Keng	632,910	0.6
18	HSBC (Singapore) Nominees Pte Ltd	608,700	0.6
19	Liu Zou-Hsin	601,300	0.6
20	OCBC Securities Pte Ltd	586,380	0.6
		<u>54,421,794</u>	<u>54.7</u>

** The percentage of issued ordinary shares is calculated based on the total number of 99,382,882 issued ordinary shares of the Company (excluding treasury shares) as at 11 March 2016.

SHAREHOLDING STATISTICS

As at 11 March 2016

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholder

	Direct Interest ⁽¹⁾	%	Deemed Interest ⁽¹⁾	%
Tai Lung Capital Inc. ⁽²⁾	17,415,100	17.52	1,894,477	1.91
Mega International Commercial Bank Co., Ltd.	6,025,255	6.06	—	—
Daiwa Corporate Investment Co., Ltd. ⁽³⁾	—	—	5,275,513	5.31
Tsui-Hui Huang ⁽⁴⁾	—	—	21,273,812	21.41
Cheng-Wang Huang ⁽⁵⁾	—	—	19,309,577	19.43

Notes:

- (1) This represents the interests of Substantial Shareholders based on on-market trades conducted up to 8 March 2016 (where applicable), on account of the fact that trades on the Singapore Exchange Securities Trading Limited are settled on a "T+3" settlement cycle, that is, an acquisition or sale of shares on day T will be settled at T plus three (3) market days later, ie. 11 March 2016.
- (2) Tai Lung Capital Inc. has a deemed interest in 1,894,477 Shares held by Chung Lung Investment Co., Ltd.
- (3) Daiwa Corporate Investment Co., Ltd. has a deemed interest in 5,275,513 Shares held by Daiwa Capital Markets Singapore Limited.
- (4) 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) 624,450 Shares held by Daiwa Capital Markets Singapore Limited.
- (5) 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tsui-Hui Huang (Chairman)

Cheng-Wang Huang

Ng-Chee Tan

Chang-Pang Chang

Boon-Wan Tan

Hann-Ching Wu

Kazuyoshi Mizukoshi

Chun-Chen Tsou

Andy C.W. Chen

Yi-Sing Chan

Yang-Fu Kuo

AUDIT COMMITTEE

Ng-Chee Tan (Chairman)

Boon-Wan Tan

Andy C.W. Chen

REMUNERATION COMMITTEE

Boon-Wan Tan (Chairman)

Chun-Chen Tsou

Chang-Pang Chang

NOMINATING COMMITTEE

Chang-Pang Chang (Chairman)

Tsui-Hui Huang

Ng-Chee Tan

COMPANY SECRETARY

Shu-Hui Lo

BERMUDA SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

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Pembroke HM08

Bermuda

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REGISTERED OFFICE

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Bermuda

AUDITORS

KPMG LLP

Public Accountants and Chartered Accountants

Partner in charge

Mr. Ian Hong

(appointed on 13 November 2013)

