Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Hotung Investment Holdings Limited

Stock code: BLS

Meeting details:
Date: 16 April 2021
Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the chairman's statement, 2020 was a fruitful year for the group as it recognised the highest profit level in the past 10 years. The group's full year net profit after tax attributable to owners of the company was NT$521.5 million (S$24.2 million) in 2020, a year-on-year increase of 69.5% from 2019.

Earnings per share was NT$5.42 (S$0.251) and the group generated total revenue of NT$1,009.6 million, an increase of 102.7%. Revenue increase is attributed to positive change in investment portfolio's market valuation, returns from divestments, and dividend from fund investments (page 102 – Note 18: Revenue).

Bloomberg has reported that the Taiwan Capitalization Weighted Stock Index surged 92% since January 2017, the best performing index among 93 global gauges tracked by Bloomberg, and far beating the MSCI All-Country World Index's 53% increase[1].

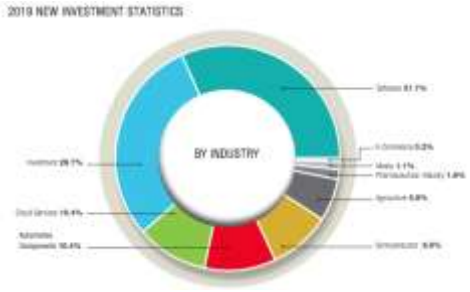
(i) **Does the group find it more challenging to make investments that are fairly priced given that technology companies are enjoying rich valuations as there is so much money chasing after investments with good prospects?**

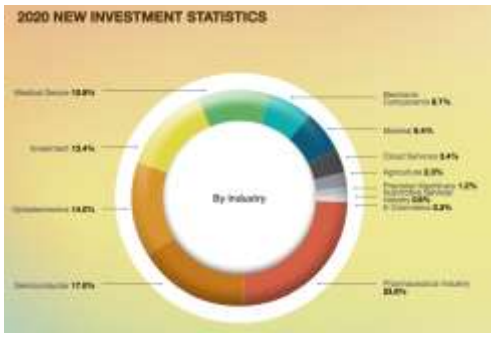
(ii) **What guidance has the board given to management with respect to the pace and pricing of its new investments given that private and public markets are at all-time highs and appear to be somewhat frothy?**

(iii) **Has the group sped up its IPO plans for its portfolio companies to take advantage of the current market trends?**

(iv) **Is management also leading towards faster monetisation of its investments that have been successfully listed in the public markets (once the moratorium expires)?** In FY2020, more than 70% of the group's revenue was due to the net gains on financial assets at fair value through profit or loss of NT$712.0 million.

A comparison of the new investments in 2019 (left) and 2019 (right) is shown below:





(Source: company annual reports)

[1] https://www.bloomberg.com/news/articles/2021-01-19/world-s-best-stock-market-under-trump-is-taiwan-with-92-rally

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(v) **Can management help shareholders understand if the significant investments in Pharmaceutical are due to the heightened demand in the sector as a result of COVID-19?**

Of the 2020 investments, 54% had gone into mature companies (page 21). In 2019, the group had only funded start-ups and companies seeking expansion.

(vi) **What is the reason for this major change?**

Q2. In addition, in its ongoing review of the group's portfolio risk management strategy, management widened the scope of their investment mandate into new geographical areas and industries. Diversification of geographic exposure also resulted in investments in portfolio companies with exposure to Israel in the technology startup (page 15).

(i) **Can management elaborate further on the changes made to its investment mandate? What are the new geographical areas and which are the new industries under its expanded mandate?**

(ii) **Will there be a risk that the group is expanding outside of its circle of competence?**

(iii) **How much has the group earmarked for investments in these new geographical areas and industries?**

(iv) **Will this significantly alter the risk profile of the group?**

Q3. The board comprises 10 directors, 9 of whom are non-executive. Of these non-executive directors, 5 are considered by the nominating committee (NC) to be independent.

For the independent directors who have been a director for an aggregate period of more than 9 years, the company has chosen to early-adopt the two-tier voting when the directors seek their re-election. The directors are Dr. Ng-Chee Tan, Mr. Chang-Pang Chang and Dr. Philip N. Pillai.

The profiles of the directors can be found on pages 5 to 9 of the annual report.

(i) **Has the nominating committee evaluated if the board's effectiveness and the board's diversity of thought and background could be further enhanced with the appointment of independent directors with strong background in technology?**

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(ii) **How does the current search process of sourcing for candidates through an "extensive network of contacts" help the board to achieve its board diversity policy?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)