



ANNUAL REPORT 2014 | 年報

**Value Partners Group Limited**  
**惠理集團有限公司**

(incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊之有限責任公司)

# 7 facts about Value Partners

US\$12.9 billion<sup>(1)</sup> assets under management

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16% annualized return and 2,641% cumulative return since launch in 1993 for Value Partners Classic Fund (A Units)<sup>(2)</sup>

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2014 Top Asian Fund House<sup>(3)</sup>

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90+ top performing awards and prizes since establishment

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2,500 company visits and research meetings every year

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50+ investment professionals focusing on Greater China and Asia investments

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22 years of history weathered at least 7 financial crises regionally and globally

Footnote:

(1) As of 31 December 2014.

(2) As of 28 February 2015. Refer to footnote 2 on page 11.

(3) Major house awards received by Value Partners in 2014 include AsianInvestor Investment Performance Awards 2014 – Asian Fund House of the Year, The Asset Triple A Investor and Fund Management Awards 2014 – Asset Management Company of the Year (Hong Kong), as well as AsiaHedge Awards 2014 – Management Firm of the Year.

## Corporate profile

Value Partners Group is one of Asia's largest independent asset management firms that seeks to offer world class investment services and products. Assets under management of the firm increased to US\$12.9 billion as of 31 December 2014. Since its establishment in 1993, the firm has been a dedicated value investor in Asia and the world. In November 2007, Value Partners Group became the first asset management firm listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 806 HK). In addition to its Hong Kong headquarters, the firm operates in Shanghai, Beijing, Singapore, Taiwan and Chengdu. Value Partners manages absolute return long-biased funds, long-short hedge funds, fixed income products, exchange-traded funds, as well as quantitative products for institutional and individual clients in Asia Pacific, Europe and the United States.

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## Corporate information

### Board of Directors

#### Chairman and Co-Chief Investment Officer

Dato' CHEAH Cheng Hye

#### Executive Directors

Ms. HUNG Yeuk Yan Renee

*(Deputy Chief Investment Officer)*

Mr. SO Chun Ki Louis

*(Deputy Chairman and Co-Chief Investment Officer)*

Mr. TSE Wai Ming, Timothy CFA

*(Chief Executive Officer)*

#### Independent Non-executive Directors

Dr. CHEN Shih-Ta Michael

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

#### Non-executive Honorary Chairman

Mr. YEH V-Nee

#### Company Secretary

Ms. WONG Ngai Sze, Icy

#### Authorized Representatives

Mr. TSE Wai Ming, Timothy CFA

Ms. WONG Ngai Sze, Icy

#### Members of the Audit Committee

Mr. LEE Siang Chin *(Chairman)*

Dr. CHEN Shih-Ta Michael

Mr. Nobuo OYAMA

#### Members of the Nomination Committee

Dato' CHEAH Cheng Hye *(Chairman)*

Dr. CHEN Shih-Ta Michael

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

Mr. TSE Wai Ming, Timothy CFA

#### Members of the Remuneration Committee

Dr. CHEN Shih-Ta Michael *(Chairman)*

Dato' CHEAH Cheng Hye

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

Mr. TSE Wai Ming, Timothy CFA

#### Members of the Risk Management Committee

Mr. TSE Wai Ming, Timothy CFA *(Chairman)*

Mr. LAW Yuk Ming, Andy

Mr. MO Chun Wah, Jonathan

Mr. SO Chun Ki Louis

Ms. LEE Vivienne

### Members of the Valuation Committee

Ms. WONG Ngai Sze, Icy *(Chairman)*

Mr. MO Chun Wah, Jonathan

Mr. TSE Wai Ming, Timothy CFA

#### Registered Office

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

#### Principal Office

9th Floor, Nexus Building

41 Connaught Road Central

Hong Kong

#### Cayman Islands Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

#### Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

#### Auditor

PricewaterhouseCoopers

#### Legal Advisor

Reed Smith Richards Butler

#### PRC Legal Advisor

LLinks Laws Offices

#### Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

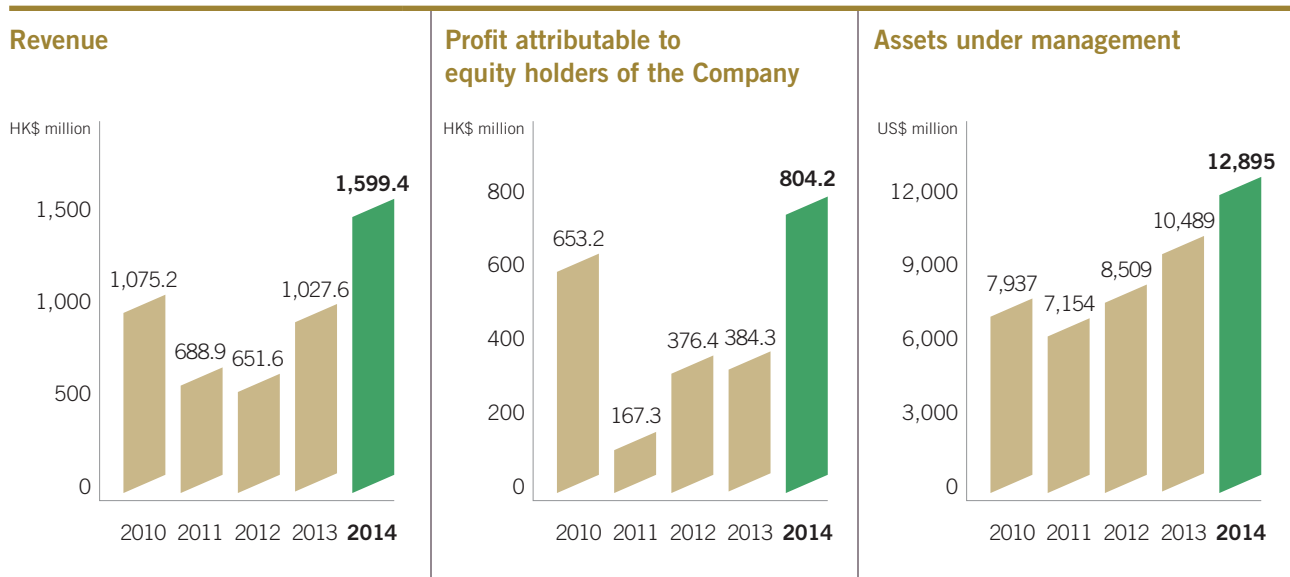
#### Website

[www.valuepartners.com.hk](http://www.valuepartners.com.hk)

#### Stock Code

Stock Exchange of Hong Kong: 806

## Financial highlights



(In HK\$ million)	Results for the year ended 31 December					
	2014	2013	% Change	2012	2011	2010
Revenue	1,599.4	1,027.6	+55.6%	651.6	688.9	1,075.2
Operating profit (before other gains/losses)	749.6	468.2	+60.1%	254.4	293.6	664.0
Profit attributable to equity holders of the Company	804.2	384.3	+109.3%	376.4	167.3	653.2
Earnings per share (HK cents)						
– Basic	45.4	21.9	+107.3%	21.4	9.5	40.1
– Diluted	45.3	21.8	+107.8%	21.4	9.5	39.9

(In HK\$ million)	Assets and liabilities as at 31 December					
	2014	2013	% Change	2012	2011	2010
Total assets	4,362.6	3,080.5	+41.6%	2,982.6	2,547.4	2,792.1
Less: Total liabilities	476.4	251.8	+89.2%	265.4	123.4	374.2
Total net assets	3,886.2	2,828.7	+37.4%	2,717.2	2,424.0	2,417.9

(In US\$ million)	Assets under management (“AUM”) as at 31 December					
	2014	2013	% Change	2012	2011	2010
AUM	12,895	10,489	+22.9%	8,509	7,154	7,937

Note: The above financial information was prepared based on the principal accounting policies as described in the notes to the consolidated financial statements.

## Highlights of the year

### First quarter of 2014

#### Eyeing Taiwan opportunities

Mr. Timothy TSE (second from the left), Chief Executive Officer (“CEO”) of the Group, attended a Taiwan event to promote Value Partners’ funds on the island’s overseas banking unit (“OBU”) platform.



#### Strengthening ties in Asia

Dato' CHEAH Cheng Hye, Chairman and Co-Chief Investment Officer (“Co-CIO”) of the Group, shared the success story of Value Partners with delegates from major financial institutions in Taiwan.

#### Tapping China reform prospects

Value Partners New China Policy Fund was launched in March to capture opportunities from China reforms. In a product launch event, our Investment Director Ms. Michelle YU explained the investment theme of the fund.



### Second quarter of 2014

#### Meeting our shareholders

Board of Directors and Independent Non-executive Directors of Value Partners met shareholders in Hong Kong at the annual general meeting and took questions from them.

*From left to right: Deputy CIO Ms. Renee HUNG, Mr. Timothy TSE, Dato' CHEAH Cheng Hye, Deputy Chairman and Co-CIO Mr. Louis SO, as well as Independent Non-executive Directors Mr. LEE Siang Chin, Mr. CHEN Shih-Ta Michael and Mr. Nobuo OYAMA.*



#### Engaging China industry players

Value Partners’ CEO Mr. Timothy TSE (first from the left) became a committee member in the International Partners Committee of Asset Management Association of China (“AMAC”). He attended the inaugural ceremony of the Committee at Diaoyutai State Guesthouse in Beijing.

#### Celebrating success of corporate partners

Our Investment Director Mr. Eric CHOW (left) and Mr. WANG Shi, Chairman of China Vanke Co., Ltd., celebrated the listing of China Vanke’s H shares at the Stock Exchange of Hong Kong in June 2014.



## Highlights of the year

## Third quarter of 2014

**Investing in China**

At the “Future China Global Forum” in Singapore that was attended by hundreds of investors, Dato’ CHEAH Cheng Hye, a keynote speaker, talked about why Chinese equities are attractive.

**Opening Singapore office**

Value Partners established its footprint in Southeast Asia with the opening of its Singapore office in July 2014. The office will initially focus on serving institutional and private bank clients in Singapore and nearby areas; and gradually become a full-fledged fund management operation with investment research and product development functions.

**Launching landmark products**

The Group expanded its product range with the addition of its first global fund – Value Partners Global Contrarian Fund – in September.

In October, Value Partners China A-Share Select Fund, the Group’s first product that utilized its Renminbi Qualified Foreign Institutional Investor (“RQFII”) quota, was introduced to the market. This is an actively managed equity fund available for retail and institutional investors.

**Becoming a good fund manager**

As a guest speaker at CFA Institute’s “China Investment Conference” in Shanghai, Dato’ CHEAH Cheng Hye shared his insights on how to become a good fund manager.

**Maintaining ties with investors**

In an annual investment seminar, Mr. Louis SO (left) and Senior Fund Manager Mr. LAI Voon San (right) analyzed the sectors that have investment potentials.



## Highlights of the year

### Fourth quarter of 2014

#### Raising awareness on sustainable investing

Mr. Eric CHOW (second from the left) talked about the impact of responsible and sustainable investing in the annual conference of Value Partners Center for Investing, an academic center that has been sponsored by Value Partners since June 2011.



#### Meeting Deputy Prime Minister of Singapore

Dato' CHEAH Cheng Hye visited the office of Mr. Tharman Shanmugaratnam, Deputy Prime Minister of Singapore, sharing his insights on China's economy and markets, including the country's reform in the financial sector.

#### Running a fund management business

Speaking at the annual event of Hong Kong Society of Financial Analysts, Dato' CHEAH Cheng Hye addressed the difficulty of establishing and running a fund management business. He was also invited to present awards to winners of the best research paper.



#### Promoting ETF awareness

Value Partners attended Hong Kong's annual exchange-traded fund ("ETF") expo with other product providers, seeking to raise investors' understanding on ETF and promote the products of Value ETF.



## Highlights of the year

## First quarter of 2015

**Financial Services Development Council's appointment**

Dato' CHEAH Cheng Hye (fourth row from the front and second from the right) was appointed a member of Financial Services Development Council ("FSDC") by the Hong Kong Special Administrative Region Government, following a two-year term as a member of FSDC's New Business Committee since 2013. All council members were invited to meet the Chief Executive at Government House, Hong Kong.

**Bracing for challenges**

Organized by the Hong Kong government and Hong Kong Trade Development Council, the "Asian Financial Forum" invited Dato' CHEAH Cheng Hye (second from the left) and other distinguished speakers to share their views on the potentials and challenges of the city's asset management industry.

**Fund Forum**

At an investment seminar organized for high-net-worth investors, our Senior Fund Manager Mr. Philip LI shared insights on investing in high-dividend stocks in Asia.

**Annual Dinner 2014**

Dato' CHEAH Cheng Hye presented long service awards to colleagues who have worked at the company for over 5 years and 10 years, respectively.



## Major awards of the year

### AsiaHedge Awards 2014

Value Partners was named **Management Firm of the Year**, the second time that we won this highly coveted award since 2010.



Mr. Raymond TAM (left), our Deputy Chief Executive Officer and Head of Sales, accepted the award on stage.

### AsianInvestor's Investment Performance Awards 2014

Value Partners was named **Asian Fund House of the Year** in the prestigious industry event that awards best-performing fund management companies and their products.



(From left to right)  
Senior Fund Managers Mr. Philip LI and Mr. LAI Voon San, Chief Executive Officer Mr. Timothy TSE, Mr. Raymond TAM and Managing Director of ETF Business Mr. William CHOW attended the AsianInvestor award ceremony.

### DHL/SCMP Hong Kong Business Awards 2014

Demonstrating excellence in commercial success and corporate governance, Value Partners was given the renowned **Enterprise Award** the second time after receiving it in 2005.



Dato' CHEAH Cheng Hye, our Chairman and Co-Chief Investment Officer ("Co-CIO") (second from the right), accepted the Enterprise Award on stage.



(From left to right)  
Mr. Raymond TAM, Mr. Timothy TSE, Dato' CHEAH Cheng Hye, Deputy Chairman and Co-CIO Mr. Louis SO and Deputy CIO Ms. Renee HUNG attended the award ceremony.

### Benchmark Fund of the Year Awards 2014

Value Partners was named **Outstanding Achiever** in the categories of **China Equity**, **High Dividend Fixed Income** and **Investor Education for ETF**. In addition, our Taiwan ETF was chosen as the **Best-in-Class Taiwan Equity ETF**.



(From left to right)  
Senior Fund Managers Mr. Philip LI and Mr. Gordon IP, Mr. Timothy TSE, Mr. Raymond TAM and Mr. William CHOW attended the award ceremony.

### Lipper Fund Awards 2014

Our High-Dividend Stocks Fund and China Greenchip Fund were named the **Best Asia ex-Japan Equity Fund** and the **Best Greater China Equity Fund**, respectively. Both awards were based on performances in a 5-year period.



Mr. Wallace TSANG (right), our Managing Director of Retail Distribution Business, accepted the Lipper Fund award at the presentation ceremony.

## Major awards of the year

### Morningstar Awards 2014

Our High-Dividend Stocks Fund was named **Best Asia Ex-Japan Equity Fund** in the annual industry award event.



Mr. Philip LI accepted the award at the presentation ceremony.

### The Asset Triple A 2014 Investor and Fund Management Awards

Value Partners was named **Management Company of the Year (Hong Kong)** in the annual award.



Mr. Timothy TSE accepted the Management Company of the Year (Hong Kong) award at the presentation ceremony.

### Bloomberg Businessweek Top Fund Awards 2014

Our Value Japan ETF was named **Best-in-Class Japan Large-Cap Equity ETF** in the inaugural Top Fund Awards organized by Bloomberg Businessweek.



Mr. William CHOW (right), accepted the award on stage.



## Chairman's Statement



**Dato' CHEAH Cheng Hye**  
Chairman and Co-Chief Investment Officer

Value Partners performed strongly in 2014, so much so a “positive profit alert” had to be issued just after yearend to let the public know that a jump in earnings was to be expected. Indeed, net profit in 2014 came to HK\$804 million (earnings per share of HK45.4 cents), 109% higher than the previous year.

Our business advanced on all fronts, including much-improved management and performance fees, as well as a healthy increase in assets under management (“AUM”), which ended the year at US\$12.9 billion, compared to the year-earlier figure of US\$10.5 billion. Group operating profit, which reflects the actual operating business, totalled HK\$750 million, 60% more than in 2013. (The remaining profit came from treasury operations, which refer to returns from investing our own capital, a major part of which is subscribed to our funds, side-by-side with clients.)

For 2014, we achieved a return on equity (“ROE”) of 26.8%, which is pretty nice compared to the previous year’s 14.6%.

Clearly, we have strengthened further our position as one of the very largest independent asset management firms in our region, and the only one of its kind listed on the Hong Kong Stock Exchange. We are pleased to propose a dividend for 2014 of HK16 cents. In addition, reflecting the robust results, we propose a special dividend of HK6 cents, making a total of HK22 cents for the year, compared to the dividend of HK10.7 cents paid in 2013.

### Favorable trend

Our performance is discussed in detail in the accompanying report from our Chief Executive Officer (“CEO”). We are a major beneficiary of the long-overdue recovery in China-related stockmarkets that came late last year, and this is a recovery that we think has only just begun. President Xi Jinping’s reforms place China in very much the correct direction. We welcome the program of deregulation, market-opening, economic re-balancing, more respect for the rule of law and the drive against bad practices in the government and corporate sectors. We foresee that this will lead in coming years to a significant expansion in the price-earnings multiples of Chinese stocks, which currently trade at only 10 times earnings for the “H” shares listed in Hong Kong, and 12 times for the “A” shares in Shanghai.

(Despite our optimism, we recognize that many investors remain wary about the China story, particularly as the country’s development model matures, resulting in a slower growth rate. No doubt, it is going to be a volatile market. But we are confident that the medium-term outcome of improving governance and a better-quality economy is higher stock valuations.)

## Chairman's Statement

The favorable trend benefits the performances and subscriptions of Value Partners' funds and helps in other ways too. For example, access to China's domestic markets and savings are being liberalized through such breakthroughs as the "Shanghai-Hong Kong Stock Connect," which provides a linkage between the two stock exchanges, and the coming mutual recognition of funds, a scheme allowing funds domiciled in either Hong Kong or the Chinese mainland to be sold to investors in the other's market. (A "Shenzhen-Hong Kong Stock Connect" is likely to emerge this year, as well, and there is also talk of a "bond connect" scheme.)

For Value Partners, this really improves our business scope and resources, and which, in turn, stimulates recognition of our brand across the Asia-Pacific region. We are able to broaden our menu of product offerings and strengthen our network, including the opening of a wholly owned asset management firm in Singapore in 2014 to serve the Southeast Asian market. We recently launched our first global fund – the Value Partners Global Contrarian Fund<sup>1</sup>. We have also expanded our presence in fixed-income and exchange-traded fund products, as well as greatly strengthened our line-up of core products, which are equity funds covering the Asia-Pacific region.

### Value-investing specialist

We think that at this stage, it is critical for us not to lose sight of where we come from – as a specialist in value-investing, dedicated to investment performance. We coined the term "Temple of Value-Investing" to describe our franchise. Thus, amid all the excitement arising from the new business opportunities, our highest priority remains unchanged: top-quality fund management, including class-leading investment research and execution. Indeed, during the year under review, a good part of our much-improved revenues was ploughed back into the never-ending upgrade of our investment, dealing and client-service teams and systems.

Our dedication produced results. To cite one example, in 2014, our flagship Value Partners Classic Fund (US\$1.47 billion in size) was ranked the No. 1 performer out of 34 funds in the Greater China equity category<sup>2</sup> by Morningstar, Inc., a leading rating agency in the mutual fund industry. Since the beginning of 2014, Value Partners Group and its funds have reaped a new harvest of 14 awards and prizes, including the DHL/South China Morning Post Enterprise Award (the second time we've won this particular award, the first being in 2005, each time from a different panel of judges). Indeed, since inception in 1993, Value Partners has won close to 100 performance awards and prizes.

We believe that in the financial services industry today, asset management occupies a particularly sweet spot. The world's aging population and abundant liquidity create huge pools of money requiring professional management. For Value Partners, there is plenty of room to grow.

To our clients, employees, shareholders and friends who have now supported us for 22 years – we remain deeply grateful and we will work hard to be deserving of your trust.

### Dato' CHEAH Cheng Hye

*Chairman and Co-Chief Investment Officer*

<sup>1</sup> The fund is not authorized by the Securities and Futures Commission and its shares are not available to the general public in Hong Kong.

<sup>2</sup> Refers to one-year performance of the fund in 2014. Data as of 31 December 2014. Performance for Classic Fund (A Units) over past five years: 2010: +20.2%, 2011: -17.2%, 2012: +14.0%, 2013: +11.2%, 2014: +13.5%, 2015 (Year to date as at 28 February): +2.7%.

Source: HSBC Institutional Trust Services (Asia) Limited. Performance figures are calculated in the funds' respective trading and base currencies, NAV to NAV, with dividends reinvested and net of all fees. Past performance is not indicative of future performance.

## Report of the Chief Executive Officer

### A year of harvest poised for further growth

2014 is a year with notifiable achievements. Leveraging the solid foundation of Value Partners and capturing the resurgence in investment interests, the Group ended last year on a high note with net sales and assets under management (“AUM”) reaching an all-time high, net profit doubling from a year ago and overseas footprints continuing expanding in the region.

In the year ended 31 December 2014, profit attributable to our equity holders surged 109% to HK\$804 million from HK\$384 million a year earlier, mainly driven by sizable increase in management fees and performance fees<sup>1</sup>, as well as significant growth in net fair value gains of the Group’s treasury operations, which mainly includes the Group’s investments in its own funds that were made side-by-side with clients. Earnings per share increased to HK45.4 cents (2013: HK21.9 cents). Details of our profit drivers are illustrated below:

- (1) The Group’s AUM rose to US\$12.9 billion as of the end of 2014 from US\$10.5 billion a year earlier as fund inflows increased since July 2014, bolstering gross management fees by 24% to HK\$748 million (2013: HK\$604 million). Annualized net management fee margin maintained at 61 basis points. Since the beginning of 2015, AUM of the Group continued to grow and hit a new record of US\$13.3 billion as of the end of January.
- (2) Performance fees grew substantially to HK\$659 million from HK\$317 million in 2013. High-dividend stocks in Asia were preferred during the year as benchmark yields fell amid a loosening global monetary environment. China A shares also gained momentum because of China’s further opening of its capital market. The improvement in sentiment and upward adjustments of our high conviction positions contributed to our funds’ exemplary performance. As of the end of 2014, most of our funds have surpassed their high watermarks. In particular, Value Partners Classic Fund and Value Partners High-Dividend Stocks Fund, our two largest own branded funds, exceeded their respective high watermarks by 16% and 11%, contributing to the surge in fee income.
- (3) In terms of expenses, the Group continued to exercise stringent cost management. Total expenses before management bonuses increased 21% during the year. In particular, fixed costs of fund management business remained well covered by net management fees (a relatively stable source of income that excludes other revenue sources such as performance fees) at a coverage ratio of 2.6 times.
- (4) As a result of enhanced fee income and effective cost control, operating profit before other gains or losses rose 60% to HK\$750 million (2013: HK\$468 million).
- (5) The outstanding fund performance and an increase in investments amid an upward trend boosted net fair value gains of the Group’s treasury operations significantly. Net fair value gains, which include our seed capital investments and investments in our own funds, surged to HK\$110 million in 2014 from a net fair value loss of HK\$42 million a year earlier. Seed capital investments were made by the Group to provide initial capital for new funds in the early phase of fund launch.

We are pleased to propose a final dividend of HK16.0 cents per share for 2014 and a special dividend of HK6.0 cents per share amid the Group’s encouraging performance (2013 final dividend: HK10.7 cents; 2013 special dividend: Nil).

## Report of the Chief Executive Officer

### Expanding across businesses

Founded in Hong Kong in 1993, Value Partners has evolved as one of Asia's largest asset management companies that seeks to offer world class investment services and products. The Group has been shoring up its international presence with gradual expansion across businesses. In 2014, encouraging development was made to strengthen distribution capabilities, broaden range of product offerings, deepen China presence and burgeon into new strategic markets.

#### 1. A strong brand and extensive distribution network

Net sales of the Group rose 39% to a new record of US\$1.9 billion in 2014 (2013: US\$1.3 billion) as excellent fund performance and enlarged distribution network brought about increasing inflows. Value Partners Classic Fund, our flagship product, was ranked first in a 34-member Greater China equity category<sup>2</sup> by Morningstar, Inc., a leading provider of independent investment research. In addition, some of the Group's products that are authorized<sup>3</sup> by Hong Kong's Securities and Futures Commission ("SFC") for retail distribution, such as Value Partners High-Dividend Stocks Fund, China Convergence Fund and Chinese Mainland Focus Fund, were ranked among the top 25% in their respective Morningstar categories<sup>2</sup>. Meanwhile, global capital was seen to be flowing into Asia and chasing after yields. With a strong competitive edge in the high yield space, the Group successfully captivated this group of investors.

The Group's best-in-class products also widened the reach to investors with an extensive distribution network. Our best-selling funds – Value Partners High-Dividend Stocks Fund and Value Partners Greater China High Yield Income Fund – were included as focus funds in prominent local, Chinese and international retail and private banks. In addition, some of these leading distributors also put our newly launched funds, namely Value Partners New China Policy Fund<sup>4</sup> and Value Partners Global Contrarian Fund<sup>4</sup>, onto their product shelves. Our growing new connections and maturing relationships, as well as marketing campaigns, bolstered the Group's net sales to an all-time high.

Looking forward, we will continue to deepen our collaboration with first-tier and second-tier retail banks, private banks, insurance companies and independent financial advisory firms in the region, particularly in Hong Kong, China and Singapore. We will also continue to explore opportunities from institutional clients, including sovereign wealth funds and pension funds, and look into enhancing direct connections with existing and potential high-net-worth clients.

#### 2. An established platform and diversified products

Value Partners has been offering investors unique investment insights on the fast-growing China market over the past 22 years. Leveraging our core competence in the equity space, we have been building our fixed income capabilities in the past few years. In 2014, we further strengthened our competence in both asset classes and ventured into the global product space.

In the equity space, new products were introduced to capture investment opportunities arising from China's policy reform and the further opening of its capital market. In March, the Group launched Value Partners New China Policy Fund which seeks to invest in companies that will benefit from China's reform. The thematic fund has been popular among private banking clients.

Entering the second half of the year, Hong Kong and China stockmarkets rebounded significantly partly because of the implementation of the Shanghai-Hong Kong Stock Connect scheme and enhanced anticipation that A shares will be included in global indices. In October, we utilized our Renminbi Qualified Foreign Institutional Investor ("RQFII") quota and launched the Group's first RQFII fund – Value Partners China A-Share Select Fund – to garner offshore capital seeking to invest in China's onshore market. The Fund, authorized<sup>3</sup> by Hong Kong's SFC, is an active equity fund available to retail investors. Envisaging the potentials for strong A-share performance, the Group also boosted the A-share allocation of existing funds during the year, underpinning the outstanding performance of our products. In the near term, the Group will also launch its first RQFII exchange-traded fund ("ETF") – Value China A-Share ETF – which aims to offer potentially excess return through proprietary value stock screening.

## Report of the Chief Executive Officer

In addition to our regional and single-market offerings, we introduced the Group's first global product – Value Partners Global Contrarian Fund – in September. The Fund, with allocation spanning across Asia, the United States and Europe, invests primarily in undervalued companies that are out of favor while shorting fundamentally weak companies that are overhyped.

Looking forward, we will continue to broaden our product platform to meet the diversified needs of global investors. Fixed income solutions, regional offerings and products for new strategic markets would be our key focus areas in the near term.

### 3. A China story and overwhelming prospects

Riding on a strong franchise in Hong Kong, Value Partners has been expanding into strategic markets for growth beyond its home market. In 2014, milestones were achieved in our fund management business in China. While contribution from the business segment grew meaningfully to 13% of the Group's sales from 4% in 2013, new business ties and new advisory mandates from mainland financial institutions also enabled the Group to capture inbound and outbound capital flow of China.

In July, the Group was awarded its second batch of Qualified Foreign Institutional Investor ("QFII") quota of US\$100 million. The additional quota, which will be used to enhance our capability in attracting offshore capital that seeks to invest in China, was granted after we had obtained our first batch of US\$100 million quota in December 2012. Earlier in April, the Group received its second batch of RQFII quota, raising the total size to RMB1.3 billion. The RQFII quota will be applied to enhance existing funds and introduce new products.

On the outbound front, the Group partnered with the private banking unit of Bank of China Ltd. in launching a Qualified Domestic Institutional Investor ("QDII") feeder fund that invests solely in our Value Partners High-Dividend Stocks Fund. This is the Group's first established distribution channel that directly taps mainland capital flowing into offshore funds.

Meanwhile, we also fostered our ties with mainland financial institutions and won new investment advisory mandates to manage their asset pools on the mainland. For instance, the private banking unit of Industrial & Commercial Bank of China Ltd. ("ICBC") awarded the Group an investment advisory mandate to manage some of its investments in preferred shares ("preferred shares" generally pay fixed dividends but lack voting rights as ordinary shares do). In addition, we were selected by the asset management arm of ICBC to manage part of its A-share investments.

Looking forward, we will primarily focus on developing mandates with mainland institutional investors and continue to apply for respective QDII, QFII and RQFII quotas, as well as Qualified Domestic Limited Partner ("QDLP") qualifications, to garner cross-border fund flows. (The QDLP program allows overseas hedge funds to raise Renminbi capital from high-net-worth individuals and institutional investors on the mainland and invest the capital in securities markets overseas.) We will also substantiate partnerships with domestic banks and insurers to expand our advisory presence in mainland China.

### 4. A new market and strategic expansion

Elsewhere in Singapore, we are pleased to announce the establishment of Value Partners Asset Management Singapore Pte Ltd. in the second half of 2014. The wholly owned subsidiary will initially focus on serving institutional and private bank clients in Singapore and nearby Southeast Asian markets; and gradually become a full-fledged fund management operation with investment research and product development functions.

In 2015, the Group will continue to tap into new strategic markets to better serve clients on the other side of the globe and explore new business prospects.



## Report of the Chief Executive Officer

### 5. A growing business with ample potentials

Chengdu Vision Credit Limited (“Vision Credit”) is a unit of the Group focusing on lending to the white collar, small-business entrepreneurs, as well as small and medium-sized enterprises in Chengdu. After two years of intensive growth, outstanding loan book of Vision Credit has grown to RMB250 million as of the end of 2014 (2013: RMB181 million) and loan quality has remained in good condition. The unit contributed HK\$16.6 million of profit to the Group last year, increasing from HK\$2.3 million a year earlier.

In 2015, Vision Credit will further penetrate in Sichuan province and strengthen its business network.

### Leading the way in Asia

Value Partners’ fund management capabilities and investment performance were highly recognized during the year with the addition of four renowned corporate awards and a series of other fund awards, bringing the Group with almost 100 prizes today since our establishment in 1993. In the *AsiaHedge’s* awards in 2014, Value Partners was named Management Firm of the Year, the second time that we won this highly coveted award since 2010. Good news comes in pairs. In the Hong Kong Business Award 2014 organized by DHL and *South China Morning Post*, a distinguished title for entrepreneurs and companies that have made important contributions to Hong Kong and the neighboring Pearl River Delta, Value Partners was given the Enterprise Award after receiving it in 2005. Meanwhile, we were also crowned Asian Fund House of the Year in *AsianInvestor’s* Investment Performance Awards 2014 and Asset Management Company of the Year for Hong Kong in *The Asset’s* Triple A Investor and Fund Management Awards 2014.

On top of the esteemed house awards above, Value Partners was named “Outstanding Achiever” in the China equity and high yield fixed income categories in *Benchmark’s* Fund of the Year Awards 2014<sup>5</sup>. In addition, our High-Dividend Stocks Fund, designed to capture strong dividend plays across Asia Pacific, was named the Best Asia ex-Japan Equity Fund in the Morningstar Awards 2014<sup>5</sup> and the Best Asia ex-Japan Equity Fund (5 years) in the Lipper Fund Awards 2014<sup>5</sup>. In the ETF space, we have also won several capability titles. Value Japan ETF was crowned “Best-in-Class” in the group of Japan large-cap equity ETF in *Bloomberg Businessweek’s* Top Fund Awards 2014<sup>6</sup> while Value Taiwan ETF was named “Best-in-Class” in the Taiwan equity ETF category in *Benchmark’s* Fund of the Year Awards. The above reiterates industry recognition to the excellent performance and long-term track record of our funds.

## Report of the Chief Executive Officer

### Appreciation

While winning recognitions from our fund investors, we have also strengthened investor relation dialogues with investment banks, brokerage firms and potential investors, raising the Group's awareness in the financial community.

Last but not least, we want to take this opportunity to convey our heartfelt thanks to our diligent team for their dedication and pursuit of performance excellence. We would also like to express our gratitude to all investors, business partners and shareholders.

**TSE Wai Ming, Timothy** CFA

Chief Executive Officer

Executive Director

- 1 *Performance fees are generated when funds, at the dates of their performance fee crystallization, reported returns exceeding their benchmarks or high watermarks for the respective periods.*
- 2 *Refers to one-year performance of the funds in 2014. Data as of 31 December 2014. Performance for Classic Fund (A Units) over past five years: 2010: +20.2%, 2011: -17.2%, 2012: +14.0%, 2013: +11.2%, 2014: +13.5%, 2015 (Year to date as at 28 February): +2.7%. Performance for High-Dividend Stocks Fund (Class A1) over past five years: 2010: +25.8%, 2011: -11.9%, 2012: +25.2%, 2013: +8.1%, 2014: +9.4%, 2015 (Year to date as at 28 February): +2.0%. Performance for China Convergence Fund over past five years: 2010: +21.3%, 2011: -22.4%, 2012: +9.3%, 2013: +9.2%, 2014: +14.6%, 2015 (Year to date as at 28 February): +3.2%. Performance for Chinese Mainland Focus Fund over past five years: 2010: +23.9%, 2011: -17.8%, 2012: +11.6%, 2013: +8.3%, 2014: +10.6%, 2015 (Year to date as at 28 February): +1.1%. High-Dividend Stocks Fund belongs to the Asia ex-Japan equity category of Morningstar while China Convergence Fund and Chinese Mainland Focus Fund belong to the China equity category.*
- 3 *SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*
- 4 *These funds are not authorized by the SFC and their shares are not available to the general public in Hong Kong.*
- 5 *Benchmark Fund of the Year Awards 2014 were based on data as of 30 September 2014. The 2014 Morningstar Awards were based on data of eligible funds in their respective Morningstar categories as of 31 December 2013. The 2014 Lipper Fund Awards were based on data as of 31 December 2013.*
- 6 *Performance for Value Japan ETF since launch: 2012: +3.1%, 2013: +18.0%, 2014: -3.5%, 2015 (Year to date as at 28 February): +10.8%. Performance for Value Taiwan ETF since launch: 2012: +10.8%, 2013: +8.2%, 2014: +8.3%, 2015 (Year to date as at 28 February): +4.0%.*

*Source: HSBC Institutional Trust Services (Asia) Limited. Performance figures are calculated in the funds' respective trading and base currencies, NAV to NAV, with dividends reinvested and net of all fees. Past performance is not indicative of future performance.*

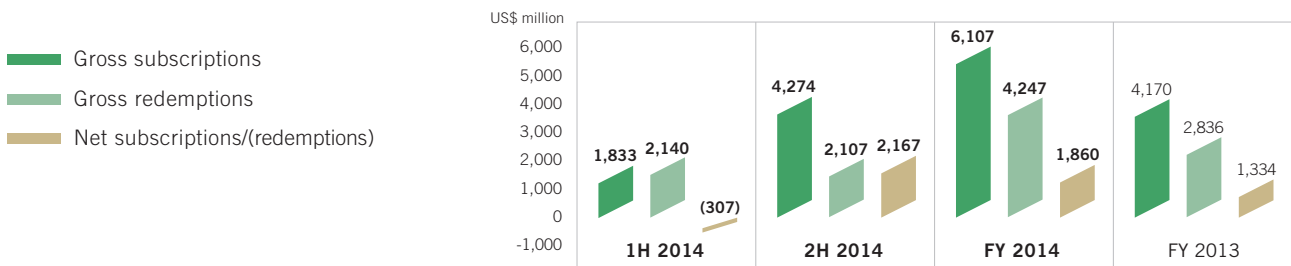
## Financial review

### Assets Under Management

#### AUM and return

The Group's AUM increased to US\$12,895 million at the end of December 2014 (2013: US\$10,489 million) on the back of strong sales and fund performance in 2014, particularly in the second half of the year. Net subscriptions rose to a record high of US\$1,860 million during the year while positive fund returns amounted to US\$690 million. Our overall fund performance, calculated in asset-weighted average return of funds under management, gained 6.5% in 2014. Among all, Value Partners Classic Fund<sup>1</sup>, our flagship product, generated solid returns of 13.5% in the year while Value Partners High-Dividend Stocks Fund<sup>2</sup>, the Group's largest public fund<sup>3</sup> in Hong Kong, recorded a gain of 9.4%.

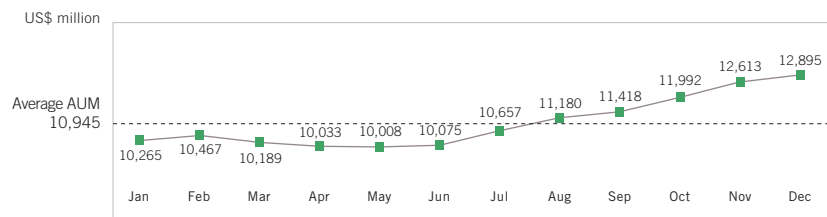
Gross subscriptions for the second half of 2014 increased to US\$4,274 million from US\$1,833 million in the first half, bolstering annual subscriptions for 2014 significantly to US\$6,107 million from a year earlier (2013: US\$4,170 million). Meanwhile, gross redemptions for the second half of 2014 declined slightly to US\$2,107 million from US\$2,140 million in the first half, bringing the full-year total to US\$4,247 million (2013: US\$2,836 million). All in all, net subscriptions reached an all-time high of US\$1,860 million in 2014 (2013: US\$1,334 million).



#### AUM Change in the year 2014<sup>4</sup>



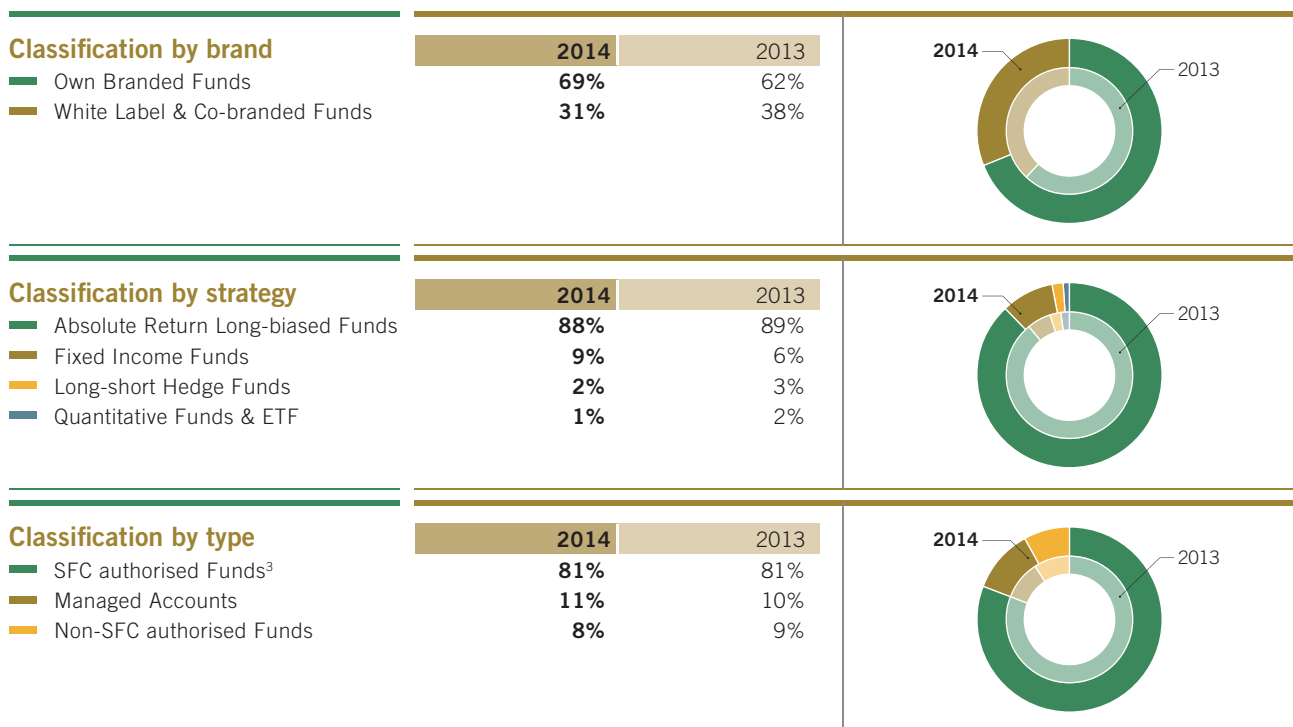
#### Monthly AUM in the year 2014



## Financial review

### AUM by category

The charts below provide an analysis of the Group's AUM as at 31 December 2014 by three different classifications: brand, strategy and fund type. During the year, contribution from Own Branded Funds (69%) continued to rise because of higher fund inflows into Value Partners' own branded products amid the Group's expansion in distribution network. In terms of strategy, our Absolute Return Long-biased Funds continued to represent the majority of our funds (88%), followed by our Fixed Income Funds (9%), in which the largest share was taken up by our Greater China High Yield Income Fund. In terms of fund type, Hong Kong Securities and Futures Commission ("SFC") authorized funds<sup>3</sup> (i.e. public funds in Hong Kong) remained the largest portion of our AUM (81%).



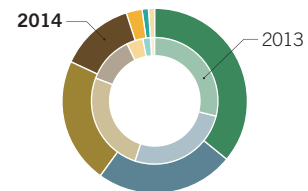
## Financial review

## Client base

Institutional clients – including institutions, pension funds, high-net-worth individuals (“HNWs”), endowments and foundations, funds of funds, together with family offices and trusts – continued to be the Group’s primary set of fund investors, accounting for 64% of our AUM (2013: 71%). In particular, the increase in AUM from HNWs was attributable to the Group’s expanded business relationship with private banks in the region. Meanwhile, fund inflows from retail investors increased to 36% of total AUM (2013: 29%) as a result of our widened distribution network, which includes retail banks. In terms of geographical location, Hong Kong clients accounted for 74% of the Group’s AUM (2013: 72%) while United States and Europe took up 14% (2013: 18%).

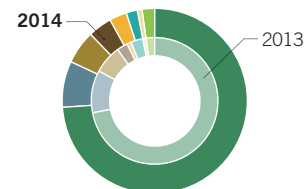
## Client analysis by type

■ Retail	36%	29%
■ Institutions	24%	26%
■ Pension funds	22%	26%
■ High-net-worth individuals	13%	12%
■ Endowments & foundations	3%	4%
■ Funds of funds	1%	2%
■ Family offices & trusts	1%	1%



## Client analysis by geographical region

■ Hong Kong	74%	72%
■ United States	8%	11%
■ Europe	6%	7%
■ Singapore	4%	3%
■ China	3%	1%
■ Australia	2%	3%
■ Taiwan	1%	1%
■ Others	2%	2%



## Summary of results

Key financial highlights for the reporting period are as follows:

(In HK\$ million)

	2014	2013	% Change
Total revenue	1,599.4	1,027.6	+55.6%
Gross management fees	748.0	603.9	+23.9%
Gross performance fees	659.2	317.0	+107.9%
Operating profit (before other gains/losses)	749.6	468.2	+60.1%
Profit attributable to equity holders of the Company	804.2	384.3	+109.3%
Basic earnings per share (HK cents)	45.4	21.9	+107.3%
Diluted earnings per share (HK cents)	45.3	21.8	+107.8%
Interim dividend per share	Nil	Nil	
Final dividend per share (HK cents)	16.0	10.7	+49.5%
Special dividend per share (HK cents)	6.0	Nil	
Total dividends per share (HK cents)	22.0	10.7	+105.6%

## Financial review

### Revenue and fee margin

#### Breakdown of total net income

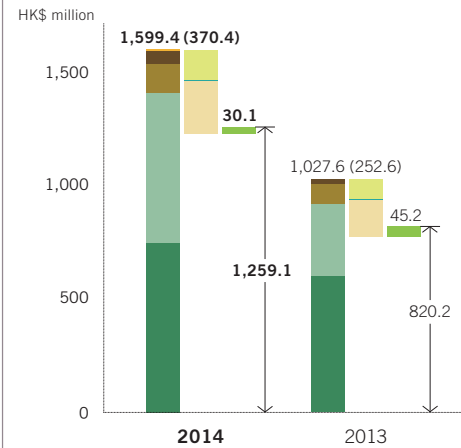
(In HK\$ million)

##### Revenue

Management fees	748.0	603.9
Performance fees	659.2	317.0
Front-end fees	132.1	87.5
Interest income from loan portfolio	55.5	18.0
Fee income from loan portfolio	4.6	1.2

##### Distribution and advisory fee expenses

Management fee rebate	(231.7)	(160.2)
Performance fee rebate	(8.2)	(7.4)
Other revenue rebate	(130.5)	(85.0)
Other income	30.1	45.2



The Group's total revenue rose 55.6% from a year earlier to HK\$1,599.4 million in 2014 (2013: HK\$1,027.6 million). Gross management fees, the major contributor to our revenue, increased to HK\$748.0 million (2013: HK\$603.9 million) as a result of a 16.9% growth in the Group's average AUM to US\$10,945 million (2013: US\$9,361 million). With comparatively stronger inflows from distribution channels into our Own Branded Funds, annualized gross management fee margin increased to 88 basis points (2013: 83 basis points). Meanwhile, management fee rebates paid to distribution channels increased correspondingly by 44.6% to HK\$231.7 million (2013: HK\$160.2 million). As a result, annualized net management fee margin stood at 61 basis points (2013: 61 basis points).

Gross performance fees, another source of revenue, increased by HK\$342.2 million to HK\$659.2 million (2013: HK\$317.0 million). Performance fees are generated when funds, at the dates of their performance fee crystallization, report returns exceeding their benchmarks or high watermarks for the respective periods ended.

Other revenue mainly included front-end load, of which a substantial amount was rebated to distribution channels. Such rebates are a usual market practice. Other revenue also included HK\$60.1 million (2013: HK\$19.2 million) of interest and fee income generated from the loan portfolio of our non-wholly owned subsidiary, which operates and develops small loan business in Chengdu.

Other income, which mainly comprised dividend income and interest income, decreased to HK\$30.1 million (2013: HK\$45.2 million). Dividend income increased to HK\$14.3 million (2013: HK\$10.4 million) while interest income decreased to HK\$14.5 million (2013: HK\$32.7 million) as interest-bearing bond investments declined.

## Financial review

## Other gains and losses

Breakdown of other gains/(losses) – net	(In HK\$ million)	2014	2013
Net gains on investments		148.5	4.1
Net gains on investments held-for-sale		57.7	5.8
Impairment loss on goodwill and license		(26.3)	–
Impairment loss on investment in an associate		(10.1)	–
Changes in fair value of investment properties		–	(18.5)
Others		(9.4)	(1.1)
		<b>160.4</b>	<b>(9.7)</b>

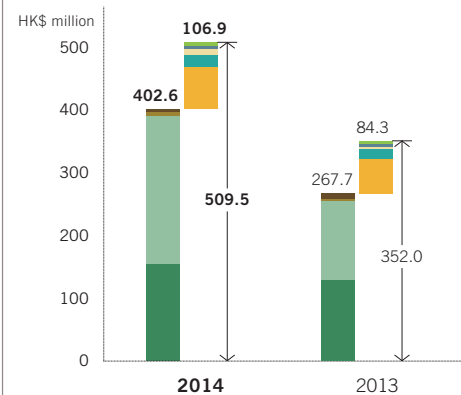
Other gains or losses mainly included fair value changes and realized gains or losses on investment items including seed capital investments, investments in own funds, debt securities and other investments, together with goodwill and license impairment on subsidiaries and an associate, as well as net foreign exchange gains or losses. Seed capital investments were made by the Group to provide certain amount of capital that was considered necessary to new funds during the initial phase of fund launch. The Group also invested in its own funds side-by-side with investors where appropriate, for better alignment of interests and investment returns.

## Investment in an associate

In March 2012, the Group acquired 49% interests in Goldstate Capital Fund Management Company Limited (“Goldstate Capital<sup>57</sup>”). Goldstate Capital engages in asset management and trust businesses in mainland China. The Group’s share of gain amounted to HK\$20.6 million (2013: HK\$1.2 million).

## Cost management

Breakdown of total expenses	2014	2013
(In HK\$ million)		
<b>Compensation and benefit expenses</b>		
Fixed salaries and staff benefits	156.1	129.9
Management bonus	235.8	125.1
Staff rebates	6.6	4.5
Share-based compensation expenses	4.1	8.2
<b>Other expenses</b>		
Other fixed operating costs	66.9	55.6
Sales and marketing	19.9	16.4
Loan impairment allowances	8.3	1.5
Depreciation	6.4	6.0
Non-recurring expenses	5.4	4.8



The Group’s management continued to exercise stringent cost discipline and aimed to keep fixed operating expenses well covered by net management fee income, a relatively stable income source. This objective can be measured by “fixed cost coverage ratio”, an indicator showing the number of times that fixed operating expenses are covered by net management fee income. For the current year, the Group’s fixed cost coverage (for asset management business) was 2.6 times.

## Financial review

### Compensation and benefit expenses

Fixed salaries and staff benefits rose by HK\$26.2 million to HK\$156.1 million (2013: HK\$129.9 million). The increase was mainly attributable to salary increments and the additional headcount costs incurred to cope with the Group's business expansion.

In line with the Group's compensation policy – which distributes 20% to 23% of the annual net profit pool as management bonuses to employees – management bonuses for the year amounted to HK\$235.8 million (2013: HK\$125.1 million). Net profit pool is derived by deducting certain adjustments, including cost of capital, from net profit before management bonuses and taxation. Discretionary bonus promotes staff loyalty and performance while aligning employee interests with shareholders'.

Staff rebates increased to HK\$6.6 million (2013: HK\$4.5 million). Staff of Value Partners are entitled to partial rebates of management fees and performance fees when investing in funds managed by the Group.

The Group also recorded expenses of HK\$4.1 million (2013: HK\$8.2 million) relating to stock options granted to employees. This expense item has no impact on cash flow and is recognized in accordance with Hong Kong Financial Reporting Standards.

### Other expenses

Other non-staff operating costs, such as rents, legal and professional fees, investment research fees and other administrative and office expenses, amounted to HK\$75.2 million (2013: HK\$57.1 million).

Sales and marketing expenses for the year rose to HK\$19.9 million (2013: HK\$16.4 million) as a result of increased spending on advertising and distributor sponsorship.

Non-recurring expenses mainly comprised donations. The Group entered into a partnership with the Hong Kong University of Science and Technology ("HKUST") in 2011 and launched the "Value Partners Center for Investing at the HKUST Business School". The Group pledged to donate up to HK\$10.0 million in a five-year period and HK\$1.8 million were donated in 2014.

### Dividends

The Group has been adopting a consistent dividend distribution policy that takes into account of the relatively volatile nature of asset management income streams. This policy states that dividends (if any) will be declared once a year at the end of each financial year to better align dividend payment with the Group's full-year performance.

For 2014, the Board of Directors recommended a final dividend of HK16.0 cents per share and a special dividend of HK6.0 cents per share to shareholders.



## Financial review

### Liquidity and financial resources

Fee income is the Group's main source of income while other income sources include interest income generated from bank deposits and interest-bearing bond investments, as well as dividend income from investments held. During the year, the Group's balance sheet and cash flow positions remained strong with a net cash balance of HK\$1,551.0 million. Net cash inflows from operating activities amounted to HK\$129.4 million. Bank balance of RMB50 million was pledged as collateral for the Group's banking facilities of RMB50 million. The Group's debt-to-equity ratio (interest-bearing external borrowings divided by shareholders' equity) was 0.02 times while current ratio (current assets divided by current liabilities) stood at 6.7 times.

### Capital structure

As at 31 December 2014, the Group's shareholders' equity and total number of shares in issue stood at HK\$3,866.2 million and 1.84 billion, respectively.

- 1 *Performance of Classic Fund (A Units) over past five years: 2010: +20.2%; 2011: -17.2%; 2012: +14.0%; 2013: +11.2%; 2014: +13.5%; 2015 (Year to date as at 28 February): +2.7%.*
- 2 *Performance of High-Dividend Stocks Fund (Class A1) over past five years: 2010: +25.8%; 2011: -11.9%; 2012: +25.2%; 2013: +8.1%; 2014: +9.4%; 2015 (Year to date as at 28 February): +2.0%.*
- 3 *SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*
- 4 *Excluding AUM of Goldstate Capital, in which the Group holds an ownership interest of 49%.*
- 5 *Goldstate Capital was formerly known as Value Partners Goldstate Fund Management Company Limited.*

*Source: HSBC Institutional Trust Services (Asia) Limited. Performance figures are calculated in the funds' respective trading and base currencies, NAV to NAV, with dividends reinvested and net of all fees. Past performance is not indicative of future performance.*

## Biographies of directors and senior management

### Chairman

#### CHEAH Cheng Hye

Chairman and Co-Chief Investment Officer

Dato' CHEAH Cheng Hye, aged 61, is Chairman and Co-Chief Investment Officer ("Co-CIO") of Value Partners Group. He is in charge of Value Partners' operations, and is actively engaged in all aspects of the Group's activities, including investment research, fund management, business and product development, and corporate management. He sets the Group's overall business and portfolio strategy. (Note: In July 2010, Mr. Louis SO was promoted to become Co-CIO of Value Partners, working alongside Dato' CHEAH.)

Dato' CHEAH has been in charge of Value Partners since he co-founded the firm in February 1993 with his partner, Mr. V-Nee YEH. Throughout the 1990s, he held the position of Chief Investment Officer and Managing Director of Value Partners, responsible for managing both the firm's funds and business operation. He led Value Partners to a successful listing on the Main Board of the Hong Kong Stock Exchange in 2007, the first and only asset management company listed in Hong Kong. Dato' CHEAH has more than 30 years of investment experience, and is considered one of the leading practitioners of value-investing in Asia and beyond. Value Partners and he personally have received numerous awards – a total of more than 90 professional awards and prizes since the firm's inception in 1993.

In January 2015, Dato' CHEAH was appointed a member of the Financial Services Development Council ("FSDC") by the Hong Kong Special Administrative Region Government, following a two-year term as a member of the New Business Committee of FSDC since 2013.

In 2013, Mr. CHEAH was conferred the title of "Dato'" – an honorary title that recognizes exceptional individuals – by the government in his home state of Penang, Malaysia. (The title comes with the award of an honorary "Darjah Setia Pangkuan Negeri".) In the same year, he was named an Honorary Fellow of The Hong Kong University of Science and Technology ("HKUST") for outstanding achievements.

Dato' CHEAH was the co-winner of "CIO of the Year in Asia" along with Mr. Louis SO in the 2011 Best of the Best Awards by *Asia Asset Management*. In October 2010, he was named by *AsianInvestor* as one of the Top-25 Most Influential People in Asian Hedge Funds. In 2009, he was named by *AsianInvestor* as one of the 25 Most Influential People in Asian Asset Management. He was also named "Capital Markets Person of the Year" by *FinanceAsia* in 2007, and in 2003, he was voted the "Most Astute Investor" in the *Asset Benchmark Survey*.

Prior to starting Value Partners, Dato' CHEAH worked at Morgan Grenfell Group in Hong Kong, where, in 1989, he founded the Company's Hong Kong/China equities research department as the Head of Research and proprietary trader for the firm. Prior to this, he was a financial journalist with the *Asian Wall Street Journal* and *Far Eastern Economic Review*, where he reported on business and financial news across East and Southeast Asia markets. Dato' CHEAH served for nine years (1993 to 2002) as an independent non-executive director of Hong Kong-listed JCG Holdings, a leading microfinance company (renamed from 2006 as Public Financial Holdings).

## Biographies of directors and senior management

### Executive Directors

#### HUNG Yeuk Yan Renee

Deputy Chief Investment Officer  
Executive Director

Ms. Renee HUNG is Deputy Chief Investment Officer of Value Partners Group, responsible for the overall management of the investment management team. She also holds a leadership role in the Group's investment process and commands a high degree of responsibility for portfolio management.

Ms. HUNG has extensive experience in the investment industry, with a solid track record in research and portfolio management. She joined the Group as an Analyst in April 1998. She was promoted to the roles of Fund Manager and Senior Fund Manager in 2004 and 2005, respectively. In March 2009, she was promoted to her current role of Deputy Chief Investment Officer.

Ms. HUNG has been serving as a Director of the Tung Wah Group of Hospitals ("TWGH") since April 2012. With over 145 years of history, TWGH is one of the largest charitable organizations in Hong Kong and provides medical and health, education as well as community services to the Hong Kong society.

Ms. HUNG, aged 40, graduated from the University of California in Los Angeles with a Bachelor's degree in Applied Mathematics.

#### SO Chun Ki Louis

Deputy Chairman and Co-Chief Investment Officer  
Executive Director

Mr. Louis SO is Deputy Chairman and Co-Chief Investment Officer ("Co-CIO") of Value Partners Group, responsible for assisting Dato' CHEAH Cheng Hye, Chairman of the Board, in overseeing group affairs and activities, as well as daily operations and overall management of the firm's investment management team. He holds a leadership role in the Group's investment process, including a high degree of responsibility for portfolio management.

Mr. SO has over 15 years of experience in the investment industry, with a solid track record in research and portfolio management. He joined the Group in May 1999 and was promoted to take up various research and fund management roles since then. His extensive management capability and on-the-ground experience helped the Group establish an unparalleled research and investment team. In the 2011 Best of the Best Awards by *Asia Asset Management*, he was the co-winner of "CIO of the Year in Asia" along with Dato' CHEAH.

Mr. SO, aged 39, graduated from the University of Auckland in New Zealand with a Bachelor's degree in Commerce and obtained a Master's degree in Commerce from the University of New South Wales in Australia.

## Biographies of directors and senior management

### **TSE Wai Ming, Timothy CFA**

Chief Executive Officer  
Executive Director

Mr. Timothy TSE is Chief Executive Officer of Value Partners Group, responsible for the overall business development of the Group. He assumes a leadership role in devising corporate strategy, as well as managing the Company's business operations and corporate affairs. He leads the Group's efforts to provide best-in-class asset management services to top-tier institutional investors around the world. In addition to his responsibilities at the Hong Kong headquarters, he has been leading the Group's business initiatives in mainland China, Taiwan and Singapore. He joined the Group in January 2007.

Mr. TSE serves as an executive committee member of the Alternative Investment Management Association in Hong Kong. In China, he is a member of Asset Management Association of China's International Partners Committee. Meanwhile, Mr. TSE is also members of various industry associations, including Hong Kong General Chamber of Commerce's Financial and Treasury Services Committee, Hong Kong Securities and Investment Institute's Examinations Committee, HSBC Securities Services Client Advisory Board for Asset Managers and Citi Client Advisory Board for Investment Managers in Asia Pacific.

Mr. TSE, aged 39, holds a Bachelor's degree in Business Administration from The Chinese University of Hong Kong. He is a CFA charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants.

### **Independent Non-executive Directors**

#### **CHEN Shih-Ta Michael**

Dr. Michael Shih-Ta CHEN was appointed as an Independent Non-executive Director of Value Partners Group Limited on 22 October 2007.

Dr. CHEN was appointed as a member of Harvard Business School's Asia-Pacific Advisory Board and a member of the Investment Committee of the Croucher Foundation in Hong Kong in November 2014 and January 2015, respectively. He was the Executive Director of the Harvard Business School Asia Pacific Research Center, the first international research office established by the Harvard Business School in Asia. Prior to joining the Center in October 2005, he worked in both the private and public sectors. Previously, he served as Head of the Risk Management Unit of the Private Sector Operations Department of the Asian Development Bank, Head of International Private Banking in Hong Kong of Standard Chartered Bank, and Regional Director of National Westminster Bank. He served on the boards of a number of companies invested by Asian Development Bank. He also wrote cases and taught at various educational entities and universities.

Dr. CHEN, aged 69, graduated with a BA (Honors) Degree in Economics from the University of California, Berkeley in the U.S.A., received an MBA from Harvard University in the U.S.A. in 1972 and obtained a PhD in Economics from Cornell University in the U.S.A. in 1973.

## Biographies of directors and senior management

### LEE Siang Chin

Mr. LEE Siang Chin was appointed as an Independent Non-executive Director of Value Partners Group Limited on 22 October 2007.

Mr. LEE is a Director of the Social Security Organization of Malaysia and a member of its investment panel. Mr. LEE also serves as an Independent Non-executive Director for Maybank Investment Bank Bhd, Tune Insurance Malaysia Bhd, Star Publications (Malaysia) Bhd (a company listed on the Malaysian Stock Exchange) and Hilong Holding Ltd. (a company listed on The Stock Exchange of Hong Kong Limited). Mr. LEE previously served as Chairman and Managing Director of Surf88.com Sdn Bhd and AmSecurities Sdn Bhd, respectively. He also worked in corporate finance departments of leading investment banks in London, Sydney and Kuala Lumpur. In addition, Mr. LEE held various public offices. He was a board member of the Kuala Lumpur Stock Exchange and President of the Association of Stock Broking Companies in Malaysia.

Mr. LEE, aged 66, became a member of the Malaysian Institute of Certified Public Accountants in 1975, and a Fellow of the Institute of Chartered Accountants in England and Wales in 1979.

### Nobuo OYAMA

Mr. Nobuo OYAMA was appointed as an Independent Non-executive Director of Value Partners Group Limited on 22 October 2007.

Mr. OYAMA is a Director and Chief Financial Officer of XTrillion, Inc., Japan, a medical venture of computer tomography. Previously, he was the founder and Managing Director of Asiavest Co., Ltd., Japan. Also, Mr. OYAMA was a Director and Chief Financial Officer of Yappa Corporation, Japan. He also served as Managing Director of Nichimen Co., (Hong Kong) Ltd. and Sojitz Trade & Investment Services (Hong Kong) Ltd. Mr. OYAMA had over 30 years of experience in offshore treasury operations across Japan, United Kingdom and Hong Kong for Nichimen Corporation in Japan and its overseas subsidiaries.

In 2014, Mr. OYAMA was conferred the title of “Pingat Kelakuan Terpuji” (PKT) by the government of Penang, Malaysia. In September 2013, he was appointed by Invest-in-Penang Berhad, the state government agency, as “Honorary Industry Expert – Development of SMEs in Penang” to attract Japanese SMEs to invest in the state.

Mr. OYAMA, aged 61, received a Bachelor’s degree in Economics from the Kobe University in Japan, and was awarded a Master’s degree in Business Administration from Asia University, Tokyo, Japan. He is a Chartered Member of the Securities Analysts Association of Japan (CMA®).

## Biographies of directors and senior management

### Other senior management

#### **CHOW Wai Chiu William**

Managing Director, ETF Business  
Value Partners Limited

Mr. William CHOW is a Managing Director, ETF Business of Value Partners, where he leads the Group's exchange-traded funds (ETFs) business. Mr. CHOW joined the Group in February 2010.

Mr. CHOW has extensive experience in the ETF industry, with a solid track record in product development and strategy, as well as ETF portfolio management. Previously, he was a Senior Portfolio Manager at Blackrock North Asia Limited, participating in iShares ETF portfolio management. He was also the Lead Portfolio Manager of a number of ETFs established under iShares, including iShares FTSE A50 China Index ETF (one of the largest ETFs in Asia). Prior to joining iShares, Mr. CHOW spent four years at State Street Global Advisors Asia Limited ("SSgA") as a Portfolio Manager, responsible for various institutional equity indices, asset allocation and currency hedging strategies. Tracker Fund of Hong Kong is among the ETFs that were managed by him. Before joining SSgA, Mr. CHOW worked for UBS AG.

Mr. CHOW, aged 39, graduated with a Master's degree in Science in Operational Research from the London School of Economics and Political Science (UK). He also obtained a Bachelor's degree in Engineering (Hons) in Civil Engineering from the University College London (UK).

#### **HO Man Kei, Norman CFA**

Senior Investment Director  
Value Partners Limited

Mr. Norman HO is a Senior Investment Director of Value Partners, where he holds a leadership role in the Group's investment process, including a high degree of responsibility for portfolio management. He has been participating in the development of investment management team.

Mr. HO has over 25 years of experience in the fund management and investment industry, with a focus on research and portfolio management. Mr. HO joined the Group in November 1995. He was promoted to the roles of Investment Director and Senior Investment Director in 2010 and January 2014, respectively. Prior to joining the Group, he was an Executive with Dao Heng Securities Limited and had started his career with Ernst & Young.

Mr. HO, aged 48, graduated with a Bachelor's degree in Social Sciences (majoring in Management Studies) from The University of Hong Kong. He is a CFA charterholder.

## Biographies of directors and senior management

### **LAW Yuk Ming, Andy**

Chief Risk Officer  
Value Partners Limited

Mr. Andy LAW is Chief Risk Officer of Value Partners, where he oversees the Group's risk management function and provides guidance and supervision to the Company's compliance and corporate audit departments. Mr. LAW joined the Group in February 2015.

Mr. LAW has been in the financial industry for over 20 years and has extensive experience in compliance, audit and regulatory supervision. Previously, he served as the Head of Compliance at Societe Generale Newedge and Scotiabank. Prior to this, he led the compliance teams at BNP Paribas and Fortis Bank. He had also worked for Hong Kong's Securities and Futures Commission and PricewaterhouseCoopers.

Mr. LAW, aged 43, graduated from the Hong Kong Baptist University with a Bachelor's degree in Business Administration. He is a member of the Hong Kong Institute of Certified Public Accountants.

### **LEE Vivienne**

Chief Compliance Officer  
Value Partners Limited

Ms. Vivienne LEE is Chief Compliance Officer of Value Partners, where she oversees the Group's compliance function.

Ms. LEE has broad experience in the industry with a particular focus on compliance functions and scope, expertise in regulatory statutes, as well as other related functions. She joined the Group in May 2004 as an Assistant Compliance Manager. She was promoted to the roles of Compliance Manager, Senior Manager of Compliance and Compliance Director in 2004, 2005 and 2008, respectively. In May 2012, she was promoted to Chief Compliance Officer.

Previously, she was an Assistant Manager with Hong Kong's Securities and Futures Commission, responsible for monitoring and inspecting portfolios of licensed intermediaries. Prior to that, she was a staff accountant in Ernst & Young responsible for providing financial audit and business advisory services to a number of companies.

Ms. LEE, aged 41, graduated from the University of New South Wales in Australia with a Bachelor's degree in Economics. She is a member of the CPA Australia.

## Biographies of directors and senior management

### **MO Chun Wah, Jonathan**

Chief Operating Officer  
Value Partners Limited

Mr. Jonathan MO is Chief Operating Officer of Value Partners, where he oversees the Group's middle- and back-office operations. Mr. MO joined the Group in July 2012 as Director, Operations, and was appointed to the role of Chief Operating Officer in July 2013.

Prior to joining Value Partners, Mr. MO worked at HSBC Institutional Trust Services ("HSBC") for a number of years. He was Head of Client Services, Alternative Products, a division providing fund administration, custodian and related services to managers of hedge funds and alternative funds operating in the Asia-Pacific region. In this role, Mr. MO was responsible for developing fund service solutions, monitoring operations and services delivery, as well as minimizing operational risks. Before joining HSBC, Mr. MO worked at PricewaterhouseCoopers and specialized in providing auditing and advisory services to investment management companies and investment funds.

Mr. MO, aged 43, graduated from the City University of Hong Kong, with a Bachelor's degree in Accountancy. He is a certified public accountant and is a member of the Hong Kong Institute of Certified Public Accountants.

### **TAM Hin Tat Raymond**

Deputy Chief Executive Officer and Head of Sales  
Value Partners Limited

Mr. Raymond TAM is Deputy Chief Executive Officer and Head of Sales of Value Partners, where he holds a leadership role in the Company's sales and marketing activities, overseeing both retail and institutional businesses. Mr. TAM joined the Group in April 2008. He currently serves as President and Principal Executive Officer of Asia Pacific Fund, Inc. (a New York-listed closed-end management investment company that appointed Value Partners as an investment manager since October 2013.)

Mr. TAM has over 18 years of experience in the asset management industry. Previously, he served as Vice President at BlackRock, responsible for sales and marketing of both retail and institutional (pension business) channels. Prior to that, he worked at JP Morgan Asset Management (formerly Jardine Fleming Asset Management), where he was responsible for direct sales and fund distribution.

Mr. TAM, aged 41, graduated from the University of Western Ontario in Canada with a Bachelor's degree in Economics.



## Report of the directors

The Board of Directors (the “Board” or the “Directors”) of Value Partners Group Limited (the “Company”, together with its subsidiaries, the “Group”) is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

### Principal activities

The Company is an investment holding company. The Group is principally engaged in value-oriented asset management businesses. The activities of its principal subsidiaries are set out in Note 17 to the consolidated financial statements.

### Results

The results of the Group for the year are set out in the Consolidated Statement of Comprehensive Income on page 48.

### Dividends

No interim dividend was paid during the year. The Directors recommend the payment of a final dividend of HK16.0 cents per share and a special dividend of HK6.0 cents per share for the year ended 31 December 2014 to the shareholders whose names are registered on the register of members of the Company on 11 May 2015. Subject to the approval of shareholders of the Company at the Annual General Meeting for the year 2015, the final dividend will be payable on or about 26 May 2015.

### Summary of results, assets and liabilities

Summary of results, assets and liabilities for the years of 2010 to 2014 are set out on page 3 of this report.

### Share capital

Details of the movements during the year in the share capital of the Company are set out in Note 27 to the consolidated financial statements.

### Reserves

Details of the movements during the year in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 51.

In addition to the retained profits of the Company, the share premium account of the Company is also available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid in accordance with the Companies Law of the Cayman Islands.

As at 31 December 2014, the Company’s distributable reserve was HK\$2,205,032,000.

### Charitable contributions

During the year, the Group made charitable contributions totalling HK\$1,830,000.

## Report of the directors

### Board of Directors

During the year ended 31 December 2014 and up to the date of this report the Board comprised:

#### Executive Directors

Dato' CHEAH Cheng Hye (*Chairman*)

Ms. HUNG Yeuk Yan Renee

Mr. SO Chun Ki Louis

Mr. TSE Wai Ming, Timothy

#### Independent Non-executive Directors

Dr. CHEN Shih-Ta Michael

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

In accordance with article 87 of the Company's articles of association, Dato' CHEAH Cheng Hye, Ms. HUNG Yeuk Yan Renee and Mr. Nobuo OYAMA will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors are independent.

Biographical details of the Directors as at the date of this annual report are set out on pages 24 to 27.

#### Directors' service contracts

Each of the Executive Directors has entered into a service contract with the Company for a term of three years. The service contract shall be terminated in accordance with the provisions of the service contract or, throughout the term of the appointment, by either party giving to the other party not less than three months' prior notice in writing (other than Dato' CHEAH Cheng Hye whose notice period is six months).

Each of the Independent Non-executive Directors has entered into a service contract with the Company for one year commencing on 22 November 2014 and either the Company or the Independent Non-executive Director may terminate the appointment by giving at least three months' notice in writing.

Save as disclosed above, none of the Directors have entered or have proposed to enter into any service agreement with the Company or any member of the Group which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

#### Directors' interests in shares, underlying shares and debentures

As at 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")) which had notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which had required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

## Report of the directors

## (a) Long position in shares of the Company (“Shares”)

Name of Director	Nature of interest	Number of Shares	Number of underlying Shares in which the Directors hold under the share option scheme <sup>(4)</sup>	Approximate percentage of issued Shares
Dato' CHEAH Cheng Hye	Founder of trust/beneficial <sup>(1)</sup>	499,730,484	–	27.20%
	Beneficial	57,470,828	–	3.12%
Ms. HUNG Yeuk Yan Renee	Founder of trust <sup>(2)</sup>	25,332,723	–	1.37%
	Beneficial	–	4,400,000	0.23%
Mr. SO Chun Ki Louis	Beneficial	24,141,723	6,300,000	1.65%
Mr. TSE Wai Ming, Timothy	Beneficial	350,000	2,500,000	0.15%
Dr. CHEN Shih-Ta Michael	Beneficial	–	200,000	0.01%
Mr. LEE Siang Chin	Corporate <sup>(3)</sup>	500,000	–	0.02%
	Beneficial	–	200,000	0.01%
Mr. Nobuo OYAMA	Beneficial	390,000	200,000	0.03%

Notes:

- (1) These Shares are directly held by Cheah Capital Management Limited (“CCML”) which is wholly-owned by Cheah Company Limited (“CCL”) which is in turn wholly-owned by BNP Paribas Jersey Nominee Company Limited, a company incorporated in Jersey, Channel Islands, holding the shares in CCL as nominee for BNP Paribas Jersey Trust Corporation Limited as trustee for a discretionary trust, the discretionary objects of which include Dato' CHEAH Cheng Hye and certain members of his family.
- (2) These Shares are directly held by Bright Starlight Limited which is wholly-owned by Scenery Investments Limited which is in turn wholly-owned by East Asia International Trustees Limited, a company incorporated in the British Virgin Islands, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. HUNG Yeuk Yan Renee.
- (3) These Shares are directly held by Stenyng Holdings Limited, whose entire issued share capital is held by Mr. LEE Siang Chin and Ms. KOO Yoon Kin in equal shares. Ms. KOO Yoon Kin is the spouse of Mr. LEE Siang Chin.
- (4) The number of underlying Shares in which the Directors hold under the share option scheme are detailed in “Share options” section below.

## (b) Interest in associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares	Approximate percentage of issued shares of the relevant associated corporation
Dato' CHEAH Cheng Hye	Value Partners Strategic Equity Fund	Beneficial	74,000 non-voting shares	0.49% of the total issued non-voting shares
Ms. HUNG Yeuk Yan Renee	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Mr. LEE Siang Chin	Value Partners Strategic Equity Fund	Corporate (Note)	50,000 non-voting shares	0.33% of the total issued non-voting shares

Note: These non-voting shares are directly held by Stenyng Holdings Limited, whose entire issued share capital is held by Mr. LEE Siang Chin and Ms. KOO Yoon Kin in equal shares. Ms. KOO Yoon Kin is the spouse of Mr. LEE Siang Chin.

## Report of the directors

### (c) Share options

The Company adopted a share option scheme on 24 October 2007 (and as amended on 15 May 2008) (the “Scheme”). A summary of the movements of the outstanding share options during the year ended 31 December 2014 is as follows:

grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2014	Number of Share Options			As at 31/12/2014
					granted	Exercised	Lapsed	
<b>Directors</b>								
Dato' CHEAH Cheng Hye	26/03/2008	26/03/2008-25/09/2014	5.50	1,600,000	-	(1,600,000)	-	-
	15/05/2008	15/05/2008-14/11/2014	5.50	55,450,828	-	(55,450,828)	-	-
Ms. HUNG Yeuk Yan Renee	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	-	(4,036,140)	-	-
	27/04/2009	27/10/2011-26/10/2015	2.436	3,200,000	-	-	-	3,200,000
	07/12/2012	31/12/2013-06/12/2022	4.56	400,000	-	-	-	400,000
		07/12/2014-06/12/2022	4.56	400,000	-	-	-	400,000
07/12/2015-06/12/2022	4.56	400,000	-	-	-	400,000		
Mr. SO Chun Ki Louis	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	-	(4,036,140)	-	-
	27/04/2009	27/10/2011-26/10/2015	2.436	3,200,000	-	-	-	3,200,000
	23/06/2010	23/06/2011-22/12/2016	5.00	500,000	-	-	-	500,000
		23/06/2012-22/12/2016	5.00	500,000	-	-	-	500,000
		23/06/2013-22/12/2016	5.00	500,000	-	-	-	500,000
	07/12/2012	31/12/2013-06/12/2022	4.56	533,334	-	-	-	533,334
		07/12/2014-06/12/2022	4.56	533,333	-	-	-	533,333
		07/12/2015-06/12/2022	4.56	533,333	-	-	-	533,333
Mr. TSE Wai Ming, Timothy	26/03/2008	25/03/2010-25/09/2014	5.50	266,668	-	(266,668)	-	-
		25/03/2011-25/09/2014	5.50	283,332	-	(283,332)	-	-
	23/06/2010	23/06/2011-22/12/2016	5.00	250,000	-	(250,000)	-	-
		23/06/2012-22/12/2016	5.00	250,000	-	-	-	250,000
		23/06/2013-22/12/2016	5.00	250,000	-	-	-	250,000
	31/05/2012	31/12/2013-30/05/2022	3.94	666,667	-	-	-	666,667
		31/05/2014-30/05/2022	3.94	666,667	-	-	-	666,667
31/05/2015-30/05/2022	3.94	666,666	-	-	-	666,666		
Dr. CHEN Shih-Ta Michael	31/05/2012	31/05/2013-30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2014-30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2015-30/05/2022	3.94	66,666	-	-	-	66,666
Mr. LEE Siang Chin	31/05/2012	31/05/2013-30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2014-30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2015-30/05/2022	3.94	66,666	-	-	-	66,666
Mr. Nobuo OYAMA	31/05/2012	31/05/2013-30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2014-30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2015-30/05/2022	3.94	66,666	-	-	-	66,666

## Report of the directors

grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2014	Number of Share Options			As at 31/12/2014
					granted	Exercised	Lapsed	
Employees	26/03/2008	26/03/2008-25/09/2014	5.50	13,812,923	-	(13,529,923)	(283,000)	-
		25/03/2009-25/09/2014	5.50	477,001	-	(477,001)	-	-
		25/03/2010-25/09/2014	5.50	551,001	-	(551,001)	-	-
		25/03/2011-25/09/2014	5.50	800,998	-	(680,998)	(120,000)	-
	23/06/2010	23/06/2011-22/12/2016	5.00	950,002	-	(216,667)	-	733,335
		23/06/2012-22/12/2016	5.00	950,002	-	(83,333)	-	866,669
		23/06/2013-22/12/2016	5.00	949,996	-	-	-	949,996
	31/05/2012	31/12/2013-30/05/2022	3.94	500,000	-	-	-	500,000
		31/05/2014-30/05/2022	3.94	500,000	-	-	-	500,000
		31/05/2015-30/05/2022	3.94	500,000	-	-	-	500,000
		31/05/2013-30/05/2022	3.94	200,000	-	-	-	200,000
	31/05/2012	31/05/2014-30/05/2022	3.94	200,000	-	-	-	200,000
		31/05/2015-30/05/2022	3.94	200,000	-	-	-	200,000
		31/05/2013-06/12/2022	4.56	400,000	-	-	-	400,000
	07/12/2012	07/12/2014-06/12/2022	4.56	400,000	-	-	-	400,000
		07/12/2015-06/12/2022	4.56	400,000	-	-	-	400,000
Total				101,515,031	-	(81,462,031)	(403,000)	19,650,000

## Notes:

- The closing prices of the Shares immediately before the share options granted on 26 March 2008, 15 May 2008, 27 April 2009, 23 June 2010, 31 May 2012 and 7 December 2012 were HK\$5.50, HK\$7.56, HK\$2.20, HK\$5.00, HK\$3.90 and HK\$4.54, respectively.
- No share option was cancelled during the year.
- The share options granted to Dato' CHEAH Cheng Hye were in excess of his individual limit under the Listing Rules. The grant of excess share options to Dato' CHEAH was approved in the annual general meeting of the Company held on 15 May 2008.
- The weighted average closing price of the shares immediately before the dates of exercise by the director and employees was HK\$6.16.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangement that enabled the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

All the options forfeited before expiry of the Scheme will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Scheme.

### Substantial shareholders' interests

As at 31 December 2014, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

## Report of the directors

### Long position in the shares under the SFO

Name	Nature of interest	Number of Shares	Approximate percentage of issued Shares
Ms. TO Hau Yin <sup>(1)</sup>	Spouse	557,201,312	30.33%
Mr. YEH V-Nee	Beneficial	300,159,324	16.34%
Mrs. YEH Mira <sup>(2)</sup>	Spouse	300,159,324	16.34%
Cheah Capital Management Limited <sup>(3)</sup>	Beneficial	499,730,484	27.20%
Cheah Company Limited <sup>(3)</sup>	Corporate	499,730,484	27.20%
BNP Paribas Jersey Nominee Company Limited <sup>(3)</sup>	Nominee	499,730,484	27.20%
BNP Paribas Jersey Trust Corporation Limited <sup>(3)</sup>	Trustee	499,730,484	27.20%
Affiliated Managers Group, Inc. <sup>(4)</sup>	Interest of controlled corporation	137,244,000	7.47%

Notes:

- (1) Ms. TO Hau Yin is the spouse of Dato' CHEAH Cheng Hye.
- (2) Mrs. YEH Mira is the spouse of Mr. YEH V-Nee.
- (3) Cheah Capital Management Limited ("CCML") is wholly-owned by Cheah Company Limited ("CCL") which in turn is wholly-owned by BNP Paribas Jersey Nominee Company Limited, a company incorporated in Jersey, Channel Islands, holding the shares in CCL as nominee for BNP Paribas Jersey Trust Corporation Limited as trustee for a discretionary trust, the discretionary objects of which include Dato' CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Dato' CHEAH Cheng Hye is the founder of this trust. BNP Paribas Jersey Trust Corporation Limited is wholly-owned by TFS Trust & Fiduciary Services SA and the ultimate holding company is BNP Paribas SA..
- (4) These Shares are held by AKH Holding LLC and the ultimate holding company is Affiliated Managers Group, Inc.

### Directors' interest in contracts of significance

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Share options

A share option scheme (the "Share Option Scheme") was adopted by the sole shareholder's written resolution of the Company dated 24 October 2007 (and as amended on 15 May 2008). A summary of the principal terms of the Share Option Scheme is set out below.

## Report of the directors

### 1. Purpose of the Share Option Scheme

To reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole.

### 2. Participants of the Share Option Scheme

Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

### 3. Total number of Shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2014

160,000,000 shares (8.71%)

### 4. Maximum entitlement of each participant under the Share Option Scheme

In any 12-month period, in aggregate not over:–

- (a) 1% of the issued share capital (excluding substantial shareholders and Independent Non-executive Directors).
- (b) 0.1% of the issued share capital and exceeding HK\$5 million in aggregate value (for substantial shareholders and Independent Non-executive Directors).

Such further grant of options shall be subject to prior approval by a resolution of the Shareholders.

### 5. The period within which the Shares must be taken up under an option

In respect of any particular option, the period to be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the date of grant.

### 6. The minimum period for which an option must be held before it can be exercised

Nil

### 7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

Upon acceptance of the option, the grantee shall inform the Company together with HK\$1 by way of consideration for the grant within 28 days from the date of offer.

### 8. The basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:–

- (a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

### 9. The remaining life of the Share Option Scheme

The Share Option Scheme will remain valid until 23 October 2017.

## Report of the directors

### Connected transactions and continuing connected transactions

During the year, the Company did not have any connected transactions and continuing connected transactions which were subject to the disclosure requirements of the Listing Rules. The related-party transactions as disclosed in Note 36 did not fall under the definition of connected transactions or continuing connected transactions in the Listing Rules.

### Disclosure of information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of the Directors are as follows:

- The monthly salary of Dato' CHEAH Cheng Hye was revised from HK\$470,000 to HK\$492,400 with effect from 1 January 2015.
- The monthly salary of Ms. HUNG Yeuk Yan Renee was revised from HK\$182,000 to HK\$191,100 with effect from 1 January 2015.
- The monthly salary of Mr. SO Chun Ki Louis was revised from HK\$270,000 to HK\$283,500 with effect from 1 January 2015.
- The monthly salary of Mr. TSE Wai Ming, Timothy was revised from HK\$216,000 to HK\$226,800 with effect from 1 January 2015.
- The annual remuneration of each of Dr. CHEN Shih-Ta Michael, Mr. LEE Siang Chin and Mr. Nobuo OYAMA was revised from HK\$289,000 to HK\$300,000 with effect from 22 November 2014.

### Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### Directors' and the five highest-paid individuals' emoluments

The Directors' fees and remuneration and the emoluments of the five highest-paid individuals are disclosed in Note 9 to the consolidated financial statements. The emoluments of the Directors are determined with regard to their duties and responsibilities, the Company's performance, prevailing market conditions and after considering the market emoluments for Directors of other listed companies.

### Pension schemes

Pension costs for the year are set out in Note 9 to the consolidated financial statements.

### Sufficiency of public float

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

### Purchase, redemption or sale of listed shares of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year.



## Report of the directors

### Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the Companies Law in the Cayman Islands.

### Major customers and suppliers

The Group's five largest customers (in terms of AUM as of 31 December 2014) accounted for 19% of the Group's total fee income, and the Group's five largest suppliers accounted for 62% of the Group's distribution fee expenses for the year ended 31 December 2014.

The Group's largest customer (in terms of AUM as at the end of year) accounted for approximately 5% of the Group's total fee income whereas our largest supplier accounted for approximately 17% of total distribution fee expenses.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's top five largest customers or suppliers.

### Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in Note 18 to the consolidated financial statements.

### Post balance sheet event

There was no post balance sheet event for the year ended 31 December 2014.

### Auditor

The consolidated financial statements for the year ended 31 December 2014 have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for reappointment.

A resolution to re-appoint PricewaterhouseCoopers as auditor of the Company will be submitted at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Dato' CHEAH Cheng Hye**

*Chairman and Co-Chief Investment Officer*

Hong Kong, 12 March 2015

## Corporate governance report

The Board of Directors of the Company (the “Board” or “Directors”) strives to attain and maintain high standards of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of shareholders, clients and other stakeholders. In running a regulated business, the Group adopts sound corporate governance principles that emphasize a quality Board, effective internal control, stringent compliance practices and transparency and accountability to all stakeholders.

In the Directors’ opinion, the Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) throughout the year of 2014. The Company continued to maintain high standards of corporate governance and business ethics, and to ensure the full compliance of our operations with applicable laws and regulations.

### Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct in respect of transactions in securities of the Company by Directors. The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the Model Code by the Directors during the year. The blackout periods in respect of transactions in securities of the Company by Directors also apply to all staff of the Group.

### Board of Directors

The Board, with over one third of the Board members are Independent Non-executive Directors, is responsible for overseeing and directing the senior management of the Company. The major duties of the Board include:

- Formulating the vision of the Group;
- Reviewing and approving the interim and final results of the Group;
- Recommending any final dividend to the shareholders of the Group;
- Reviewing and approving, if considered fit, the business plans and financial budget of the Group;
- Reviewing the business and financial updates of the Group;
- Ensuring a high standard of corporate governance, compliance, internal control and risk management; and
- Overseeing the performance of the senior management.

All Directors have separate and independent access rights to the senior management about the conduct of the business and development of the Company. In order to facilitate the Directors in discharging their duties, a monthly management report incorporating financial statements, cost analysis, headcount information, assets under management breakdown and fee margin analysis has been circulated to the Directors. The management report of the preceding month would be released to the Directors by the end of each month.

The Board held four meetings in 2014 and the attendance record of each Director at the board meetings is set out below:

	<b>No. of board meetings attended/held</b>
<b>Executive Directors</b>	
Dato’ CHEAH Cheng Hye ( <i>Chairman</i> )	4/4
Ms. HUNG Yeuk Yan Renee	4/4
Mr. SO Chun Ki Louis	4/4
Mr. TSE Wai Ming, Timothy	4/4
<b>Independent Non-executive Directors</b>	
Dr. CHEN Shih-Ta Michael	4/4
Mr. LEE Siang Chin	4/4
Mr. Nobuo OYAMA	4/4

## Corporate governance report

The Group ensures that appropriate and sufficient information is provided to Directors in a timely manner to keep them abreast of the Group's latest developments thereby assisting them in the discharge of their duties.

The Chairman held a meeting with the Independent Non-executive Directors without the presence of Executive Directors in 2014. The Chief Executive Officer also had several private discussion sections with the Independent Non-executive Directors.

To the best knowledge of the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among the Board members. All the Directors had received training/briefing which covered topics in directors' duties and liabilities, continuing obligations of a listed company, corporate governance and compliance issues after their appointments. Ongoing updates of any applicable laws and regulations were provided by the Company to the Directors in a reasonable time frame.

According to the records provided by the Directors, a summary of training received by the Directors during 2014 is as follows:

### Type of continuous professional development programmes

#### Executive Directors

Dato' CHEAH Cheng Hye ( <i>Chairman</i> )	A, B
Ms. HUNG Yeuk Yan Renee	A, B
Mr. SO Chun Ki Louis	A, B
Mr. TSE Wai Ming, Timothy	A, B

#### Independent Non-executive Directors

Dr. CHEN Shih-Ta Michael	B
Mr. LEE Siang Chin	B
Mr. Nobuo OYAMA	B

Notes: A: Attending seminars and courses relating to regulations, updates and development on fund management business  
B: Reading materials relating to the new Companies Ordinance, updates on Listing Rules and also relating to business and industry

Each of the Executive Directors entered into a service contract with the Company for a term of three years and each of the Independent Non-executive Directors entered into a service contract with the Company for a term of one year. Under the Company's articles of association, one-third of the Directors, who have served longest on the Board, must retire, thus becoming eligible for re-election at each annual general meeting.

The Company has received the annual confirmation of independence from all the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considered them independent to the Group.

The Company has arranged appropriate director and officer liability and professional indemnity insurance coverage since 2007, which is reviewed on an annual basis, for liabilities arising out of corporate activities from being the Directors and senior management of the Group.

### Chairman and Chief Executive Officer

The Chairman of the Board, Dato' CHEAH Cheng Hye, chairs all the board meetings and general meetings. He is leading the overall business and investment strategies of the Group. Mr. TSE Wai Ming, Timothy, the Chief Executive Officer of the Company, is responsible for overall business development of the Group. He assumes a leadership role in devising corporate strategy, as well as managing the company's business operations and corporate affairs.

## Corporate governance report

### Board committees

The Board has established the following committees with specific responsibilities as described in the respective terms of reference available on the Company's and/or the Stock Exchange's website(s):

#### 1. Audit Committee

The Company established the Audit Committee on 24 October 2007 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee include providing an independent review of the effectiveness of the financial reporting process, certain corporate governance functions, as well as the system of internal controls and risk management which includes the corporate audit function. The Audit Committee also oversees the appointment, remuneration and terms of engagement of the Company's auditor, as well as their independence. The Audit Committee comprises Dr. CHEN Shih-Ta Michael, Mr. LEE Siang Chin and Mr. Nobuo OYAMA, all of which are Independent Non-executive Directors. The Audit Committee is chaired by Mr. LEE Siang Chin.

The Audit Committee held four meetings in 2014. The Chief Executive Officer, the Chief Operating Officer, the Chief Compliance Officer, the Head of Corporate Audit, the Head of Finance, the Company Secretary and representatives of the Auditor attended all/some of the meetings. The attendance record of each member at the Audit Committee meetings is set out below:

	<b>No. of Audit Committee meetings attended/held</b>
Mr. LEE Siang Chin ( <i>Chairman</i> )	4/4
Dr. CHEN Shih-Ta Michael	4/4
Mr. Nobuo OYAMA	4/4

In 2014, the Audit Committee reviewed, discussed and/or approved the issues related to:

- The Group's interim and annual results, preliminary announcements and reports and recommendations of their major opinions to the Board.
- The auditor's remuneration (including the non-audit services) and its terms of engagement.
- The treasury activities and liquidity of the Group.
- The 2015 audit plan.
- The reports prepared by risk management, compliance and corporate audit departments.
- The Group's adherence to the code provisions in the CG Code.
- The enterprise risk management of the Group.

In order to further enhance independent reporting, the members met in separate private sessions with each of the Auditor, the Chief Compliance Officer and the Head of Corporate Audit once a year without the presence of management.

#### 2. Remuneration Committee

The Company established the Remuneration Committee on 24 October 2007 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include determining the policy and structure for the remuneration of Executive Directors and senior management, reviewing incentive schemes and Directors' service contracts, and confirming the performance based remuneration packages for all Directors and senior management. The Remuneration Committee comprises Dato' CHEAH Cheng Hye, Mr. TSE Wai Ming, Timothy, Dr. CHEN Shih-Ta Michael, Mr. LEE Siang Chin and Mr. Nobuo OYAMA, three of which are Independent Non-executive Directors. The Remuneration Committee is chaired by Dr. CHEN Shih-Ta Michael.

## Corporate governance report

The Remuneration Committee held two meetings in 2014. The attendance record of each member at the Remuneration Committee meetings is set out below:

	<b>No. of Remuneration Committee meetings attended/held</b>
Dr. CHEN Shih-Ta Michael ( <i>Chairman</i> )	2/2
Dato' CHEAH Cheng Hye	2/2
Mr. LEE Siang Chin	2/2
Mr. Nobuo OYAMA	2/2
Mr. TSE Wai Ming, Timothy	2/2

In 2014, the Remuneration Committee reviewed, discussed and/or approved the issues related to:

- The remuneration level for Directors and senior management for the year 2015 which was based on individual performance with reference to an independent salary survey report.
- The bonus allocation to the Directors and senior management with reference to the Group's financial results and individual performance.
- The renewal of service contracts of Directors.

### 3. Nomination Committee

The Company established the Nomination Committee on 13 March 2012. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee comprises Dato' CHEAH Cheng Hye, Dr. CHEN Shih-Ta Michael, Mr. LEE Siang Chin, Mr. Nobuo OYAMA and Mr. TSE Wai Ming, Timothy, three of which are Independent Non-executive Directors. The Nomination Committee is chaired by Dato' CHEAH Cheng Hye.

The Nomination Committee held one meeting in 2014. The attendance record of each member at the Nomination Committee meeting is set out below:

	<b>No. of Nomination Committee meeting attended/held</b>
Dato' CHEAH Cheng Hye ( <i>Chairman</i> )	1/1
Dr. CHEN Shih-Ta Michael	1/1
Mr. LEE Siang Chin	1/1
Mr. Nobuo OYAMA	1/1
Mr. TSE Wai Ming, Timothy	1/1

In 2014, the Nomination Committee reviewed, discussed and/or approved the issues related to:

- Reviewing and recommending the structure, size and composition of the Board with reference to the board diversity policy.
- Assessment of the independence of Independent Non-executive Directors.
- Offering recommendation to the Board on relevant matters relating to the re-appointment of Directors in the forthcoming annual general meeting.

During 2014, no new Director has been selected or recommended for directorship.

## Corporate governance report

### 4. Risk Management Committee

The Company established the Risk Management Committee on 24 October 2007. The primary duties of the Risk Management Committee are to establish and maintain effective policies and guidelines to ensure proper management of risks to which the Group and its clients are exposed, and to take appropriate and timely action to manage such risks. The Risk Management Committee comprises Mr. TSE Wai Ming, Timothy, Mr. LAW Yuk Ming, Andy (our Chief Risk officer), Mr. MO Chun Wah, Jonathan (our Chief Operating Officer), Mr. SO Chun Ki Louis and Ms. Vivienne LEE. The Risk Management Committee is chaired by Mr. TSE Wai Ming, Timothy.

The Risk Management Committee held four meetings in 2014. In the meetings, the members reviewed, discussed and/or approved the issues related to:

- Monitoring of business risk, liquidity risk, market risk and counterparty risk.
- Enhancement of certain features in the in-house fund management system.
- The risk issues as mentioned in the internal control review reports.
- Regular review of enterprise risk management framework.

### 5. Valuation Committee

The Company established the Valuation Committee on 31 January 2008. The primary duties of the Valuation Committee include ensuring that the investment instruments of funds under the Group's management are appropriately valued by persons independent of those who manage the funds and, in particular that these values are fair to fund investors. The Valuation Committee comprises Mr. TSE Wai Ming, Timothy, Mr. MO Chun Wah, Jonathan and Ms. WONG Ngai Sze, Icy. The Valuation Committee is chaired by Ms. WONG Ngai Sze, Icy.

In the meetings which the Valuation Committee held during 2014, the members reviewed, discussed and/or approved the valuation of various securities and bonds invested by the Group.

## Internal control

It is the responsibility of the Board to ensure that the Group maintains sound and effective system of internal controls. The key procedures to provide effective internal controls are described as follows:

- The internal control system of the Group has an organizational structure with clear reporting lines and supervisory, as well as reporting responsibilities assigned to qualified and experienced persons.
- Business plans and budgets are prepared annually and subject to review and approval by the senior management team.
- Business decisions are governed under the established parameters of delegated authority.
- Key duties and functions are appropriately segregated.
- Detailed written compliance manual, policies and procedures are in place with which all staff are provided, and are required to review and follow.
- Staff who are licensed persons are required to attend continuous professional training.
- Core business activities are conducted through a custom designed system with sufficient audit trail maintained.
- The Group employs independent, reputable and credible custodian banks to safeguard clients' assets.
- All subscription/redemption monies are made payable directly to/from the custodian banks.
- Client identification and prevention of money laundering and terrorist financing procedures are conducted to verify the identity and source of funds.
- A business contingency plan is in place to provide continuation of critical business operations in the event of disaster, whether natural or man-made.

## Corporate governance report

The Head of Corporate Audit oversees internal audit matters. The roles and functions of the Corporate Audit Department include:

- Conducting audit reviews to assess level of adherence to company policies and procedures, as well as follow up on issues identified.
- Evaluating the adequacy, effectiveness and efficiency of internal controls and procedures, and providing recommendations to senior management.
- Reviewing procedure manuals.

Periodic reports on the internal control status of the Group's operations prepared by the Corporate Audit Department are submitted to the Audit Committee for review. The reports specify any internal issues that may have been identified, details on how the issues have been dealt with and recommendations on how the procedures can be improved.

The Board, through the Audit Committee, assesses on an annual basis the effectiveness of the Group's internal control system which covers all material controls, including financial, operational, compliance controls and risk management functions. The Board considered the internal control system was effective and adequate for the period under review.

### Auditor's remuneration

The remuneration of the audit services rendered by the auditor of the Company was mutually agreed in view of the scope of services to be provided. The audit fee for the year ended 31 December 2014 was approximately HK\$3.8 million. In addition, the auditor of the Company also provided tax services and other engagements to the Group in 2014 and the fees were approximately HK\$0.3 million and HK\$0.1 million, respectively.

### Preparation of Financial Statements

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for the year ended 31 December 2014 (the "Financial Statements") and the auditor of the Company also set out their reporting responsibilities on the Financial Statements in its auditor's report of this annual report.

### Communication with Shareholders

The Company has adopted a shareholders communication policy in 2013 to ensure that Shareholders, and in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

#### 1. Information disclosure

The Company endeavours to disclose all material information about the Group to all interested parties as timely as possible. The Company maintains a website at [www.valuepartners.com.hk](http://www.valuepartners.com.hk) to keep shareholders and investors posted of the latest business developments, interim and annual results announcements, financial reports, public announcements, corporate governance practices and other relevant information of the Group.

Since 2008, the Company has voluntarily commenced releasing the information of the unaudited assets under management of the Company and its subsidiaries on a monthly basis to further increase the transparency of the Company. Starting from 2013, we also disclosed the fund flow information of the funds managed by the Group on a quarterly basis.

To ensure our investors and shareholders have a better understanding of the Company, our Chief Executive Officer and Finance Director communicate with research analysts, investors and shareholders in an on-going manner. In addition, they attend major investors' conferences and participate in international non-deal roadshows to explain the Company's financial performance and business strategy. The Company actively distributes information on the annual and interim results, an archive of the webcast is on the Company's website so that the results presentation is easily and readily accessible to investors and shareholders all over the world.

## Corporate governance report

### 2. General meetings with shareholders

The Company regards the annual general meeting (“AGM”) an important event as it provides a platform for the Board to communicate with the shareholders. The notice of AGM is sent to the shareholders at least 20 clear business days prior to the date of AGM. The Chairman himself takes the chair in the AGM to ensure shareholders’ views and questions are well communicated and answered by the Board. Separate resolutions are proposed on each substantially separate issue at the general meetings.

The attendance record of each Director at the annual general meeting for the year 2014 is set out below:

	<b>No. of general meetings attended/held</b>
<b>Executive Directors</b>	
Dato’ CHEAH Cheng Hye ( <i>Chairman</i> )	1/1
Ms. HUNG Yeuk Yan Renee	1/1
Mr. SO Chun Ki Louis	1/1
Mr. TSE Wai Ming, Timothy	1/1
<b>Independent Non-executive Directors</b>	
Dr. CHEN Shih-Ta Michael	1/1
Mr. LEE Siang Chin	1/1
Mr. Nobuo OYAMA	1/1

We had around 100 shareholders or their representatives participated in our annual general meeting for the year 2014 and all the resolutions proposed were passed by poll voting in the meeting. Representatives of the auditor also attended this AGM to present the auditor’s report to the shareholders. Poll results are made publicly available on the same day of the meeting, typically in the space of a few hours, to ensure the timely disclosure of information.

### 3. Shareholders’ rights

The Finance Department of the Company responds to emails, letters and telephone enquiries from the public, shareholders and investors. Any enquiry on matters related to the Company and to be addressed to the Board may be put in writing and sent to the principal office of the Company in Hong Kong or through an email to [vpg@vp.com.hk](mailto:vpg@vp.com.hk).

Pursuant to the articles of association of the Company, the Board may call an extraordinary general meeting whenever it thinks fit. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at general meeting. Proposal shall be sent to the Board or the Secretary of the Company by written requisition. Pursuant to the articles of association of the Company, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in above paragraph.

The memorandum and articles of association of the Company (no change since 2007) is available on the Company’s website.



# Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VALUE PARTNERS GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Value Partners Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 48 to 106, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 the directors, as well as evaluating the overall presentation of the consolidated 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 give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 12 March 2015

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Income</b>			
Fee income and other revenue	6	1,599,445	1,027,581
Distribution and advisory fee expenses	7	(370,439)	(252,583)
<b>Net fee income</b>		<b>1,229,006</b>	774,998
Other income	8	30,047	45,205
<b>Total net income</b>		<b>1,259,053</b>	820,203
<b>Expenses</b>			
Compensation and benefit expenses	9	(402,514)	(267,725)
Operating lease rentals		(21,370)	(13,466)
Other expenses	10	(85,568)	(70,850)
<b>Total expenses</b>		<b>(509,452)</b>	(352,041)
<b>Operating profit (before other gains/losses)</b>		<b>749,601</b>	468,162
Net gains on investments		148,490	4,138
Net gains on investments held-for-sale	22	57,681	5,783
Impairment loss on goodwill and license	19.1	(26,300)	–
Impairment loss on investment in an associate	20	(10,100)	–
Changes in fair value of investment properties		–	(18,528)
Others		(9,350)	(1,060)
<b>Other gains/(losses) – net</b>	11	<b>160,421</b>	(9,667)
<b>Operating profit (after other gains/losses)</b>		<b>910,022</b>	458,495
Share of gain of an associate	20	20,626	1,181
<b>Profit before tax</b>		<b>930,648</b>	459,676
Tax expense	12	(129,247)	(78,430)
<b>Profit for the year</b>		<b>801,401</b>	381,246
<b>Other comprehensive (loss)/income for the year</b>			
– Items that may be subsequently reclassified to profit or loss			
Fair value gains/(losses) on available-for-sale financial assets		4,396	(5,000)
Foreign exchange translation		(12,260)	7,404
<b>Other comprehensive (loss)/income for the year</b>	13	<b>(7,864)</b>	2,404
<b>Total comprehensive income for the year</b>		<b>793,537</b>	383,650
<b>Profit attributable to</b>			
Equity holders of the Company		804,179	384,324
Non-controlling interests		(2,778)	(3,078)
		<b>801,401</b>	381,246
<b>Total comprehensive income for the year attributable to</b>			
Equity holders of the Company		798,510	386,813
Non-controlling interests		(4,973)	(3,163)
		<b>793,537</b>	383,650
<b>Earnings per share for profit attributable to equity holders of the Company (HK cents per share)</b>			
– basic	15.1	45.4	21.9
– diluted	15.2	45.3	21.8
<b>Dividends (HK\$'000)</b>	16	<b>404,066</b>	187,807

The notes on pages 53 to 106 are an integral part of these consolidated financial statements.

## Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	18	13,753	4,332
Intangible assets	19	32,406	55,614
Investment in an associate	20	102,651	92,125
Deferred tax assets	29	3,797	554
Investments	21	889,616	898,026
Other assets	25	8,703	9,044
Loan portfolio, net	26	141,031	98,837
		<b>1,191,957</b>	1,158,532
<b>Current assets</b>			
Investments	21	178,931	441,558
Investments held-for-sale	22	29,528	226,782
Fees receivable	23	693,600	386,398
Loan portfolio, net	26	171,093	132,882
Amounts receivable on sale of investments		254,935	13,437
Prepayments and other receivables		41,423	28,730
Time deposits		250,169	–
Cash and cash equivalents	24	1,551,001	692,116
		<b>3,170,680</b>	1,921,903
<b>Current liabilities</b>			
Accrued bonus		235,506	125,060
Distribution fee expenses payable	30	77,016	54,802
Other payables and accrued expenses		36,107	18,913
Short-term loan	31	62,420	–
Current tax liabilities		64,822	52,995
		<b>475,871</b>	251,770
<b>Net current assets</b>		<b>2,694,809</b>	1,670,133
<b>Total assets less current liabilities</b>		<b>3,886,766</b>	2,828,665
<b>Non-current liabilities</b>			
Accrued bonus		561	–
<b>Net assets</b>		<b>3,886,205</b>	2,828,665
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Issued equity	27	1,336,979	889,213
Other reserves	28	191,186	192,811
Retained earnings			
– proposed dividends	16	404,066	187,807
– others		1,877,357	1,477,244
		<b>3,809,588</b>	2,747,075
<b>Non-controlling interests</b>		<b>76,617</b>	81,590
<b>Total equity</b>		<b>3,886,205</b>	2,828,665

On behalf of the Board

**SO Chun Ki Louis**  
Director

**TSE Wai Ming, Timothy**  
Director

The notes on pages 53 to 106 are an integral part of these consolidated financial statements.

## Balance Sheet

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Investment in subsidiaries	17	1,377,918	1,399,801
Amounts due from subsidiaries	36.5	410,059	205,123
		<b>1,787,977</b>	1,604,924
<b>Current assets</b>			
Dividends receivable	36.6	220,000	260,000
Prepayments and other receivables		461	363
Cash and cash equivalents	24	418,436	104,809
		<b>638,897</b>	365,172
<b>Current liabilities</b>			
Other payables and accrued expenses		697	1,278
Current tax liabilities		5	4,112
		<b>702</b>	5,390
<b>Net current assets</b>		<b>638,195</b>	359,782
<b>Total assets less current liabilities</b>		<b>2,426,172</b>	1,964,706
<b>Non-current liabilities</b>			
Amounts due to a subsidiary	36.5	37,474	36,253
<b>Net assets</b>		<b>2,388,698</b>	1,928,453
<b>Equity</b>			
Issued equity	27	2,203,793	1,756,027
Other reserves	28	168,833	164,789
Retained earnings	28	16,072	7,637
<b>Total equity</b>		<b>2,388,698</b>	1,928,453

On behalf of the Board

**SO Chun Ki Louis**  
Director

**TSE Wai Ming, Timothy**  
Director

The notes on pages 53 to 106 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Issued equity	Other reserves	Retained earnings	Total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 1 January 2013</b>		889,213	181,653	1,561,559	2,632,425	84,753	2,717,178
Profit for the year		-	-	384,324	384,324	(3,078)	381,246
<b>Other comprehensive income/(loss)</b>							
Fair value losses on available-for-sale financial assets	28	-	(5,000)	-	(5,000)	-	(5,000)
Foreign exchange translation	28	-	7,489	-	7,489	(85)	7,404
<b>Total comprehensive income/(loss)</b>		-	2,489	384,324	386,813	(3,163)	383,650
<b>Regulatory reserve</b>	28	-	455	-	455	-	455
<b>Transactions with owners</b>							
Share-based compensation	27,28	-	8,214	-	8,214	-	8,214
Dividends to equity holders of the Company		-	-	(280,832)	(280,832)	-	(280,832)
<b>Total transactions with owners</b>		-	8,214	(280,832)	(272,618)	-	(272,618)
<b>As at 31 December 2013</b>		889,213	192,811	1,665,051	2,747,075	81,590	2,828,665
<b>As at 1 January 2014</b>		<b>889,213</b>	<b>192,811</b>	<b>1,665,051</b>	<b>2,747,075</b>	<b>81,590</b>	<b>2,828,665</b>
Profit for the year		-	-	804,179	804,179	(2,778)	801,401
<b>Other comprehensive income/(loss)</b>							
Fair value gains on available-for-sale financial assets	28	-	4,396	-	4,396	-	4,396
Foreign exchange translation	28	-	(10,065)	-	(10,065)	(2,195)	(12,260)
<b>Total comprehensive income/(loss)</b>		-	(5,669)	804,179	798,510	(4,973)	793,537
<b>Transactions with owners</b>							
Exercise of share options	27	447,766	-	-	447,766	-	447,766
Share-based compensation	27,28	-	4,044	-	4,044	-	4,044
Dividends to equity holders of the Company		-	-	(187,807)	(187,807)	-	(187,807)
<b>Total transactions with owners</b>		<b>447,766</b>	<b>4,044</b>	<b>(187,807)</b>	<b>264,003</b>	<b>-</b>	<b>264,003</b>
<b>As at 31 December 2014</b>		<b>1,336,979</b>	<b>191,186</b>	<b>2,281,423</b>	<b>3,809,588</b>	<b>76,617</b>	<b>3,886,205</b>

The notes on pages 53 to 106 are an integral part of these consolidated financial statements.

## Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	33	187,621	76,098
Interest received		9,945	19,534
Interest received from loan portfolio		52,530	16,668
Tax paid		(120,664)	(40,943)
<b>Net cash generated from operating activities</b>		<b>129,432</b>	<b>71,357</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(19,162)	(3,708)
Disposal of subsidiaries	17.1	–	83,472
Purchase of investments		(142,732)	(1,047,339)
Disposal of investments		583,097	942,345
Closing of derivative financial instruments		(1,615)	–
Dividends received from investments		13,258	8,225
Interest received from debt securities		3,775	25,084
<b>Net cash generated from investing activities</b>		<b>436,621</b>	<b>8,079</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(187,807)	(280,832)
Proceeds from shares issued upon exercise of share options		447,766	–
Proceeds from borrowings		62,420	–
<b>Net cash generated from/(used in) financing activities</b>		<b>322,379</b>	<b>(280,832)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>888,432</b>	<b>(201,396)</b>
Net foreign exchange (losses)/gains on cash and cash equivalents		(29,547)	5,422
Cash and cash equivalents at beginning of the year		692,116	888,090
<b>Cash and cash equivalents at end of the year</b>		<b>1,551,001</b>	<b>692,116</b>

The notes on pages 53 to 106 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 1 General information

Value Partners Group Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office and its principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 9th Floor, Nexus Building, 41 Connaught Road Central, Hong Kong, respectively.

The Company acts as an investment holding company. The activities of its principal subsidiaries are disclosed in Note 17 below. The Company and its subsidiaries (together, the “Group”) principally provides investment management services to investment funds and managed accounts. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 12 March 2015.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 below.

### New standards adopted by the Group

- Amendments to HKAS 32 “Financial instruments: Presentation” on offsetting financial assets and liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group’s financial statements.
- Amendments to HKAS 36 “Impairment of assets” on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units (“CGUs”) which had been included in HKAS 36 by the issuance of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

New standards, amendments and interpretations issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted

- HKFRS 9 “Financial instruments” addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9’s full impact.
- HKFRS 15 “Revenue from contracts with customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 “Revenue” and HKAS 11 “Construction contracts” and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is yet to assess the impact of HKFRS 15.

There are no other HKFRS or HK(IFRIC) Interpretations that are not yet effective that would be expected to have a material impact on the Group.

#### 2.2 Subsidiaries

##### (a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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.

De-facto control of an entity may arise from circumstances where the Group does not have more than 50% of the voting power but it has the practical ability to direct the relevant activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.2 Subsidiaries (continued)

##### (a) Consolidation (continued)

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

##### Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized in the consolidated statement of comprehensive income.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the fair value of non-controlling interest and the acquisition-date fair value of any previous equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of comprehensive income.

##### Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.2 Subsidiaries (continued)

##### (a) Consolidation (continued)

###### *Structured entities*

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities and a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity. Consequently, investment funds are considered as “structured entities”.

##### (b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

#### 2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition. The Group’s investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group’s share of post-acquisition profit or loss is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to share of profit/(loss) of an associate in the consolidated statement of comprehensive income.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.3 Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has invested in certain investment funds that it manages or advises. As an investment manager or investment advisor, the Group may put seed capital in investment funds that it manages or advises in order to facilitate their launch. The purpose of seed capital is to ensure that the investment funds can have a reasonable starting fund size to operate and to build track record. The Group may subsequently vary the holding of these seed capital investments depending on the market conditions and various other factors. The Group has applied the measurement exemption within HKAS 28 "Investments in Associates and Joint Ventures" for mutual funds, unit trusts and similar entities and such investments are classified as financial assets at fair value through profit or loss.

#### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

#### 2.5 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gains or losses. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in other comprehensive income.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.5 Foreign currency translation (continued)

##### (c) Translation from functional currency to presentation currency

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

##### (d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint arrangement that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to the consolidated statement of comprehensive income.

#### 2.6 Property, plant and equipment

Property, plant and equipment, comprising leasehold improvements, furniture and fixtures, office equipment and vehicles, are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, as follows:

Leasehold improvements	Over the lease terms
Furniture and fixtures	Five years
Office equipment	Three years
Vehicles	Three years

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.6 Property, plant and equipment (continued)

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognized in the consolidated statement of comprehensive income.

#### 2.7 Intangible assets

##### (a) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

##### (b) License

License acquired in a business combination is recognized at fair value at the acquisition date. The license is considered to have an infinite useful life as it has no specified termination date and is carried at cost less accumulated impairment losses.

##### (c) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (five years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.8 Impairment

##### (a) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

##### (b) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics which are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.8 Impairment (continued)

##### (b) Impairment of financial assets (continued)

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period which are indicative of changes in the probability of losses in the group and their magnitude. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectable, it is written off against the related allowance for loan impairment at the discretion of the management. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of comprehensive income.

#### 2.9 Non-current assets held-for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The Group acts as an investment manager to a number of investment funds, and has provided seed capital for the set up of these funds. Certain interests in such investment funds are controlled by the Group and are classified as held-for-sale as the Group intends to market these funds and dilute its holdings as soon as practically possible to a level where its aggregate economic interest does not constitute a control.

#### 2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those being designated in accordance with the measurement exemption within HKAS 28. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading.

Held for trading financial assets are included in current assets. Financial assets at fair value through profit or loss being designated in accordance with the measurement exemption within HKAS 28 are included in non-current assets unless management intends to dispose of the financial assets within 12 months of the end of the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.10 Financial assets (continued)

##### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables comprise mainly loan portfolio, fees receivable, other receivables, cash and cash equivalents.

##### (c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the financial assets. They are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the consolidated statement of comprehensive income in the period in which they arise. Changes in the fair value of securities classified as available-for-sale financial assets are recognized in other comprehensive income.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive income as gains and losses from available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.10 Financial assets (continued)

The fair value of quoted financial assets is based on last traded market prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using external valuations or valuation techniques. These include the use of prices provided by fund administrators and valuations performed by external valuation specialists, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated statement of comprehensive income. Impairment losses recognized in the consolidated statement of comprehensive income on equity securities classified as available-for-sale financial assets are not reversed through the consolidated statement of comprehensive income.

Transfers between levels of the fair value measurement hierarchy are recognized as of the date of the event or change in circumstances that caused the transfer.

#### 2.11 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The derivative financial instruments are designated as non-hedging instruments and are classified as current assets or liabilities. Changes in the fair value of any non-hedging derivative financial instruments are recognized immediately in the consolidated statement of comprehensive income.

#### 2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### 2.13 Fees receivable

Fees receivable are initially recognized at fair value of the fee income receivable and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. A provision for impairment of fees receivable is established when there is objective evidence that the Group will not be able to collect all amounts due.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks and brokers with original maturities of three months or less.

#### 2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds. Costs directly attributable to the repurchase of issued ordinary shares are shown in equity as a deduction and the nominal value of the shares repurchased is transferred from retained earnings to the capital redemption reserve.

#### 2.16 Current and deferred tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the reporting date in the jurisdictions where the Group and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Deferred tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

#### 2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan in the consolidated statement of comprehensive income.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.18 Income recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the provision of services have been resolved. Revenue is recognized as follows:

##### (a) Fees from investment management activities

Management fees are recognized on a time-proportion basis with reference to the net asset value of the investment funds and managed accounts.

Performance fees are recognized on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

##### (b) Fees from fund distribution activities

Front-end fees are recognized on a straight-line basis over the estimated holding periods of the investors in the investment funds. Any unrecognized amounts are treated as deferred income. Back-end fees are recognized upon redemption by the investors in the investment funds.

##### (c) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

##### (d) Dividend income

Dividend income is recognized when the right to receive payment is established.

#### 2.19 Fee expenses

Fee expenses comprise:

##### (a) Distribution fee expenses

Distribution fee expenses represent rebates of management fee, performance fee and front-end fee income by the Group to the distributors for selling its products. Distribution fee expenses are recognized when the corresponding management fees, performance fees and front-end fees are earned by the Group and the Group is obliged to pay the rebates.

##### (b) Advisory fee expenses

Advisory fee expenses comprise fees paid and payable to the advisors for the provision of advisory services in relation to fund investment policies and strategies. Advisory fee expenses are recognized when the advisory services are received by the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.20 Compensation and benefits

##### (a) Bonus

The Group recognizes a liability and an expense for bonus on a basis that takes into consideration the profit attributable to equity holders of the Company and various other factors. The bonus is paid in cash to employees and directors. The Group recognizes a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

##### (b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the share options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of share options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity. In the same financial period, the Company makes a recharge to the subsidiaries in respect of share options granted to the subsidiaries' employees.

##### (c) Pension obligations

The Group participates in various pension schemes which are defined contribution plans generally funded through payments to trustee-administered funds. The Group pays contributions to the pension schemes on a mandatory basis. The Group has no legal or constructive obligations to pay further contributions if the pension schemes do not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The contributions are recognized as compensation and benefit expenses when they are due.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 2 Summary of significant accounting policies (continued)

#### 2.20 Compensation and benefits (continued)

##### (d) Other employee benefits

Short-term employee benefit costs are charged in the period to which the employee services relate. Employee entitlements to annual leave and long-service leave are recognized when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the reporting date.

#### 2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### 2.22 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

#### 2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

#### 2.24 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognized but is disclosed in the notes to the consolidated financial statements, where necessary, when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

### 3 Financial risk management

#### 3.1 Financial risk factors

The Group's activities in relation to financial instruments expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall financial risk management programme focuses on the analysis, evaluation and management of financial risks and seeks to minimize potential adverse effects on the Group's financial performance.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising primarily from fees receivable denominated in United States dollar, loan portfolio denominated in Renminbi and bank deposits denominated in Australian dollar, Renminbi, United States dollar and Taiwan dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations which are denominated in a currency that is not the entity's functional currency. Foreign currency exposures are covered by forward contracts and options whenever appropriate.

Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar (which is the functional currency of most of the Group's subsidiaries) is currently pegged to the United States dollar within a narrow range, the directors therefore consider that there are no significant foreign exchange risk with respect to the United States dollar.

The following table shows the approximate changes in the Group's post-tax profit for the year and equity in response to reasonable possible change in the foreign exchange rates to which the Group has significant exposure as at 31 December, with all other variables held constant.

The Group	Change		Impact on post-tax profit		Impact on other components of equity	
	2014	2013	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Australian dollar	+/-5%	–	+/-3,099	–	–	–
Renminbi	+/-5%	+/-5%	+/-25,123	+/-16,120	+/-22,732	+/-19,310
Taiwan dollar	+/-5%	+/-5%	+/-1,348	+/-1,349	+/-3,557	+/-4,315

Refer to Notes 21, 23, 24 and 30 below for additional disclosures on foreign exchange exposure.

The Company does not have significant exposure to foreign exchange risk.

##### (b) Interest rate risk

The Group's expenses and financing cash flows are substantially independent of changes in market interest rates as the Group has no interest bearing liabilities.

The Group is exposed to cash flow interest rate risk in respect of bank deposits which are interest-bearing at variable rates. All deposits are short-term deposits with maturities less than one year. The Group is also exposed to fair value interest rate risk in respect of its investments in debt securities and short-term loan.

##### *Cash flow interest rate risk*

As at 31 December 2014, if interest rates had been 50 basis points (2013: 50 basis points) (these represent a reasonable possible shift in the interest rates, having regard to the historical volatility of the interest rates) higher or lower with all other variables held constant, post-tax profit and equity for the year would have been HK\$652,000 higher or HK\$652,000 lower respectively (2013: HK\$502,000 higher or HK\$502,000 lower). The sensitivity analysis for the year ended 31 December 2014 and 2013 was primarily arising from the increase/decrease in interest income on cash and cash equivalents.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**3 Financial risk management (continued)****3.1 Financial risk factors (continued)****(b) Interest rate risk (continued)***Fair value interest rate risk*

As at 31 December 2013, if interest rates had been 50 basis points (these represent a reasonable possible shift in the interest rates, having regard to the historical volatility of the interest rates) higher or lower with all other variables held constant, equity for the year would have been HK\$2,397,000 lower or HK\$2,491,000 higher respectively. The sensitivity analysis for the year ended 31 December 2013 was primarily arising from the decrease/increase in the fair value of investments in debt securities (included in available-for-sale financial assets). The Group considered that the interest rate risk in relation to short-term loan is insignificant and there were no investments in debt securities as at 31 December 2014. Therefore, no sensitivity analysis has been performed.

**(c) Price risk**

The Group is exposed to equity securities price risk in respect of investments held by the Group, which comprises investments in certain investment funds that it manages as seed capital and other investments in listed and unlisted equity securities and investment funds. The Group's investments in debt securities are subject to interest rate risk. Refer to Note 3.1(b) above.

The table below summarizes the impact of increases or decreases in the markets in which the Group's investments operate. For the purpose of measuring sensitivity of the Group's investments against markets, the Group uses the correlation between the price movements of the MSCI China Index and the Group's investments (other than debt securities) because the Group's investments mainly focus on the Greater China equities market and the directors consider that the MSCI China Index is a well-known index representing the universe of opportunities for investments in the Greater China equities market available to non-domestic investors.

The analysis is based on the assumption that the index had increased or decreased by the stated percentages (these represent a reasonable possible shift in the index, having regard to the historical volatility of the index) with all other variables held constant and the Group's investments moved according to the historical correlation with the index.

The Group	Change		Post-tax profit	
	2014	2013	2014 HK\$'000	2013 HK\$'000
MSCI China Index	<b>+/-10%</b>	+/-10%	<b>+/-62,442</b>	+/-80,716

Post-tax profit for the year would increase or decrease as a result of gains or losses on investments classified as financial assets at fair value through profit or loss and investments held-for-sale.

Refer to Note 21 below for additional disclosures on price risk.

In addition to securities price risk in respect of investments held by the Group, the Group is exposed to price risk indirectly in respect of management fee and performance fee income which are determined with reference to the net asset value and performance of the investment funds and managed accounts respectively.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (d) Credit risk

Credit risk arises from cash and cash equivalents, time deposits, loan portfolio, restricted bank balances, related interest receivable placed with banks and financial institutions and investments in debt securities and amounts receivable on sale of investments. Credit risk also arises from credit exposures with respect to the investment funds and managed accounts on the outstanding fees receivable. The Group earns fees from investment management activities and fund distribution activities from the investment funds and managed accounts.

Credit risk is managed on a group basis and the credit quality of the counterparty is assessed, taking into account its financial position, past experience and other factors.

##### *Cash*

The table below summarizes the credit quality (as illustrated by credit rating) of cash and cash equivalents, time deposits, restricted bank balances and related interest receivable placed with banks.

	2014 HK\$'000	2013 HK\$'000
<b>The Group</b>		
A+	148,596	105,640
A	1,124,325	251,782
A-	21,815	33,646
BBB+	159,592	140,118
BBB	16,372	21,209
BBB-	339,267	142,123
Unrated	1,310	5,209
	<b>1,811,277</b>	<b>699,727</b>
<b>The Company</b>		
A+	2,157	6,899
A	407,301	4,026
BBB+	9,167	93,976
	<b>418,625</b>	<b>104,901</b>

The reference independent credit rating used is Standard & Poor's, Fitch Ratings or Moody's long-term local issuer credit rating. The directors do not expect any losses from non-performance by these counterparties.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**3 Financial risk management (continued)****3.1 Financial risk factors (continued)****(d) Credit risk (continued)**Loan portfolio

Maximum exposures to credit risk before taking into account any collateral held or other credit enhancements are HK\$321,992,000 (2013: HK\$233,356,000).

Credit quality of the loan portfolio can be assessed by reference to historical information about counterparty default rates. The credit quality is analysed as follows.

<b>The Group</b>	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Neither past due nor impaired	<b>279,150</b>	228,601
Past due but not impaired		
1 – 90 days	<b>16,325</b>	4,697
91 days – 1 year	<b>165</b>	58
Past due and impaired	<b>26,352</b>	–
Gross loan portfolio	<b>321,992</b>	233,356
Allowance for loan impairment	<b>(9,868)</b>	(1,637)
	<b>312,124</b>	231,719

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties.

As at 31 December 2014, the principal collateral types consist of land and property of HK\$227,373,000 (2013: HK\$119,740,000). The fair value of collaterals is determined as the lower of the market value of collateral and outstanding loan.

Fees receivable

As at 31 December 2014, fees receivable from the five major investment funds and managed accounts amounted to HK\$577,327,000 (2013: HK\$336,238,000), which accounted for 83% (2013: 87%) of the total outstanding balance. Refer to Note 23 below for additional disclosures on credit risk.

Investments

The credit quality of the investments in debt securities is disclosed in Note 21 below.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (e) Liquidity risk

The Group manages liquidity risk by maintaining a sufficient amount of liquid assets to ensure daily operational requirements are fulfilled. As at 31 December 2014, the Group and the Company held liquid assets of HK\$1,551,001,000 (2013: HK\$692,116,000) and HK\$418,436,000 (2013: HK\$104,809,000) respectively, being cash and cash equivalents, that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's and the Company's financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cashflow.

The Group	2014				2013			
	No stated maturity HK\$'000	Less than 1 year HK\$'000	Between 1 and 5 years HK\$'000	Over 5 years HK\$'000	No stated maturity HK\$'000	Less than 1 year HK\$'000	Between 1 and 5 years HK\$'000	Over 5 years HK\$'000
<b>Assets</b>								
Investments								
Non-derivative financial instruments	1,068,547	-	-	-	1,057,720	-	53,793	31,387
Derivative financial instruments	-	-	-	-	-	131,398	65,286	-
Investments held-for-sale	-	29,528	-	-	-	226,782	-	-
Fees receivable	-	693,600	-	-	-	386,398	-	-
Loan portfolio, gross	-	202,625	170,585	-	-	161,193	118,865	-
Amounts receivable on sale of investments	-	254,935	-	-	-	13,437	-	-
Other receivables	-	25,177	-	-	-	17,573	-	-
Time deposits	-	250,169	-	-	-	-	-	-
Cash and cash equivalents	350,284	1,200,717	-	-	160,222	531,894	-	-
	<b>1,418,831</b>	<b>2,656,751</b>	<b>170,585</b>	<b>-</b>	<b>1,217,942</b>	<b>1,468,675</b>	<b>237,944</b>	<b>31,387</b>
<b>Liabilities</b>								
Accrued bonus	-	(235,506)	(561)	-	-	(125,060)	-	-
Distribution fee expenses payable	-	(77,016)	-	-	-	(54,802)	-	-
Other payables and accrued expenses	(1,371)	(34,736)	-	-	(1,103)	(17,810)	-	-
Short-term loan	-	(62,420)	-	-	-	-	-	-
	<b>1,417,460</b>	<b>2,247,073</b>	<b>170,024</b>	<b>-</b>	<b>1,216,839</b>	<b>1,271,003</b>	<b>237,944</b>	<b>31,387</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**3 Financial risk management (continued)****3.1 Financial risk factors (continued)****(e) Liquidity risk (continued)**

The Company	2014		2013	
	No stated maturity HK\$'000	Less than 3 months HK\$'000	No stated maturity HK\$'000	Less than 3 months HK\$'000
<b>Assets</b>				
Amounts due from subsidiaries	410,059	–	205,123	–
Dividends receivable	–	220,000	–	260,000
Other receivables	–	190	–	92
Cash and cash equivalents	11,329	407,107	6,901	97,908
	<b>421,388</b>	<b>627,297</b>	212,024	358,000
<b>Liabilities</b>				
Other payables and accrued expenses	–	(697)	–	(1,278)
Amounts due to a subsidiary	(37,474)	–	(36,253)	–
	<b>383,914</b>	<b>626,600</b>	175,771	356,722

**3.2 Capital risk management**

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce liabilities. The Group monitors capital on the basis of total equity as shown in the consolidated balance sheet. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

As at 31 December 2014, Sensible Asset Management Hong Kong Limited, Sensible Asset Management Limited, Value Partners Hong Kong Limited, Value Partners Limited and Value Partners Private Equity Limited, wholly-owned subsidiaries of the Group, are licensed to carry out regulated activities under the Hong Kong Securities and Futures Ordinance as follows:

Sensible Asset Management Hong Kong Limited <sup>(a)</sup>	Types 4 and 9
Sensible Asset Management Limited <sup>(a)</sup>	Types 4 and 9
Value Partners Hong Kong Limited	Types 1, 4, 5 and 9
Value Partners Limited	Types 1, 4, 5 and 9
Value Partners Private Equity Limited <sup>(a)</sup>	Types 4 and 9

(a) The regulated entities are subject to specified licensing conditions.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 3 Financial risk management (continued)

#### 3.2 Capital risk management (continued)

The types of regulated activities are as follows:

Type 1	Dealing in securities
Type 4	Advising on securities
Type 5	Advising on futures contracts
Type 9	Asset management

As a result, they are subject to capital requirements on the paid-up capital and liquid capital and file financial returns with the Securities and Futures Commission as follows:

Sensible Asset Management Hong Kong Limited	Half-yearly
Sensible Asset Management Limited	Half-yearly
Value Partners Hong Kong Limited	Monthly
Value Partners Limited	Monthly
Value Partners Private Equity Limited	Half-yearly

In addition, Value Partners Concord Asset Management Co., Ltd. is subject to a minimum capital requirement on the paid-up capital for its asset management business in Taiwan.

#### 3.3 Fair value estimation

The following table presents the Group's financial instruments that are measured at fair value at the end of the reporting period by level of the fair value measurement hierarchy.

	Level 1		Level 2		Level 3		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Investments (Note 21)								
Listed securities	<b>344,182</b>	515,493	-	-	-	-	<b>344,182</b>	515,493
Unlisted securities								
Investment funds – Cayman Islands	-	-	<b>546,986</b>	486,794	<b>3,326</b>	52	<b>550,312</b>	486,846
Others	-	-	<b>174,053</b>	140,561	-	-	<b>174,053</b>	140,561
Derivative financial instruments	-	-	-	196,684	-	-	-	196,684
Investments held-for-sale (Note 22)	-	-	<b>29,528</b>	226,782	-	-	<b>29,528</b>	226,782

The fair value of financial instruments traded in active markets is based on quoted market prices for identical instruments at the reporting date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, either directly (as prices) or indirectly (derived from prices), the instrument is included in level 2. These instruments include the Group's investments in investment funds and debt securities.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**3 Financial risk management (continued)****3.3 Fair value estimation (continued)**

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted bid prices (or net asset value) provided by fund administrators for unlisted investment funds. These investment funds invest substantially in listed equities.
- Derivative financial instruments are measured by reference to the fair value of underlying assets at which the issuers have agreed to buy back from holders.
- Other techniques, such as valuations performed by external valuation specialists, recent arm's length transactions or reference to other instruments that are substantially the same, for the remaining financial instruments.

The following table presents the movement of level 3 instruments.

	Investments	
	2014 HK\$'000	2013 HK\$'000
<b>As at 1 January</b>	52	52
Addition to level 3	3,100	–
Losses recognized in profit or loss	(265)	–
Gains recognized in other comprehensive income	439	–
<b>As at 31 December</b>	<b>3,326</b>	52
Total gains for the year included in the consolidated statement of comprehensive income for level 3 instruments for the year	174	–
Change in unrealized gains or losses for level 3 instruments held at year end and included in net gains on investments	174	–

The level 3 instruments include the investment funds managed by the Group and external party. Such investment funds are stated with reference to the net asset value provided by the respective administrators of the investment funds. If the net asset value of the investment funds is not available or the Group considers that such net asset value is not reflective of fair value, the Group may exercise its judgement and discretion to determine the fair value of the investment funds. There were no changes in valuation techniques during the period.

As at 31 December 2014 and 2013, the majority of the Group's investments are included in levels 1 and 2. There were no transfers between levels of the fair value measurement hierarchy for the year ended 31 December 2014 (2013: Nil).

The maturities of fees receivable, amounts receivable on sale of investments, other receivables, restricted bank balances, cash and cash equivalents and financial liabilities are within one year, and the carrying value approximates their fair value.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 4 Critical accounting estimates and judgements

#### (a) Fair value estimation of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using external valuations or valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The resulting accounting estimates may not be equal to the related actual results.

#### (b) Fair value estimation of share options

The Group determines the fair value of its share options using the Black-Scholes valuation model which requires input of subjective assumptions as disclosed in Note 27 below. Any change in the subjective input assumptions may materially affect the fair value of an option.

#### (c) Estimated impairment of goodwill and other intangible assets

The Group tests annually whether goodwill and other intangible assets have suffered any impairment in accordance with accounting policies stated in Note 2.8(a) above. The recoverable amounts of CGUs have been determined based on value-in-use calculations or their fair value less costs of disposal, whichever is appropriate, and both bases require the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to Note 19.1 below.

#### (d) Impairment allowances on loan portfolio

The Group reviews its loan portfolio to assess impairment regularly. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### (e) Investment funds managed by the Group

The Group acts as an investment manager to a number of investment funds and has provided seed capital for the set up of these funds. When determining whether the Group controls these funds, usually the level of aggregate economic interests of the Group in these funds and the level of investors' rights to remove the investment manager are considered.

The Group determines that it has no control over some investment funds since the level of aggregate economic interests of the Group in those funds is not so significant that it gives the Group control over the funds, taking into consideration the level of investors' rights to remove the investment manager.

The Group determines that it has control over some investment funds and has classified them as held-for-sale as it intends to market these funds and dilute its holdings as soon as practically possible to a level where its aggregate economic interest does not constitute a control.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 5 Segment information

The Board of Directors reviews the Group's internal financial reporting and other information and also obtains other relevant external information in order to assess performance and allocate resources and operating segments are identified with reference to these.

The Group determines its operating segments based on the information reviewed by the Board of Directors, which is used to make strategic decisions. The Board of Directors evaluates the business from a product perspective.

The Group has two reportable segments – asset management business and small loan business. The two segments are managed separately and offer different products and services. The asset management business is the Group's core business. It derives revenues from investment management services to investment funds and managed accounts.

The Group set up a small loan business in Chengdu and has commenced business since 2012. Major income of this small loan business includes interest income and administrative fee income.

The Board of Directors assesses the performance of the operating segments based on a measure of profit before tax.

### Profit or loss

The revenue and profit before tax reported to the Board of Directors is measured in a manner consistent with that in the consolidated financial statements. An analysis of the Group's revenue and profit before tax for the year by segments is as follows:

	Year ended 31 December 2014			Year ended 31 December 2013		
	Asset management business HK\$'000	Small loan business HK\$'000	Total HK\$'000	Asset management business HK\$'000	Small loan business HK\$'000	Total HK\$'000
Income from external customers	1,539,406	60,039	1,599,445	1,008,393	19,188	1,027,581
Distribution and advisory fee expenses	(370,439)	–	(370,439)	(252,583)	–	(252,583)
<b>Net fee income</b>	<b>1,168,967</b>	<b>60,039</b>	<b>1,229,006</b>	755,810	19,188	774,998
Other income	26,991	3,056	30,047	38,669	6,536	45,205
<b>Total net income</b>	<b>1,195,958</b>	<b>63,095</b>	<b>1,259,053</b>	794,479	25,724	820,203
Depreciation and amortization	(5,496)	(935)	(6,431)	(5,328)	(640)	(5,968)
Operating expenses	(469,964)	(33,057)	(503,021)	(326,339)	(19,734)	(346,073)
<b>Operating profit (before other gains/losses)</b>	<b>720,498</b>	<b>29,103</b>	<b>749,601</b>	462,812	5,350	468,162
Other gains/(losses) – net	160,421	–	160,421	(9,667)	–	(9,667)
<b>Operating profit (after other gains/losses)</b>	<b>880,919</b>	<b>29,103</b>	<b>910,022</b>	453,145	5,350	458,495
Share of gain of an associate	20,626	–	20,626	1,181	–	1,181
<b>Profit before tax</b>	<b>901,545</b>	<b>29,103</b>	<b>930,648</b>	454,326	5,350	459,676
Tax expense	(118,538)	(10,709)	(129,247)	(75,648)	(2,782)	(78,430)
<b>Profit for the year</b>	<b>783,007</b>	<b>18,394</b>	<b>801,401</b>	378,678	2,568	381,246

Income from external customers consists of fee income from asset management business of HK\$1,539,406,000 (2013: HK\$1,008,393,000), interest income from small loan business of HK\$55,466,000 (2013: HK\$17,992,000) and fee income from small loan business of HK\$4,573,000 (2013: HK\$1,196,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 5 Segment information (continued)

#### Assets

	As at 31 December 2014			As at 31 December 2013		
	Asset management business HK\$'000	Small loan business HK\$'000	Total HK\$'000	Asset management business HK\$'000	Small loan business HK\$'000	Total HK\$'000
Property, plant and equipment	12,540	1,213	13,753	3,279	1,053	4,332
Intangible assets	32,262	144	32,406	55,421	193	55,614
Investment in an associate	102,651	–	102,651	92,125	–	92,125
Deferred tax assets	3,397	400	3,797	554	–	554
Investments	1,068,547	–	1,068,547	1,339,584	–	1,339,584
Investments held-for-sale	29,528	–	29,528	226,782	–	226,782
Fees receivable	693,600	–	693,600	386,398	–	386,398
Loan portfolio, net	–	312,124	312,124	–	231,719	231,719
Amounts receivable on sale of investments	254,935	–	254,935	13,437	–	13,437
Prepayments and other receivables	34,250	7,173	41,423	17,719	11,011	28,730
Time deposits	247,634	2,535	250,169	–	–	–
Cash and cash equivalents	1,407,570	143,431	1,551,001	545,161	146,955	692,116
Other assets	8,703	–	8,703	9,044	–	9,044
	<b>3,895,617</b>	<b>467,020</b>	<b>4,362,637</b>	<b>2,689,504</b>	<b>390,931</b>	<b>3,080,435</b>

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

The Company is domiciled in the Cayman Islands with the Group's major operations in the Greater China. The revenue from external customers mainly arises from the Greater China region. The Board of Directors considers that substantially all the assets of the Group are located in Hong Kong.

Revenues of approximately HK\$81,366,000 (2013: HK\$79,520,000) are derived from a single external customer of the asset management business segment.

### 6 Turnover and revenue

Turnover and revenue consist of fees from investment management activities, fund distribution activities, as well as interest and fee income from loan portfolio.

	2014 HK\$'000	2013 HK\$'000
Management fees	748,040	603,870
Performance fees	659,240	316,988
Front-end fees	132,126	87,535
<b>Total fee income</b>	<b>1,539,406</b>	<b>1,008,393</b>
Interest income from loan portfolio	55,466	17,992
Fee income from loan portfolio	4,573	1,196
<b>Total turnover and revenue</b>	<b>1,599,445</b>	<b>1,027,581</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**7 Distribution and advisory fee expenses**

Distribution and advisory fee expenses payable to third parties are recognized over the period for which the services are provided.

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Distribution fee expenses	<b>366,535</b>	248,528
Advisory fee expenses	<b>3,904</b>	4,055
<b>Total fee expenses</b>	<b>370,439</b>	252,583

**8 Other income**

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Interest income on cash and cash equivalents, time deposits and restricted bank balances	<b>12,995</b>	11,499
Interest income on debt securities	<b>1,547</b>	21,159
Dividend income on financial assets at fair value through profit or loss	<b>8,279</b>	5,683
Dividend income on available-for-sale financial assets	<b>6,016</b>	4,708
Rental income from investment properties	–	2,056
Others	<b>1,210</b>	100
<b>Total other income</b>	<b>30,047</b>	45,205

Dividend income from listed and unlisted investments for the year ended 31 December 2014 amounted to HK\$5,209,000 (2013: HK\$1,854,000) and HK\$9,086,000 (2013: HK\$8,537,000) respectively.

Interest income from listed debt securities for the year ended 31 December 2014 amounted to HK\$1,547,000 (2013: HK\$21,007,000). There was no interest income from unlisted debt securities for the year ended 31 December 2014 (2013: HK\$152,000).

**9 Compensation and benefit expenses**

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Salaries, wages and other benefits	<b>160,092</b>	132,510
Management bonus	<b>235,816</b>	125,060
Share-based compensation (Notes 27 and 28)	<b>4,044</b>	8,214
Pension costs	<b>2,562</b>	1,941
<b>Total compensation and benefit expenses</b>	<b>402,514</b>	267,725

**9.1 Pension costs**

There were no forfeited contributions utilized during the year ended 31 December 2014 (2013: Nil) and as at 31 December 2014 (2013: Nil) to reduce future contributions.

As at 31 December 2014, no contributions were payable to the mandatory provident fund scheme (2013: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**9 Compensation and benefit expenses (continued)****9.2 Directors' emoluments**

The remuneration of each director of the Company is as follows:

	Salaries and other benefits <sup>(a)</sup> HK\$'000	Management bonus HK\$'000	Share-based compensation HK\$'000	Pension costs HK\$'000	Total HK\$'000
<b>Year ended 31 December 2014</b>					
<i>Executive directors</i>					
Dato' Cheah, Cheng Hye	10,566	40,223	–	17	50,806
Ms Hung, Yeuk Yan Renee	2,522	19,449	690	17	22,678
Mr So, Chun Ki Louis	3,510	29,744	919	17	34,190
Mr Tse, Wai Ming, Timothy	2,808	12,839	743	17	16,407
<i>Independent non-executive directors</i>					
Dr Chen, Shih Ta Michael	290	–	74	–	364
Mr Lee, Siang Chin	290	–	74	–	364
Mr Oyama, Nobuo	290	–	74	–	364
	<b>20,276</b>	<b>102,255</b>	<b>2,574</b>	<b>68</b>	<b>125,173</b>
<b>Year ended 31 December 2013</b>					
<i>Executive directors</i>					
Dato' Cheah, Cheng Hye	9,324	22,400	–	15	31,739
Ms Hung, Yeuk Yan Renee	2,435	11,350	1,188	15	14,988
Mr So, Chun Ki Louis	3,031	16,340	1,760	15	21,146
Mr Tse, Wai Ming, Timothy	2,550	7,195	1,688	15	11,448
<i>Independent non-executive directors</i>					
Dr Chen, Shih Ta Michael	277	–	133	–	410
Mr Lee, Siang Chin	277	–	133	–	410
Mr Oyama, Nobuo	277	–	133	–	410
	<b>18,171</b>	<b>57,285</b>	<b>5,035</b>	<b>60</b>	<b>80,551</b>

(a) Other benefits include rebates of management fees and performance fees by the Group in relation to the directors' investments in the investment funds under the Group's management. Rebates of management fees and performance fees for the year ended 31 December 2014 amounted to HK\$4,613,000 (2013: HK\$3,616,000).

None of the directors received or will receive any fees, inducement fees or compensation for loss of office as director for the year ended 31 December 2014 (2013: Nil). No directors waived or agreed to waive any emoluments for the year ended 31 December 2014 (2013: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**9 Compensation and benefit expenses (continued)****9.3 Five highest-paid individuals**

The five highest-paid individuals in the Group during the year ended 31 December 2014 included four (2013: four) directors whose emoluments are reflected in the analysis presented above. Details of the remuneration of the remaining highest-paid individual are as follows:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Management bonus	<b>19,449</b>	11,350
Salaries, wages and other benefits	<b>3,552</b>	2,604
Share-based compensation	<b>689</b>	1,188
Pension costs – mandatory provident fund scheme	<b>17</b>	15
	<b>23,707</b>	15,157

Individual emoluments were within the following bands:

	<b>Number of individuals</b>	
	<b>2014</b>	2013
HK\$15,000,001 to HK\$20,000,000	<b>0</b>	1
HK\$20,000,001 to HK\$25,000,000	<b>1</b>	0

**9.4 Senior management remuneration by band**

Details of the remuneration of the senior management were within the following bands:

	<b>Number of individuals</b>	
	<b>2014</b>	2013
Below HK\$5,000,000	<b>2</b>	2
HK\$5,000,001 to HK\$10,000,000	<b>1</b>	0
HK\$10,000,001 to HK\$15,000,000	<b>1</b>	1
HK\$15,000,001 to HK\$20,000,000	<b>0</b>	1
HK\$20,000,001 to HK\$25,000,000	<b>1</b>	0

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**10 Other expenses**

	2014 HK\$'000	2013 HK\$'000
Marketing expenses	15,286	13,230
Research expenses	11,590	10,776
Charge of loan impairment allowances (Note 26.2)	8,346	1,534
Travelling expenses	7,247	5,719
Depreciation and amortization (Notes 18 and 19)	6,431	5,968
Office expenses	6,144	4,925
Auditor's remuneration	3,849	4,126
Insurance expenses	3,764	3,678
Entertainment expenses	3,295	2,282
Recruitment expenses	3,213	1,698
Legal and professional fees	3,057	7,323
Transaction costs	2,393	1,981
Donations	1,830	1,870
Registration and licensing fees	1,438	1,097
Others	7,685	4,643
<b>Total other expenses</b>	<b>85,568</b>	<b>70,850</b>

**11 Other gains/(losses) – net**

	2014 HK\$'000	2013 HK\$'000
Net gains on investments		
Gains on financial assets at fair value through profit or loss	162,845	118,522
Losses on financial assets at fair value through profit or loss	(16,223)	(121,229)
Gains on disposal of available-for-sale financial assets	3,734	7,932
Losses on disposal of available-for-sale financial assets	(1,866)	(1,087)
Gains on investments held-for-sale (Note 22)	57,681	5,783
Impairment loss on goodwill and license	(26,300)	–
Impairment loss on investment in an associate (Note 20)	(10,100)	–
Others		
Net foreign exchange losses	(9,650)	(732)
Gains on disposal of property, plant and equipment	300	–
Losses on disposal of subsidiaries (Note 17.1)	–	(328)
Changes in fair value of investment properties	–	(18,528)
<b>Total other gains/(losses) – net</b>	<b>160,421</b>	<b>(9,667)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**12 Tax expense**

Under current tax laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Group. As a result, no provision for income and capital gains taxes has been made in the consolidated financial statements.

Hong Kong profits tax has been provided on the estimated assessable profit for the year ended 31 December 2014 at the rate of 16.5% (2013: 16.5%).

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<b>Current tax</b>		
Hong Kong profits tax	<b>107,255</b>	73,634
Overseas tax	<b>29,738</b>	4,685
Adjustments in respect of prior years	<b>(4,503)</b>	360
<b>Total current tax</b>	<b>132,490</b>	78,679
<b>Deferred tax</b>		
Origination and reversal of temporary differences (Note 29)	<b>(3,243)</b>	(249)
<b>Total tax expense</b>	<b>129,247</b>	78,430

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<b>Profit before tax</b>	<b>930,648</b>	459,676
Tax calculated at domestic tax rates applicable to profits in the respective countries	<b>156,031</b>	76,306
Tax effects of:		
Share of an associate's results and impairment loss	<b>(1,737)</b>	(195)
Non-taxable income and gains on investments	<b>(62,982)</b>	(26,121)
Non-deductible expenses and losses on investments	<b>42,438</b>	28,080
Adjustments in respect of prior years	<b>(4,503)</b>	360
<b>Tax expense</b>	<b>129,247</b>	78,430

The weighted average applicable tax rate was 16.8% (2013: 16.6%). The increase is caused by a change in the profitability of the Group's subsidiaries in respective regions.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 13 Other comprehensive (loss)/income

	2014 HK\$'000	2013 HK\$'000
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Available-for-sale financial assets		
Fair value gains/(losses) during the year	5,029	(6,119)
Reclassification adjustments for (losses)/gains included in profit or loss	(633)	1,119
Fair value gains/(losses) on available-for-sale financial assets (Notes 21.1 and 28)	4,396	(5,000)
Foreign exchange translation	(12,260)	7,404
<b>Total other comprehensive (loss)/income</b>	<b>(7,864)</b>	<b>2,404</b>

### 14 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for the year ended 31 December 2014 was dealt with in the financial statements of the Company to the extent of HK\$196,242,000 (2013: HK\$281,678,000).

### 15 Earnings per share

#### 15.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

	2014	2013
Profit for the year attributable to equity holders of the Company (HK\$'000)	804,179	384,324
Weighted average number of ordinary shares in issue (thousands)	1,770,285	1,755,203
Basic earnings per share (HK cents per share)	45.4	21.9

#### 15.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is the share options. For share options, a calculation is made to determine the number of ordinary shares that could have been acquired at fair value (determined as the average closing market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of ordinary shares calculated as above is compared with the number of ordinary shares that would have been issued assuming the exercise of the share options.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**15 Earnings per share (continued)****15.2 Diluted earnings per share (continued)**

	<b>2014</b>	2013
Profit for the year attributable to equity holders of the Company (HK\$'000)	<b>804,179</b>	384,324
Weighted average number of ordinary shares in issue (thousands)	<b>1,770,285</b>	1,755,203
Adjustments for share options (thousands)	<b>5,728</b>	3,855
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>1,776,013</b>	1,759,058
Diluted earnings per share (HK cents per share)	<b>45.3</b>	21.8

**16 Dividends**

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Proposed final dividend of HK16.0 cents (2013: HK10.7 cents) per ordinary share	<b>293,866</b>	187,807
Proposed special dividend of HK6.0 cents (2013: Nil) per ordinary share	<b>110,200</b>	–
<b>Total dividends</b>	<b>404,066</b>	187,807

The directors recommend payment of a final dividend of HK16.0 cents per ordinary share and a special dividend of HK6.0 cents per ordinary share. The estimated total final dividend and total special dividend based on the number of shares outstanding as at 31 December 2014, are HK\$293,866,000 and HK\$110,200,000 respectively. Such dividends are to be approved by the shareholders at the Annual General Meeting of the Company on 30 April 2015 and have not been recognized as a liability at the balance sheet date.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 17 Investments in subsidiaries – the Company

	2014 HK\$'000	2013 HK\$'000
Unlisted shares	1,377,918	1,399,801

As at 31 December 2014, the Company had interests in the following principal subsidiaries:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued and paid up capital	Effective interest held	
				Directly	Indirectly
Brilliant Star Capital (BVI) Limited	British Virgin Islands	Investment holding	1 ordinary share of US\$1	–	100%
Brilliant Star Capital (Cayman) Limited	Cayman Islands	Investment holding	1 ordinary share of HK\$0.1	100%	–
Brilliant Star Capital Limited	Hong Kong	Investment holding	350,000,000 ordinary shares	–	100%
Chengdu Vision Credit Limited	The People's Republic of China	Small loan business in China	Registered capital of RMB300,000,000	–	90%
Chief Union Investments Limited	Hong Kong	Money lending in Hong Kong	1 ordinary share	100%	–
Hong Kong Asset Management Group Limited	Hong Kong	Dormant	1 ordinary share	100%	–
Hong Kong Fund Management Group Limited	Hong Kong	Dormant	1 ordinary share	100%	–
Original Capital Group Limited	Hong Kong	Dormant	1 ordinary share	100%	–
Original Capital Limited	Hong Kong	Dormant	1 ordinary share	100%	–
Rough Seas Capital Holdings Limited	Hong Kong	Dormant	1,000,000 ordinary shares	100%	–
Sensible Asset Management Hong Kong Limited	Hong Kong	Investment management in Hong Kong	15,000,000 ordinary shares and 1,000,000 voting participating preference shares	100%	–
Sensible Asset Management Limited	British Virgin Islands	Investment management in Hong Kong	2,000,000 ordinary shares of US\$0.1 each	100%	–
Value Executive Solutions Co. Limited (formerly Hong Kong Investment Management Co. Limited)	Hong Kong	Dormant	1 ordinary share	100%	–
Value Funds Limited	Hong Kong	Investment holding	1 ordinary share	100%	–
Value Investing Group Company Limited	Hong Kong	Dormant	1 ordinary share	100%	–
Value Partners (Cayman GP) II Ltd	Cayman Islands	Managing member of three investment funds managed by Value Partners Hong Kong Limited and Value Partners Limited	1 ordinary share of US\$1	100%	–
Value Partners Asset Management Singapore Pte. Ltd.	Singapore	Investment management in Singapore	250,000 ordinary shares of S\$1 each	100%	–
Value Partners Concord Asset Management Co., Ltd.	Taiwan	Investment management in Taiwan	30,000,000 ordinary shares of NT\$10 each	–	60.89%
Value Partners Corporate Consulting Limited	Hong Kong	Dormant	5,000,000 ordinary shares	100%	–
Value Partners Hong Kong Limited	Hong Kong	Investment management, investment holding and securities dealing in Hong Kong	385,000,000 ordinary shares	100%	–
Value Partners Index Services Limited	Hong Kong	Indexing services in Hong Kong	1 ordinary share	100%	–
Value Partners Investment Advisory Limited	Hong Kong	Consulting services in Hong Kong	1 ordinary share	100%	–
Value Partners Limited	British Virgin Islands	Investment management, investment holding and securities dealing in Hong Kong	11,409,459 Class A ordinary shares and 3,893,318 Class B ordinary shares of US\$0.1 each	–	100%
Value Partners Private Equity Limited	British Virgin Islands	Investment management and provision of research and investment advisory services in Hong Kong	7,000,000 ordinary shares of US\$0.1 each	100%	–
Value Partners Technology Solutions Limited (formerly Rough Seas Investing Group Limited)	Hong Kong	Providing information technology services	1 ordinary share	100%	–
Valuegate Holdings Limited 上海惠理投資管理諮詢有限公司	British Virgin Islands The People's Republic of China	Trademark holding in Hong Kong Investment advisory in China	2 ordinary shares of US\$1 each Registered capital of RMB10,000,000	100% –	– 100%



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**17 Investments in subsidiaries – the Company (continued)****17.1 Disposal of subsidiaries**

On 5 December 2013, the Group disposed of its 100% interests in Middle Star Capital Limited with a consideration of HK\$83,472,000. Losses on disposal of HK\$328,000 was recognized in “other gains/(losses) –net” in the consolidated statement of comprehensive income.

**18 Property, plant and equipment – the Group**

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Vehicles HK\$'000	Total HK\$'000
<b>As at 1 January 2013</b>					
Cost	12,405	3,666	8,704	1,589	26,364
Accumulated depreciation	(7,827)	(3,434)	(5,819)	(1,537)	(18,617)
<b>Net book amount</b>	<b>4,578</b>	<b>232</b>	<b>2,885</b>	<b>52</b>	<b>7,747</b>
<b>Year ended 31 December 2013</b>					
Opening net book amount	4,578	232	2,885	52	7,747
Additions	55	19	1,186	–	1,260
Disposals	–	–	(22)	–	(22)
Exchange differences	22	–	(4)	–	18
Depreciation (Note 10)	(3,157)	(150)	(1,312)	(52)	(4,671)
<b>Closing net book amount</b>	<b>1,498</b>	<b>101</b>	<b>2,733</b>	<b>–</b>	<b>4,332</b>
<b>As at 31 December 2013</b>					
Cost	12,460	3,685	9,868	1,589	27,602
Accumulated depreciation	(10,962)	(3,584)	(7,135)	(1,589)	(23,270)
<b>Net book amount</b>	<b>1,498</b>	<b>101</b>	<b>2,733</b>	<b>–</b>	<b>4,332</b>
<b>Year ended 31 December 2014</b>					
Opening net book amount	<b>1,498</b>	<b>101</b>	<b>2,733</b>	<b>–</b>	<b>4,332</b>
Additions	<b>8,350</b>	<b>1,180</b>	<b>2,805</b>	<b>1,692</b>	<b>14,027</b>
Exchange differences	<b>(38)</b>	<b>(8)</b>	<b>(106)</b>	<b>–</b>	<b>(152)</b>
Depreciation (Note 10)	<b>(2,530)</b>	<b>(177)</b>	<b>(1,465)</b>	<b>(282)</b>	<b>(4,454)</b>
<b>Closing net book amount</b>	<b>7,280</b>	<b>1,096</b>	<b>3,967</b>	<b>1,410</b>	<b>13,753</b>
<b>As at 31 December 2014</b>					
Cost	<b>20,810</b>	<b>4,865</b>	<b>12,673</b>	<b>1,875</b>	<b>40,223</b>
Accumulated depreciation	<b>(13,530)</b>	<b>(3,769)</b>	<b>(8,706)</b>	<b>(465)</b>	<b>(26,470)</b>
<b>Net book amount</b>	<b>7,280</b>	<b>1,096</b>	<b>3,967</b>	<b>1,410</b>	<b>13,753</b>

## Notes to the Consolidated Financial Statements

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## 19 Intangible assets – the Group

	License HK\$'000	Goodwill HK\$'000	Computer software HK\$'000	Total HK\$'000
<b>As at 1 January 2013</b>				
Cost	24,050	54,435	8,135	86,620
Accumulated amortization	–	–	(4,802)	(4,802)
Accumulated impairment	–	(27,414)	–	(27,414)
<b>Net book amount</b>	<b>24,050</b>	<b>27,021</b>	<b>3,333</b>	<b>54,404</b>
<b>Year ended 31 December 2013</b>				
Opening net book amount	24,050	27,021	3,333	54,404
Additions	–	–	2,448	2,448
Exchange differences	–	–	59	59
Amortization (Note 10)	–	–	(1,297)	(1,297)
<b>Closing net book amount</b>	<b>24,050</b>	<b>27,021</b>	<b>4,543</b>	<b>55,614</b>
<b>As at 31 December 2013</b>				
Cost	24,050	54,435	10,583	89,068
Accumulated amortization	–	–	(6,040)	(6,040)
Accumulated impairment	–	(27,414)	–	(27,414)
<b>Net book amount</b>	<b>24,050</b>	<b>27,021</b>	<b>4,543</b>	<b>55,614</b>
<b>Year ended 31 December 2014</b>				
Opening net book amount	<b>24,050</b>	<b>27,021</b>	<b>4,543</b>	<b>55,614</b>
Additions	–	–	<b>5,135</b>	<b>5,135</b>
Impairment	<b>(13,500)</b>	<b>(12,800)</b>	–	<b>(26,300)</b>
Exchange differences	–	–	<b>(66)</b>	<b>(66)</b>
Amortization (Note 10)	–	–	<b>(1,977)</b>	<b>(1,977)</b>
<b>Closing net book amount</b>	<b>10,550</b>	<b>14,221</b>	<b>7,635</b>	<b>32,406</b>
<b>As at 31 December 2014</b>				
Cost	<b>24,050</b>	<b>54,435</b>	<b>15,718</b>	<b>94,203</b>
Accumulated amortization	–	–	<b>(8,083)</b>	<b>(8,083)</b>
Accumulated impairment	<b>(13,500)</b>	<b>(40,214)</b>	–	<b>(53,714)</b>
<b>Net book amount</b>	<b>10,550</b>	<b>14,221</b>	<b>7,635</b>	<b>32,406</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**19 Intangible assets – the Group (continued)****19.1 Impairment tests of goodwill and other intangible assets**

As at 31 December 2014 and 2013, the carrying amounts of goodwill and license acquired in business combinations have been allocated to the following CGUs:

	License		Goodwill	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Sensible Asset Management Hong Kong Limited (“SAMHK”), in relation to the exchange-traded fund (“ETF”) business				
– Beginning of the year	–	–	<b>27,021</b>	27,021
Value Partners Concord Asset Management Co., Ltd. (“VP Concord”), in relation to the investment management business in Taiwan				
– Beginning of the year	<b>24,050</b>	24,050	–	–
Impairment charge	<b>(13,500)</b>	–	<b>(12,800)</b>	–
<b>End of the year</b>	<b>10,550</b>	24,050	<b>14,221</b>	27,021

The recoverable amount of a CGU is determined using the fair value less costs of disposal approach as consistent with prior years. The key assumptions for the fair value less costs of disposal calculations are those regarding the discount rates and growth rates. The Group estimates discount rates using weighted average cost of capital that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on management’s plan on launch of products and expected growth in assets under management. The Group prepares cash flows forecasts derived from the most recent financial budgets approved by the directors for the next year and extrapolates cash flows for the following five years based on estimated growth rates. Growth rates in a range between 3% and 4% (2013: 5% and 10%) have been applied to the SAMHK CGU and a range between 30% and 50% (2013: 10% and 20%) have been applied to the VP Concord CGU. A terminal growth rate of 3% (2013: 3%) has been used for the SAMHK CGU and the VP Concord CGU. The pre-tax rate used to discount the forecast cash flows was 16.1% (2013: 19.2%) for the SAMHK CGU and 17.6% (2013: 20.6%) for the VP Concord CGU.

In 2014, after revisiting the plan on products launch, the Group assessed the recoverable amounts of the SAMHK CGU and VP Concord CGU to be HK\$16,761,000 and HK\$85,000,000 respectively. The fair value on which the recoverable amount is based on is categorized as a level 3 measurement. As a result, the carrying amounts of the goodwill and license were written down to HK\$14,221,000 and HK\$10,550,000 respectively. An impairment loss of HK\$26,300,000 was recognised in “Other gains/(losses)–net”.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 20 Investment in an associate – the Group

	2014 HK\$'000	2013 HK\$'000
<b>Beginning of the year</b>	<b>92,125</b>	90,944
Share of results – gain after tax	<b>20,626</b>	1,181
Impairment loss (Note 11)	<b>(10,100)</b>	–
<b>End of the year</b>	<b>102,651</b>	92,125

Details of the associate of the Group which was indirectly held are as follows:

Name	Place of incorporation	Interest held	
		2014	2013
Goldstate Capital Fund Management Company Limited (formerly Value Partners Goldstate Fund Management Company Limited) (“Goldstate Capital”)	The People’s Republic of China	<b>49%</b>	49%

In 2012, the Group acquired 49% interests in Goldstate Capital, a licensed mutual fund management company headquartered in Shanghai. A goodwill amounted to HK\$14,460,000 was generated from such acquisition transaction and was recognized within “Investment in an associate” in the consolidated balance sheet. The recoverable amount of Goldstate Capital is determined using the fair value less costs of disposal approach. The key assumptions for the fair value less costs of disposal calculations are those regarding the discount rates and growth rates. The Group estimates discount rates using weighted average cost of capital that reflect current market assessments of the time value of money and the risks specific to Goldstate Capital. The growth rates and five-year cash flows forecasts are based on Goldstate Capital’s plan on business development. Growth rate and terminal growth rate of 3% has been applied. The pre-tax rate used to discount the forecast cash flows was 17.0%. In 2014, after revisiting the plan on product launch, the Group assessed the recoverable amounts of Goldstate Capital to be HK\$103,400,000 and as a result, the carrying amount of the investment in an associate was written down and an impairment loss of HK\$10,100,000 (2013: Nil) was recognized in “Other gains/(losses)–net”.

Although the remaining 51% interests are held by one shareholder, the Group has the ability to exercise significant influence over Goldstate Capital through representation on its Board of Directors.

The associate is individually immaterial and is accounted for using equity method. The Group’s interest in the associate is summarized below:

	2014 HK\$'000	2013 HK\$'000
Carrying amount	<b>102,651</b>	92,125
Share of profit from continuing activities and total comprehensive income	<b>20,626</b>	1,181
Impairment loss on goodwill	<b>(10,100)</b>	–

The Group invested in certain investment funds that it manages and applied the measurement in accordance with accounting policies stated in Note 2.3 above.

Details of such investment funds are summarized in Note 21.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**21 Investments – the Group**

Investments include the following:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Listed securities (by place of listing)</b>						
Debt securities – Hong Kong	-	-	-	10,358	-	10,358
Debt securities – Singapore	-	-	-	93,306	-	93,306
Equity securities – China	<b>178,931</b>	244,874	-	-	<b>178,931</b>	244,874
Investment funds – Hong Kong	<b>165,251</b>	166,955	-	-	<b>165,251</b>	166,955
<b>Market value of listed securities</b>	<b>344,182</b>	411,829	-	103,664	<b>344,182</b>	515,493
<b>Unlisted securities (by place of incorporation/establishment)</b>						
Equity securities – Singapore	-	-	<b>8,379</b>	8,508	<b>8,379</b>	8,508
Investment funds – Australia	<b>15,882</b>	16,709	-	-	<b>15,882</b>	16,709
Investment funds – Cayman Islands	<b>547,477</b>	486,846	<b>2,835</b>	-	<b>550,312</b>	486,846
Investment funds – China	<b>17,508</b>	-	-	-	<b>17,508</b>	-
Investment funds – Ireland	<b>105,614</b>	97,883	-	-	<b>105,614</b>	97,883
Investment funds – Taiwan	<b>3,201</b>	3,353	-	-	<b>3,201</b>	3,353
Investment funds – United States	<b>294</b>	283	<b>23,175</b>	13,825	<b>23,469</b>	14,108
<b>Fair value of unlisted securities</b>	<b>689,976</b>	605,074	<b>34,389</b>	22,333	<b>724,365</b>	627,407
<b>Derivative financial instruments</b>						
Participation notes <sup>(a)</sup>	-	131,398	-	-	-	131,398
Warrants <sup>(a)</sup>	-	65,286	-	-	-	65,286
<b>Fair value of derivative financial instruments</b>	-	196,684	-	-	-	196,684
<b>Total investments</b>	<b>1,034,158</b>	1,213,587	<b>34,389</b>	125,997	<b>1,068,547</b>	1,339,584
Representing:						
Non-current	<b>855,227</b>	772,029	<b>34,389</b>	125,997	<b>889,616</b>	898,026
Current	<b>178,931</b>	441,558	-	-	<b>178,931</b>	441,558
<b>Total investments</b>	<b>1,034,158</b>	1,213,587	<b>34,389</b>	125,997	<b>1,068,547</b>	1,339,584

(a) These derivative financial instruments are linked to equity securities in China.

In addition to the above, some investments were classified as held-for-sale as at 31 December 2014 and 2013. Refer to Note 22 for details.

*Interests in unconsolidated structured entities*

The Group acts as an investment manager or investment advisor to a number of investment funds. It has provided seed capital for the set up of these funds. As at 31 December 2014 and 2013, the Group determined that all of these investment funds are unconsolidated structured entities. Refer to Note 36.3 for details.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 21 Investments – the Group (continued)

The maximum exposure to loss for all interests in structured entities is the carrying value of the investments in investment funds (refer to Note 36.3) and fees receivable as shown in the consolidated balance sheet. The size of the investment funds ranges from US\$0.3 million to US\$2.9 billion (2013: US\$0.3 million to US\$1.7 billion). During the year, the Group did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

Investments are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Australian dollar	16,179	16,849
Hong Kong dollar	344,010	343,729
Renminbi	196,439	244,874
Singapore dollar	8,379	8,508
Taiwan dollar	3,201	3,353
United States dollar	499,734	721,993
Others	605	278
<b>Total investments</b>	<b>1,068,547</b>	<b>1,339,584</b>

The credit quality of the investments in debt securities by reference to Standard & Poor's or Fitch Ratings credit ratings is as follows:

	2014 HK\$'000	2013 HK\$'000
BB	–	22,266
BB-	–	36,339
B+	–	26,575
Unrated	–	18,484
<b>Total investments in debt securities</b>	<b>–</b>	<b>103,664</b>

The maximum exposure to credit risk at the reporting date is the carrying amount of investments in debt securities.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**21 Investments – the Group (continued)****21.1 Available-for-sale financial assets**

The movement of available-for-sale financial assets is as follows:

	2014 HK\$'000	2013 HK\$'000
<b>Beginning of the year</b>	<b>125,997</b>	335,996
Additions	<b>3,294</b>	131,916
Disposals	<b>(99,838)</b>	(335,766)
Fair value gains/(losses) (Notes 13 and 28)	<b>4,396</b>	(5,000)
Amortization	<b>540</b>	(1,149)
<b>End of the year</b>	<b>34,389</b>	125,997

There was no impairment provision on available-for-sale financial assets as at 31 December 2014 (2013: Nil).

**22 Investments held-for-sale – the Group**

The Group classified the following interests in investment funds as held-for-sale as the Group intends to market these funds and dilute its holdings as soon as practically possible to a level where its aggregate economic interest does not constitute a control.

	2014 HK\$'000	2013 HK\$'000
Investment funds – Cayman Islands	–	197,160
Investment funds – Taiwan	<b>29,528</b>	29,622
<b>Total investments held-for-sale</b>	<b>29,528</b>	226,782

As at 31 December 2014 and 2013, the major assets of the above funds were securities.

**Income recognized in other gains/(losses) – net relating to investments held-for-sale**

	2014 HK\$'000	2013 HK\$'000
Change in unrealized (losses)/gains on investments held-for-sale	<b>(3,254)</b>	5,783
Realized gains on investments held-for-sale	<b>60,935</b>	–

## Notes to the Consolidated Financial Statements

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### 23 Fees receivable – the Group

The carrying amounts of fees receivable approximate their fair value due to the short-term maturity. The maximum exposure to credit risk at the reporting date is the carrying amounts of the fees receivable. The Group did not hold any collateral as security as at 31 December 2014 (2013: Nil).

Fees receivable from investment management activities are mainly due at the end of the relevant valuation period of the investment funds and managed accounts. However, some of these fees receivable are only due after the relevant valuation period as a result of credit periods granted to certain investment funds and managed accounts which are generally within one month. The ageing analysis of fees receivable that were past due but not impaired is as follows.

	2014 HK\$'000	2013 HK\$'000
<b>Fees receivable that were past due but not impaired</b>		
1 – 30 days	754	751
31 – 60 days	72	498
61 – 90 days	198	385
Over 90 days	911	509
	<b>1,935</b>	2,143
Fees receivable that were within credit period	<b>691,665</b>	384,255
<b>Total fees receivable</b>	<b>693,600</b>	386,398

Fees receivable are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Australian dollar	4,354	1,238
Hong Kong dollar	39,571	43,376
Renminbi	13,675	966
United States dollar	635,561	340,163
Others	439	655
	<b>693,600</b>	386,398

Fees receivable from investment management activities are generally deducted from the net asset value of the investment funds and managed accounts and paid directly by the administrator or custodian of the investment funds and managed accounts at the end of the relevant valuation period or credit period, as appropriate.

There was no impairment provision on fees receivable as at 31 December 2014 (2013: Nil).



## Notes to the Consolidated Financial Statements

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**24 Cash and cash equivalents**

	2014 HK\$'000	2013 HK\$'000
<b>The Group</b>		
Cash at banks and in hand	178,158	156,720
Short-term bank deposits	1,200,717	531,894
Deposits with brokers	172,126	3,502
<b>Total cash and cash equivalents</b>	<b>1,551,001</b>	692,116
<b>The Company</b>		
Cash at banks and in hand	11,329	6,901
Short-term bank deposits	407,107	97,908
<b>Total cash and cash equivalents</b>	<b>418,436</b>	104,809

Cash and cash equivalents are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
<b>The Group</b>		
Australian dollar	36,383	27,007
Hong Kong dollar	704,933	241,386
Japanese yen	93	161
Renminbi	360,997	264,831
Singapore dollar	12,459	14,355
Taiwan dollar	3,390	52,025
United States dollar	432,746	92,351
<b>Total cash and cash equivalents</b>	<b>1,551,001</b>	692,116
<b>The Company</b>		
Hong Kong dollar	409,117	85,120
Renminbi	9,102	19,471
United States dollar	217	218
<b>Total cash and cash equivalents</b>	<b>418,436</b>	104,809

**25 Other assets – the Group**

	2014 HK\$'000	2013 HK\$'000
Restricted bank balances	6,198	6,751
Others	2,505	2,293
<b>Total other assets</b>	<b>8,703</b>	9,044

In accordance with the Regulations Governing the Conduct of Discretionary Investment Business and the Regulations Governing Offshore Funds of Taiwan, as at 31 December 2014, VP Concord, a subsidiary of the Group, placed a deposit of NT\$25 million (equivalent to HK\$6,110,000) (2013: NT\$25 million (equivalent to HK\$6,465,000)) as a financial guarantee with Bank Sinopac so that it can operate in the business of discretionary investment management and sales of offshore funds in Taiwan.

## Notes to the Consolidated Financial Statements

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### 25 Other assets – the Group (continued)

In addition, bank deposits of RMB70,000 (equivalent to HK\$88,000) (2013: RMB224,000 (equivalent to HK\$286,000)) were placed as a minimum reserve for the Group's investment in equity securities in China.

### 26 Loan portfolio, net – the Group

#### 26.1 Loan portfolio less allowance

	2014 HK\$'000	2013 HK\$'000
<b>Loan portfolio in the People's Republic of China</b>		
Corporate	95,940	86,838
Personal	226,052	146,518
	<b>321,992</b>	233,356
Allowance for impairment	<b>(9,868)</b>	(1,637)
<b>Total loan portfolio, net</b>	<b>312,124</b>	231,719
Representing:		
Non-current	141,031	98,837
Current	171,093	132,882
<b>Total loan portfolio, net</b>	<b>312,124</b>	231,719

The fair value of the loan portfolio approximates its carrying value and it is short-term in nature.

As at 31 December 2014, the loan portfolio had a weighted average remaining term of 2.30 years (2013: 1.93 years) on a contractual basis, without taking into account any prepayment of loans. Final maturity of the loan portfolio is in the year 2019.

#### 26.2 Allowance for loan impairment

<b>Collective assessment</b>	2014 HK\$'000	2013 HK\$'000
<b>Beginning of the year</b>	1,637	84
Charged to the consolidated statement of comprehensive income (Note 10)	1,888	1,534
Exchange differences	(55)	19
<b>End of the year</b>	<b>3,470</b>	1,637
<b>Individual assessment</b>	2014 HK\$'000	2013 HK\$'000
<b>Beginning of the year</b>	–	–
Charged to the consolidated statement of comprehensive income (Note 10)	6,458	–
Exchange differences	(60)	–
<b>End of the year</b>	<b>6,398</b>	–

As at 31 December 2014, the allowance for collectively assessed loan impairment amounted to 1.1% of the outstanding principal balances of the loan portfolio (2013: 0.7%), and the allowance for individually assessed loan impairment amounted to 24.3% of the impaired loan portfolio (2013: Nil).

## Notes to the Consolidated Financial Statements

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**27 Issued equity****The Group**

	Number of shares	Issued equity HK\$'000
As at 1 January 2013, 31 December 2013	1,755,202,800	889,213
Shares issued upon exercise of share options	81,462,031	447,766
<b>As at 31 December 2014</b>	<b>1,836,664,831</b>	<b>1,336,979</b>

As at 31 December 2014, the total authorized number of ordinary shares of the Company was 5,000,000,000 shares (2013: 5,000,000,000 shares) with a par value of HK\$0.1 (2013: HK\$0.1) per share and all issued shares were fully paid.

The ordinary shares are non-redeemable and are entitled to dividends. Each ordinary share carries one vote. In the case of winding up of the Company, ordinary shares carry the right to return the paid-up capital and any balance then remaining.

**The Company**

The movement in share capital and share premium during the years ended 31 December 2014 and 2013 is as follows:

	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
As at 1 January 2013, 31 December 2013	175,520	1,580,507	1,756,027
Shares issued upon exercise of share options	8,146	439,620	447,766
<b>As at 31 December 2014</b>	<b>183,666</b>	<b>2,020,127</b>	<b>2,203,793</b>

**Share options**

The Group operates a share option scheme for directors, employees and others whom the Board of Directors considers, in its sole discretion, have contributed or will contribute to the Group. The share option scheme is effective for a period of ten years from the date it was adopted, after which no new share options will be granted but the provisions of the scheme will remain in full force and effect in all other respects. The share options are subject to terms as the Board of Directors may determine. Such terms may include the exercise price of the share options, the minimum period for which the share options must be held before they can be exercised in whole or in part, the conditions that must be reached before the share options can be exercised. The Group has no legal or constructive obligation to repurchase or settle the share options in cash. No options were granted under the share option scheme during the year ended 31 December 2014 (2013: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 27 Issued equity (continued)

#### Share options (continued)

Movements in the number of share options outstanding and their related exercise prices are as follows:

	Average exercise price (HK\$ per share)	Number of options (‘000)
<b>As at 1 January 2013</b>	5.18	104,115
Forfeited	5.50	(1,600)
Forfeited	5.00	(1,000)
<b>As at 31 December 2013</b>	5.18	101,515
<b>As at 1 January 2014</b>	<b>5.18</b>	<b>101,515</b>
Lapsed	<b>5.50</b>	<b>(403)</b>
Exercised	<b>5.50</b>	<b>(80,912)</b>
Exercised	<b>5.00</b>	<b>(550)</b>
<b>As at 31 December 2014</b>	<b>3.82</b>	<b>19,650</b>

Out of the 19,650,000 (2013: 101,515,000) outstanding share options, 16,750,000 (2013: 94,382,000) options were exercisable as at 31 December 2014 with weighted average exercise price of HK\$3.75 (2013: HK\$5.24) per share. 81,462,000 (2013: Nil) options were exercised during the year ended 31 December 2014.

Share options outstanding have the following expiry date and exercise price:

Expiry date	Exercise price (HK\$ per share)	Number of options (‘000)	
		2014	2013
25 September 2014	5.50	–	25,864
14 November 2014	5.50	–	55,451
26 October 2015	2.44	<b>6,400</b>	6,400
22 December 2016	5.00	<b>4,550</b>	5,100
30 May 2022	3.94	<b>4,700</b>	4,700
6 December 2022	4.56	<b>4,000</b>	4,000

The measurement dates of the share options were 7 December 2012, 31 May 2012, 23 June 2010, 27 April 2009, 15 May 2008 and 26 March 2008, being the dates of grant of the share options. Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest or lapse. Forfeiture rate is also considered in determining the amount of share option expenses.

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**28 Other reserves – the Group/Other reserves and retained earnings – the Company**

The Group	Share-based	Revaluation	Capital	Capital	Foreign	Regulatory	Total
	compensation	reserve	redemption	reserve <sup>(a)</sup>	exchange	reserve	
	reserve	reserve	reserve	reserve <sup>(a)</sup>	translation	reserve	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	reserve	reserve	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 1 January 2013</b>	156,335	20,188	240	(1,341)	6,231	–	181,653
Share-based compensation (Note 9)	8,214	–	–	–	–	–	8,214
Fair value losses on available-for-sale financial assets (Note 21.1)	–	(5,000)	–	–	–	–	(5,000)
Foreign exchange translation reserve	–	–	–	–	7,489	–	7,489
Regulatory reserve	–	–	–	–	–	455	455
<b>As at 31 December 2013</b>	164,549	15,188	240	(1,341)	13,720	455	192,811
<b>As at 1 January 2014</b>	164,549	15,188	240	(1,341)	13,720	455	192,811
Share-based compensation (Note 9)	4,044	–	–	–	–	–	4,044
Fair value gains on available-for-sale financial assets (Note 21.1)	–	4,396	–	–	–	–	4,396
Foreign exchange translation reserve	–	–	–	–	(10,065)	–	(10,065)
<b>As at 31 December 2014</b>	168,593	19,584	240	(1,341)	3,655	455	191,186

(a) Capital reserve arises from transactions with non-controlling interests that do not result in a loss of control.

The Company	Share-based	Capital	Retained earnings
	compensation	redemption	
	reserve	reserve	
		HK\$'000	HK\$'000
<b>As at 1 January 2013</b>	156,335	240	6,791
Share-based compensation (Note 9)	8,214	–	–
Profit for the year	–	–	281,678
Dividends	–	–	(280,832)
<b>As at 31 December 2013</b>	164,549	240	7,637
<b>As at 1 January 2014</b>	164,549	240	7,637
Share-based compensation (Note 9)	4,044	–	–
Profit for the year	–	–	196,242
Dividends	–	–	(187,807)
<b>As at 31 December 2014</b>	168,593	240	16,072

## Notes to the Consolidated Financial Statements

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**29 Deferred tax – the Group**

The movement of deferred tax assets is as follows:

Deferred tax assets	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
<b>As at 1 January 2013</b>	399	–	399
Credited to the consolidated statement of comprehensive income (Note 12)	249	–	249
Debited to regulatory reserve	(94)	–	(94)
<b>As at 31 December 2013</b>	554	–	554
<b>As at 1 January 2014</b>	<b>554</b>	<b>–</b>	<b>554</b>
(Debited)/credited to the consolidated statement of comprehensive income (Note 12)	<b>(554)</b>	<b>3,797</b>	<b>3,243</b>
<b>As at 31 December 2014</b>	<b>–</b>	<b>3,797</b>	<b>3,797</b>

The analysis of deferred tax assets is as follows:

	2014 HK\$'000	2013 HK\$'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	3,239	–
– Deferred tax asset to be recovered within 12 months	558	554
	<b>3,797</b>	554

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**30 Distribution fee expenses payable – the Group**

The carrying amounts of distribution fee expenses payable approximate their fair value due to the short-term maturity. The ageing analysis of distribution fee expenses payable is as follows:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>76,946</b>	53,194
31 – 60 days	<b>11</b>	797
61 – 90 days	<b>35</b>	811
Over 90 days	<b>24</b>	–
<b>Total distribution fee expenses payable</b>	<b>77,016</b>	54,802

Distribution fee expenses payable are denominated in the following currencies:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Taiwan dollar	<b>32</b>	89
United States dollar	<b>76,984</b>	54,713
<b>Total distribution fee expenses payable</b>	<b>77,016</b>	54,802

**31 Short-term loan**

At 31 December 2014, the short-term loan of RMB50,000,000 (equivalent to HK\$62,420,000) bears an annual interest rate of 4.45% and is repayable in January 2015. Such loan is secured by the cash deposit of Brilliant Star Capital Limited, a subsidiary of the Company.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**32 Financial instruments by category**

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Category of financial assets</b>				
<b>Loans and receivables</b>				
Loan portfolio, net (Note 26)	312,124	231,719	–	–
Amounts due from subsidiaries	–	–	410,059	205,123
Restricted bank balances	6,198	6,751	–	–
Fees receivable	693,600	386,398	–	–
Dividends receivable	–	–	220,000	260,000
Amounts receivable on sale of investments	254,935	13,437	–	–
Other receivables	25,177	17,573	190	92
Time deposits	250,169	–	–	–
Cash and cash equivalents	1,551,001	692,116	418,436	104,809
	<b>3,093,204</b>	<b>1,347,994</b>	<b>1,048,685</b>	<b>570,024</b>
<b>Financial assets at fair value through profit or loss</b>				
Investments (Note 21)	1,034,158	1,213,587	–	–
Investments held-for-sale (Note 22)	29,528	226,782	–	–
	<b>1,063,686</b>	<b>1,440,369</b>	<b>–</b>	<b>–</b>
<b>Available-for-sale financial assets</b>				
Investments (Note 21)	34,389	125,997	–	–
<b>Category of financial liabilities</b>				
<b>Other financial liabilities at amortized cost</b>				
Accrued bonus	236,067	125,060	–	–
Distribution fee expenses payable	77,016	54,802	–	–
Other payables and accrued expenses	36,107	18,913	697	1,278
Short-term loan	62,420	–	–	–
Amounts due to a subsidiary	–	–	37,474	36,253
	<b>411,610</b>	<b>198,775</b>	<b>38,171</b>	<b>37,531</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**33 Notes to the consolidated cash flow statement**

	2014 HK\$'000	2013 HK\$'000
Profit before tax	930,648	459,676
<b>Adjustments for</b>		
Interest income from loan portfolio	(55,466)	(17,992)
Interest income on cash and cash equivalents and restricted bank balances	(12,995)	(11,499)
Interest income on debt securities	(1,547)	(21,159)
Dividend income	(14,295)	(10,391)
Share-based compensation	4,044	8,214
Depreciation and amortization	6,431	5,968
Impairment loss on goodwill and license	26,300	–
Impairment loss on investment in associate	10,100	–
Charge of loan impairment allowances	8,346	1,534
Other (gains)/losses – net	(196,821)	9,667
Share of (gain)/loss of an associate	(20,626)	(1,181)
<b>Changes in working capital</b>		
Other assets	341	4,943
Fees receivable	(307,202)	(207,331)
Loan portfolio, net	(80,405)	(223,358)
Time deposits	(250,169)	–
Prepayments and other receivables	(9,478)	(4,740)
Accrued bonus	111,007	56,817
Distribution fee expenses payable	22,214	25,887
Other payables and accrued expenses	17,194	1,043
<b>Net cash generated from operations</b>	<b>187,621</b>	<b>76,098</b>

**34 Commitments****34.1 Operating lease commitments**

The Group leases various offices and office equipment under non-cancellable operating lease agreements. The lease terms are between two and five years. The majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 HK\$'000	2013 HK\$'000
Not later than one year	20,166	14,760
Later than one year and not later than five years	34,734	29,194
<b>Total operating lease commitments</b>	<b>54,900</b>	<b>43,954</b>

**34.2 Unfunded capital commitments**

As at 31 December 2014, the Group has unfunded capital commitments in a private equity fund amounted to US\$600,000 (equivalent to HK\$4,656,000) (2013: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 35 Contingencies

The Group has contingent assets in respect of performance fees and contingent liabilities in respect of the performance fee element of distribution fee expenses arising in the ordinary course of business.

#### 35.1 Contingent assets

Performance fees for non-private equity fund products for each performance period are generally calculated annually with reference to a performance fee valuation day. Performance fees for private equity fund products are generally calculated at the end of the period over which the performance is measured (performance fee valuation day) and this is generally the end of the life of the private equity fund or upon each successful divestment of an investment of the private equity fund. Performance fees are only recognized when they are earned by the Group.

As a result, as at 31 December 2014 and 2013, performance fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding year have not been recognized. These performance fees may be receivable in cash if a positive performance results (for non-private equity fund products) or a performance threshold is exceeded (for private equity fund products) on the performance fee valuation days, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

#### 35.2 Contingent liabilities

The performance fee element of distribution fee expenses is based on the performance fees earned by the Group. These distribution fee expenses are recognized when the performance fees are earned by the Group and the Group is obliged to pay the corresponding distribution fee expenses.

As a result, as at 31 December 2014 and 2013, the performance fee element of distribution fee expenses in respect of performance periods ending on a performance fee valuation day not falling within the corresponding year have not been recognized. These distribution fee expenses may be payable in cash if the performance fees are subsequently earned on the performance fee valuation days.

### 36 Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Apart from those disclosed elsewhere in the consolidated financial statements, the Group has also entered into the following significant related-party transactions which, in the opinion of the directors, were carried out in the ordinary and usual course of the Group's business.

#### 36.1 Summary of transactions entered into during the ordinary course of business with related parties

	2014 HK\$'000	2013 HK\$'000
Rental expenses paid by a subsidiary to an associate	(319)	(347)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

**36 Related-party transactions (continued)****36.2 Key management compensation**

Key management includes the executive directors of the Group. The compensation to key management for employee services is as follows:

	2014 HK\$'000	2013 HK\$'000
Management bonus, salaries and other short-term employee benefits	121,661	74,625
Share-based compensation	2,351	4,636
Pension costs	68	60
<b>Total key management compensation</b>	<b>124,080</b>	<b>79,321</b>

**36.3 Investments in investment funds managed/advised by the Group**

The Group had investments in the following investment funds under its management or advisory and from which the Group earns fees from investment management or advisory activities and fund distribution activities. These investment funds represent pools of assets from third party investors which are managed/advised by the Group and generate fees for the Group. The funds are financed through the issue of units/shares to investors.

	Fair value	
	2014 HK\$'000	2013 HK\$'000
Premium Asia Income Fund	15,882	16,709
Value China ETF	5,465	4,837
Value Gold ETF	132,588	133,266
Value Japan ETF	8,358	8,932
Value Korea ETF	8,520	9,735
Value Partners Asia Fund, LLC	294	283
Value Partners China A Share Opportunity Fund <sup>(a)</sup>	–	197,160
Value Partners China Greenchip Fund Limited <sup>(b)</sup>	159,211	155,199
Value Partners Classic Equity Fund <sup>(a), (c)</sup>	105,614	97,883
Value Partners Classic Fund <sup>(d)</sup>	88,332	77,615
Value Partners Concord China Dim Sum High Yield Bond Fund	3,201	3,353
Value Partners Concord Taiwan Home Run Fund <sup>(a)</sup>	29,528	29,622
Value Partners Credit Fund <sup>(e)</sup>	1	1
Value Partners Global Contrarian Fund	19,691	–
Value Partners Greater China High Yield Income Fund <sup>(f)</sup>	19,968	21,704
Value Partners Hedge Fund Limited <sup>(g)</sup>	2	2
Value Partners High-Dividend Stocks Fund <sup>(h)</sup>	301	288
Value Partners Intelligent Funds – China Convergence Fund <sup>(i)</sup>	72,288	62,980
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	187,192	169,005
Value Partners Strategic Equity Fund <sup>(i)</sup>	491	52
Value Taiwan ETF	10,320	10,185
中信•金元惠理金融投資集合資金信託計劃	14,035	–
金海九號證券投資集合資金信託計劃	3,473	–
<b>Total investments in investment funds managed/advised by the Group</b>	<b>884,755</b>	<b>998,811</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 36 Related-party transactions (continued)

#### 36.3 Investments in investment funds managed by the Group (continued)

- (a) The Group has waived its voting rights in respect of its holdings.
- (b) The shares held were redeemable Class A shares.
- (c) The shares held were USD Class shares.
- (d) The units held were "C" units.
- (e) The shares held were management shares.
- (f) The shares held were management shares, Class P MDis shares and Class A MDis shares.
- (g) The shares held were management shares.
- (h) The units held were Class A2 MDis units and Class A2 MDis units.
- (i) The units held were Class A units.
- (j) The shares held were non-voting shares.

#### 36.4 Investments in an investment fund managed by a related company and receivable from a related Company

As at 31 December 2014, the Group had investments in Malabar India Fund, LP amounted to HK\$23,175,000 (2013: HK\$13,825,000) which is managed by Malabar Investment LLC in which the Group had an interest of 6.62% (2013: 7.24%). The Group had no receivable (2013: HK\$194,000) from Malabar Investment LLC as at 31 December 2014.

#### 36.5 Amounts due from and to subsidiaries

The amounts due from and to subsidiaries are unsecured, non-interest bearing and are not repayable within 12 months after the balance sheet date.

#### 36.6 Dividends receivable

The amount is an interim dividend for the year ended 31 December 2014 and 2013 declared by Value Partners Hong Kong Limited to Value Partners Group Limited. The amount is unsecured and non-interest bearing.

## Particulars of subsidiaries

As at 31 December 2014, details of the Group's subsidiaries under the Listing Rules are as follows:

Name	Place of incorporation	Principal activities and place of operation	Issued share capital
Brilliant Star Capital (BVI) Limited	British Virgin Islands	Investment holding	US\$1
Brilliant Star Capital (Cayman) Limited	Cayman Islands	Investment holding	HK\$0.1
Brilliant Star Capital Limited	Hong Kong	Investment holding	HK\$350,000,000
Chengdu Vision Credit Limited	The People's Republic of China ("PRC")	Small loan business in PRC	Registered capital of RMB300,000,000 有限責任公司(合資)
Chief Union Investments Limited	Hong Kong	Money lending in Hong Kong	HK\$1
Hong Kong Asset Management Group Limited	Hong Kong	Dormant	HK\$1
Hong Kong Fund Management Group Limited	Hong Kong	Dormant	HK\$1
Original Capital Group Limited	Hong Kong	Dormant	HK\$1
Original Capital Limited	Hong Kong	Dormant	HK\$1
Rough Seas Capital Holdings Limited	Hong Kong	Dormant	HK\$1,000,000
Sensible Asset Management Hong Kong Limited	Hong Kong	Investment management in Hong Kong	HK\$37,314,734
Sensible Asset Management Limited	British Virgin Islands	Investment management in Hong Kong	US\$200,000
Value Executive Solutions Co. Limited (formerly Hong Kong Investment Management Co. Limited)	Hong Kong	Dormant	HK\$1
Value Funds Limited	Hong Kong	Investment holding	HK\$1
Value Investing Group Company Limited	Hong Kong	Dormant	HK\$1
Value Partners (Cayman GP) II Ltd	Cayman Islands	Managing member of three investment funds managed by Value Partners Hong Kong Limited and Value Partners Limited	US\$1

## Particulars of subsidiaries

Name	Place of incorporation	Principal activities and place of operation	Issued share capital
Value Partners Asset Management Singapore Pte. Ltd. (formerly Value Partners Investment Services Pte. Ltd.)	Singapore	Investment management in Singapore	S\$250,000
Value Partners Concord Asset Management Co., Ltd.	Taiwan	Investment management in Taiwan	NT\$300,000,000
Value Partners Corporate Consulting Limited	Hong Kong	Dormant	HK\$5,000,000
Value Partners Hong Kong Limited	Hong Kong	Investment management, investment holding and securities dealing in Hong Kong	HK\$385,000,000
Value Partners Index Services Limited	Hong Kong	Indexing services in Hong Kong	HK\$1
Value Partners Investment Advisory Limited	Hong Kong	Consulting services in Hong Kong	HK\$1
Value Partners Limited	British Virgin Islands	Investment management, investment holding and securities dealing in Hong Kong	US\$1,530,278
Value Partners Private Equity Limited	British Virgin Islands	Investment management and provision of research and investment advisory services in Hong Kong	US\$700,000
Value Partners Technology Solutions Limited (formerly Rough Seas Investing Group Limited)	Hong Kong	Providing information technology services	HK\$1
Valuegate Holdings Limited	British Virgin Islands	Trademark holding in Hong Kong	US\$2
Value Partners Strategic Equity Fund (Note)	Cayman Islands	Investment fund	US\$1,000
上海惠理投資管理諮詢有限公司	The People's Republic of China	Investment advisory in PRC	Registered capital of RMB10,000,000 有限責任公司(獨資)

Note: Value Partners Strategic Equity Fund ("VPSEF") is the Group's subsidiary for the purposes of Listing Rules. In accordance with Hong Kong Financial Reporting Standards, the interest in VPSEF is accounted for as an investment and is classified as investment at fair value through profit & loss accounts rather than a subsidiary of the Group in view of the economic substance of the transaction and other considerations according to the accounting standards. Therefore, VPSEF's results are not accounted for by the Group in the consolidated financial statements and VPSEF also is not included in the list of subsidiaries in Note 17 to the consolidated financial statements.

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