惠理集團
Value Partners Group

2016 ANNUAL REPORT 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)

Stock Code 股份代號：806

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 stood at US$13.2 billion as of 31 December 2016. 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, Chengdu and London. Value Partners' investment strategies cover absolute return long biased, fixed income, multi asset, alternative, relative return and thematic for institutional and individual clients in Asia Pacific, Europe and the United States. The Group also offers exchange-traded funds under the brand of Value ETF.

Contents

7 facts
about Value Partners

US$13.2 billion[1] assets under management

14.6% annualized return and 2,445.6% cumulative return since launch in 1993 for Value Partners Classic Fund (A Units)[2]

2016 Fund House of the Year[3]

140+ top performing awards and prizes since establishment

2,500 company visits and research meetings every year

About 60 investment professionals focusing on Greater China and Asia investments

24 years of track record, weathered various financial crises regionally and globally

Footnote:

(1) As of 31 December 2016.

(2) As of 31 December 2016. Performance of Value Partners Classic Fund (A Units), in USD, NAV to NAV, with dividend reinvested and net of fees. Annual performance over the past five years:
2012: +14.0%; 2013: +11.2%; 2014: +13.5%; 2015: –1.5%; 2016: -3.2%; 2017 (Year to date as at 28 February): +8.2%.

(3) Refer to "Fund House of the Year – Hong Kong" award by *AsianInvestor*'s Asset Management Awards 2016.

In the event of inconsistency, the English text of this Annual Report shall prevail over the Chinese text.

Corporate information

Board of Directors

Chairman and Co-Chief Investment Officer

Dato' Seri CHEAH Cheng Hye

Executive Directors

Mr. SO Chun Ki Louis
(Deputy Chairman and Co-Chief Investment Officer)
Dr. AU King Lun MH, Ph.D
(Chief Executive Officer)
Ms. HUNG Yeuk Yan Renee
(Deputy Chief Investment 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

Mr. CHEUNG Kwong Chi, Aaron

Authorized Representatives

Dr. AU King Lun MH, Ph.D
Mr. CHEUNG Kwong Chi, Aaron

Members of the Audit Committee

Mr. LEE Siang Chin *(Chairman)*
Dr. CHEN Shih-Ta Michael
Mr. Nobuo OYAMA

Members of the Nomination Committee

Dato' Seri CHEAH Cheng Hye *(Chairman)*
Dr. AU King Lun MH, Ph.D
Dr. CHEN Shih-Ta Michael
Mr. LEE Siang Chin
Mr. Nobuo OYAMA

Members of the Remuneration Committee

Dr. CHEN Shih-Ta Michael *(Chairman)*
Dato' Seri CHEAH Cheng Hye
Mr. LEE Siang Chin
Mr. Nobuo OYAMA
Mr. SO Chun Ki Louis

Members of the Risk Management Committee

Dr. AU King Lun MH, Ph.D *(Chairman)*
Mr. Roger Anthony HEPPER
Ms. LEE Vivienne
Mr. MO Chun Wah, Jonathan
Mr. SO Chun Ki Louis
Ms. WONG York Ying, Ella

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Office

9th Floor, Nexxus 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

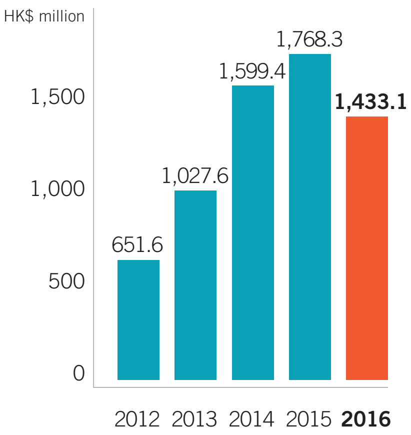
www.valuepartners-group.com

Stock Code

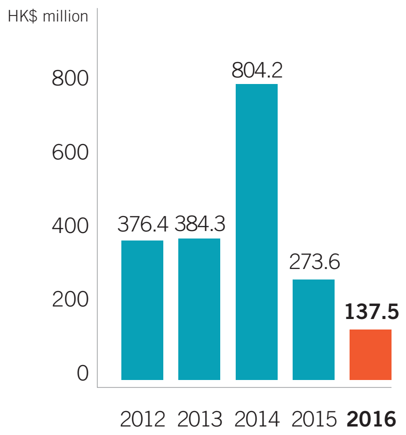
Stock Exchange of Hong Kong: 806

Financial highlights

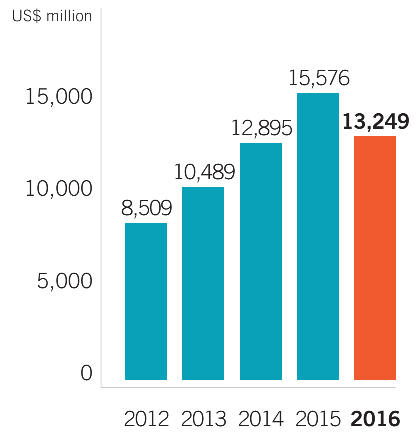
Revenue



Profit attributable to owners of the Company



Assets under management



	Results for the year ended 31 December					
(In HK$ million)	**2016**	**2015**	**% Change**	**2014**	**2013**	**2012**
Revenue	**1,433.1**	1,768.3	-19.0%	1,599.4	1,027.6	651.6
Operating profit (before other gains/losses)	**178.7**	514.0	-65.2%	749.6	468.2	254.4
Profit attributable to owners of the Company	**137.5**	273.6	-49.7%	804.2	384.3	376.4
Earnings per share (HK cents)						
– Basic	**7.4**	14.8	-50%	45.4	21.9	21.4
– Diluted	**7.4**	14.8	-50%	45.3	21.8	21.4

	Assets and liabilities as at 31 December					
(In HK$ million)	**2016**	**2015**	**% Change**	**2014**	**2013**	**2012**
Total assets	**3,957.0**	4,265.8	-7.2%	4,362.6	3,080.5	2,982.6
Less: Total liabilities	**196.4**	405.3	-51.5%	476.4	251.8	265.4
Total net assets	**3,760.6**	3,860.5	-2.6%	3,886.2	2,828.7	2,717.2

	Assets under management ("AUM") as at 31 December					
(In US$ million)	**2016**	**2015**	**% Change**	**2014**	**2013**	**2012**
AUM	**13,249**	15,576	-14.9%	12,895	10,489	8,509

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

Major recognitions for the year – 2016/2017

Winning **26 new recognitions in 2016**, our company's list of awards since inception has **exceeded the 140 mark**. This is an encouraging achievement to all of us amid the currently challenging operating environment. Not to mention that we have **won more awards this year (26 versus 20 in 2015), our awards also covered a wide range of categories**, demonstrating our excellent investment performance in various asset classes, as well as our outperformance as one of Asia's largest asset management house.

Among the new titles this year, it's worth to note that **eight of them are fixed income awards and seven of them are ETF awards**, setting a record year for our fixed income investment team and ETF business.

Dato' Seri CHEAH awarded top Malaysian honour

In August 2016, Dato' Seri CHEAH Cheng Hye was conferred **Darjah Gemilang Pangkuan Negeri "DGPN"**.

DGPN is among the highest civil honours granted by the state government of Penang in Malaysia. Seven people received this state award in 2016 which comes with the title of "Dato' Seri".

CHEAH Cheng Hye and value investing

The success story of Dato' Seri CHEAH and Value Partners were recently captured in a book written by a famous financial writer in Hong Kong. The book was published in December 2016.

The book is available in most of the book stores in Hong Kong.

Asia Asset Management ("AAM") 2015 Best of the Best Performance Awards

Value Partners won two top prizes from AAM, the **20-Year Award for Greater China** as well as the **Longevity Awards – Best Asset Management House over the last 20 Years (co-winner)**.

Mr. Raymond TAM (left), one of our senior members, accepted the awards at the presentation ceremony.

2016 ETF and Indexing ("ETFI") Awards, by Asia Asset Management

AAM and ETFI Asia give recognitions to outstanding firms, products and personalities from Asia's ETF and Indexing industry. In 2016, Value Partners was awarded three major awards, including **Best ETF Launch, Best Commodity ETF** and **Best Smart Beta ETF**.

Mr. William CHOW (second from the left), one of our senior members, together with our sales colleagues, accepted the ETF awards at the presentation ceremony.

AsianInvestor's Asset Management Awards 2016

Value Partners was named **Fund House of the Year – Hong Kong** in a year when Hong Kong's fund managers were experiencing an overall drop in net asset sales in 2015.

(From left to right) Fund Manager Mr. Frank TSUI, Mr. Raymond TAM and our Managing Director of Institutional Business Ms. Marcella LUI attended the AsianInvestor award ceremony.

Asian Private Banker's Asset Management Awards for Excellence 2016

Value Partners was named **Best Fund Provider – Greater China Equity** by *Asian Private Banker*, a prestigious industry publication for Asia's private banking community.

(From left to right) The editorial representative of Asian Private Banker presented the award to Ms. Marcella LUI and Ms. Vicky YICK, our Senior Director of Institutional Business.

Major recognitions for the year – 2016/2017

Bloomberg Businessweek's Top Fund Awards 2016

Value Gold ETF, our first commodity ETF, was awarded **Best ETF – Commodities and Specialty Category**, in terms of NAV tracking error and NAV total return.

2016 HKCAMA* – Bloomberg Offshore China Fund Awards

Our Greater China High Yield Income Fund and Value China ETF were awarded **Best Total Return – Greater China Fixed Income (for both 1-year and 3-year periods)**, as well as **Best Tracking Error (ETF) – First Runner-Up**, respectively. These awards recognized fund products issued by HKCAMA members.

** HKCAMA is the abbreviation of Chinese Asset Management Association of Hong Kong.*

Mr. Raymond TAM (right) accepted the awards from the organizer.

Thomson Reuters Lipper Fund Awards 2016

In addition to the prestigious **Best Equity Group (Hong Kong)** award granted to Value Partners, our High-Dividend Stocks Fund was also named **Best Asia Pacific ex-Japan Equity (10 Years)** for its long-term and consistent performance over the years.

Our Senior Fund Manager Mr. Philip LI (right) accepted the Best Equity Group certificate at the presentation ceremony.

The Asset Triple A, Asset Servicing, Investor and Fund Management Awards 2016

Value Partners was crowned **Asset Management Company of the Year (Hong Kong) – Highly Commended Fund House** by *The Asset*. Our Head of Fixed Income **Mr. Gordon IP** received the award of **Fund Manager of the Year (long-only fixed income category)**.

Mr. Gordon IP accepted the award on stage.

Benchmark's Fund of the Year Awards 2016

Our Greater China High Yield Income Fund received the **Best-in-Class** title under **Other Bonds category** for its stellar performance in the 12-month period ending 30 September 2016.

(From the left) Our fixed income investment members, Ms. Elaine HU (Fund Manager), Mr. Gordon IP and Mr. Edwin KAM (Assistant Fund Manager) attended the award ceremony and shared the great moment together.

The Asset's Asian G3 Bond Benchmark Review 2016

Value Partners was ranked as the **2nd Top Investment House** based on votes from institutional investors. Three members of our fixed income investment team were also chosen as the **Most Astute Investors** in this annual ranking. The awards recognized the winners of their knowledge of the credits markets, as well as their acumen in making investment decisions and their trading skills.

Our fixed income investment members and Singapore business team attended the award ceremony in Singapore. The most Astute Investors in Asian G3 Bonds in Hong Kong 2016 were (from the right) Mr. Edwin KAM (ranked the 7th), Ms. Elaine HU (ranked the 24th), and Mr. Gordon IP (ranked the 4th).

Highlights of the year

Client events and industry participations

Project Citizens Forum in Hong Kong

Dato' Seri CHEAH Cheng Hye, our Chairman and Co-Chief Investment Officer ("Co-CIO") (*middle*), was among the prominent leaders in Hong Kong invited to speak at the Forum, addressing the opportunities and challenges facing Hong Kong's fund management industry.

Is Hong Kong losing its appeal as Asia's financial centre?

Our Chief Executive Officer Dr. AU King Lun (*second from the left*), a member of the Market Development Committee of Hong Kong's Financial Services Development Council, was one of the panel speakers at *South China Morning Post*'s latest Redefining Hong Kong Debate Series. Dr. AU noted that the top priority of Hong Kong is to retain and attract talents.

Sharing with Hong Kong Securities and Investment Institute

Dato' Seri CHEAH was invited to deliver a speech about "Value Investing: How to make it work". He shared with industry members what it takes to run a successful fund management business.

The HedgeFund Intelligence Asia Forum 2016

Our Managing Director Mr. LAI Voon San was a panelist discussing macro headwinds facing the Asian market and the opportunities hidden amidst this turmoil.

Client events and industry participations

Bloomberg Markets Most Influential Summit 2016

Dato' Seri CHEAH was among the financial leaders invited to speak at Bloomberg's annual signature event in Hong Kong, sharing his insights on how to hunt for long-term equity returns despite market volatilities.

2017 Asia Financial Forum ("AFF")

The AFF brings together influential members of the global financial and business community to discuss developments and trends in the dynamic markets of Asia. Our Head of Fixed Income Mr. Gordon IP (*second from the right*) was invited to share his views on investment opportunities within the Asian credit space.

Value Partners Investment Outlook Luncheon 2017

In our first-ever investment outlook luncheon for key business stakeholders from private banks and retail distribution channels, our senior investment members, including Mr. Gordon IP (*second from the left*), our Deputy Chairman and Co-CIO Mr. Louis SO (*third from the left*), our Investment Director Mr. YU Xiaobo (*right*), as well as our Deputy CIO Ms. Renee HUNG (*fourth from the left in the second photo*) shared their views on the Asia and China markets. They also highlighted the risks and key investment themes on equity and fixed income for 2017.

10th Anniversary Celebration Party for Manulife and Value Partners

This is a co-host event with one of our long-term business partners, Manulife (Employee Benefit division), to celebrate our 10-year journey in developing a successful MPF business.

Highlights of the year

Client events and industry participations

An investment dinner on multi asset investment opportunities

We are pleased to have engaged AIA as our exclusive partner to promote our new multi asset fund at the initial launch phase. At the dinner, our Senior Fund Manager Ms. Kelly CHUNG (*left*) shared her views on various markets and asset classes while Mr. Arthur SHEK (*right*), Associate Publisher and Head of Research of *Hong Kong Economic Times*, added insights from the perspective of a journalist and finance columnist.

"Total experience" seminars for clients and distribution partners

To deepen the relationship with our valued investors and distribution partners, we have organized five lifestyle seminars covering children education, art appreciation and investment fortune-telling during the year.

Fixed Income Breakfast Roundtable in Singapore

In a breakfast roundtable for local distributors in Singapore, our fixed income investment team highlighted the risks within the Asian credit market and reiterated that yield chasing will remain a key investment theme for 2017.

ETF Investment Expo 2016

Participating in the annual expo for the fifth year, we hosted two educational seminars, namely "Smart Beta ETFs" and "How to use ETFs for portfolio diversification to hedge against market uncertainties". Both sessions were well attended by an audience of over 600 people.

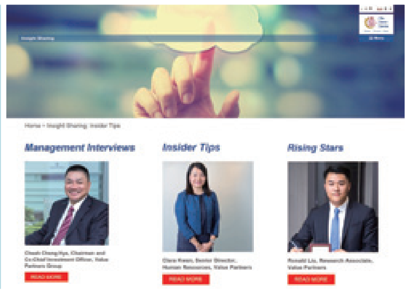
Corporate social responsibility ("CSR") programme

Value Partners Group is committed to good corporate citizenship. In addition to providing financial support to charity organizations, we encourage our employees to participate in community services and contribute to our society. At Value Partners, our engagement with different community groups are steered by our Recreation Committee, which is guided by our Human Resources team.

During 2016, we continued to show our support for the financial industry, universities, as well as the wider community through participating in a range of campaigns and activities.

FSDC's career website

Hong Kong's Financial Services Development Council ("FSDC") launched the FSDC career website (www.career-fsdc.org.hk) in October 2016 as part of its initiatives to help nurture human capital. Our Chairman and Co-CIO Dato' Seri CHEAH Cheng Hye, Head of Human Resources Ms. Clara KWAN, and Analyst Mr. Ronald LIU were interviewed to show the Group's support to the programme.



Value Partners participates in HKSAR government-funded WAM Pilot Programme

To enhance talent training in the asset and wealth management sector, the HKSAR government is funding a three-year pilot programme targeting undergraduate students and in-service practitioners. As one of the industry players supporting the programme, Value Partners' team ran a booth at the Launching Ceremony-cum-Industry Promotion Day on 15 October 2016 in Hong Kong, addressing student enquiries while providing them more in-depth knowledge about career opportunities within the industry.

Career-sharing session at Hong Kong University of Science and Technology ("HKUST")

Partnering with HKUST's Undergraduate Student Development and Career Services Centre, we hosted a career-sharing session at the campus. Our Fund Manager Mr. Frank TSUI (*left*) and colleagues from our business team gave an overview of the asset management business and shared job opportunities in the industry with over 60 students.

Shanghai Jiao Tong University's visit

A delegation of the university's Master of Finance program alumni, of which most are C-level executives of private equities or hedge funds on the mainland, visited our Hong Kong headquarters and met our investment and China business colleagues.

Highlights of the year

Corporate social responsibility ("CSR") programme

Wharton University's visit

A delegation of Wharton University visited our headquarters and had a sharing session with our fixed income investment team.

Our support to Viva China Children's Cancer Foundation ("Viva China Foundation")

Established in 2014, Viva China Foundation is dedicated to helping children in China stricken by cancer. To show our support to the Foundation, we gathered donations from our staff as part of our annual act of charity and saving lives.

Donation to a primary school in Chengdu, China

Students of Bu Yi Xiao Xue, a primary school situated on a 2,000-metre-high mountain, contracted an illness caused by sand stone in the drinking water. After a month of preparation and two days of transportation, we provided the students with a water filter machine and water cups for clean drinking water.

Heep Hong Society's day camp for autistic youths

In the day camp, we played games and completed various tasks with autistic youths and their parents. It was a meaningful and fun-filled experience.

Corporate social responsibility ("CSR") programme

Value Partners awarded Caring Company logo award

Presented by the Hong Kong Council of Social Services ("HKCSS") under the Caring Company Scheme, the award aims at recognizing model corporate citizens that demonstrate continual and all-round commitment to the well-being of the community, its employees as well as the environment.

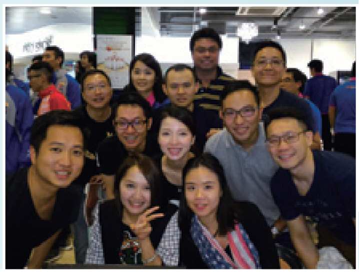
商界展關懷 caringcompany 2016/17 ®
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Deutsche Bank's 9th Annual Hong Kong Soccer Sixes Tournament

In 2016, our team continued to participate in the annual soccer sixes tournament together with other financial institutions.

TWGH charity bowling tournament

To support the bowling tournament organised by Hong Kong's Tung Wah Group of Hospitals ("TWGH"), 12 of our colleagues joined the competition which was filled with fun and power!



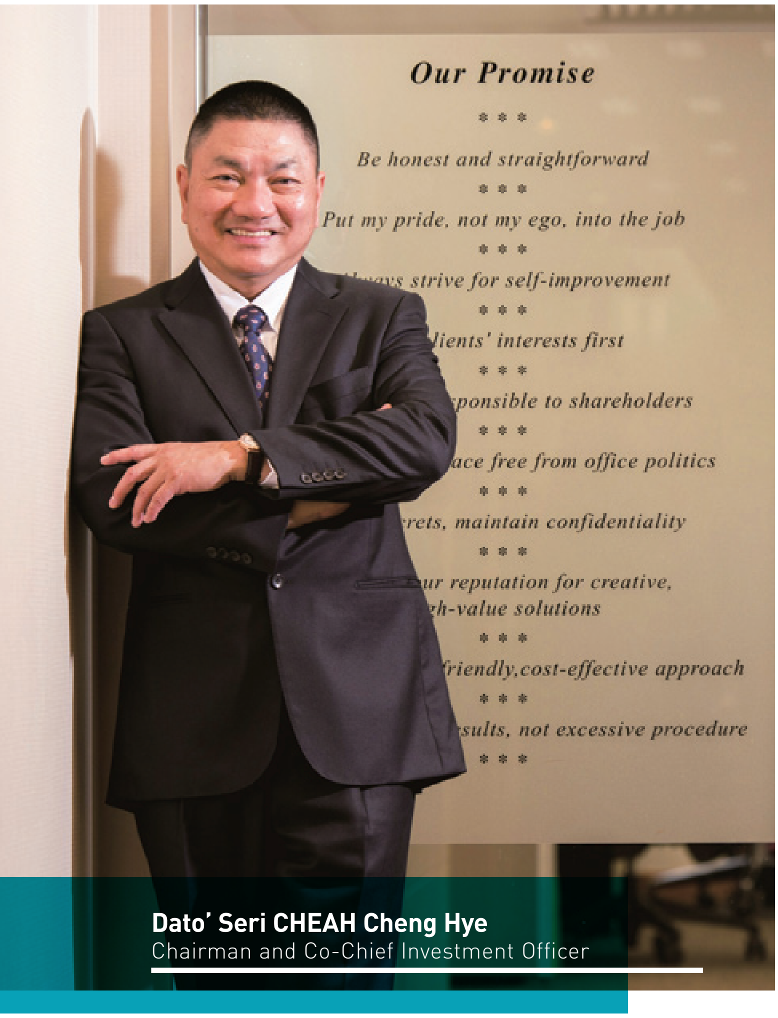
Value Partners' family day

Apart from Green Monday, health talks, flu vaccination arrangement, hiking and many other recreation activities, our annual family day is one of our most memorable staff events where we bring our kids and family members to the office for a day of fun.

Value Partners' annual dinner 2016

In our annual celebration, our management and staff had an enjoyable night with games and great food. Dato' Seri CHEAH also presented long service awards to colleagues who have worked at the company for over 5 and 10 years.

Chairman's Statement



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

Although 2016 was difficult — actually, it was our toughest year since the 2008 global financial crisis — we persisted with our efforts to develop the Group's capabilities. Indeed, as a fund-management operation, Value Partners has never been stronger, and the Group now has the potential to emerge from Asia to become a world-class institution.

The poor results of 2016 are as follows: a 50% decline in net profit to HK$138 million from HK$274 million in 2015, and a 15% drop in assets under management ("AUM") from a year earlier to US$13.2 billion. It was the first time since 2008 that Value Partners experienced a net outflow of funds. The investment cycle was against us: our style, based on value-investing, was out of favour, and so was the Asia-Pacific region, in which we specialize. (Please see the accompanying "Report of the Chief Executive Officer" for a detailed discussion of these and other matters.)

But we believe that was the cyclical bottom, for value-investing and for Asia-Pacific market performance. The first half of 2016 was awful, with a net profit of just HK$5 million, but we began to see signs of recovery in the second half, with net profit improving to HK$133 million. And as 2017 begins, the prospect continues to brighten.

While tightening cost controls, we remain focused on a long-term vision for Value Partners. We have a large, high-quality investment team, giving us a huge advantage in developing our product menu. Among Asia's independent asset-management brands, we are one of the few to have developed our own in-house operational infrastructure, and this is another clear advantage for sustainable growth.

In recent months, new appointments have been made in the corporate and business operations of the Group. From December 2016, we have a new Chief Executive Officer, Dr. AU King Lun, who has almost 30 years of industry experience, having served in the Hong Kong asset management units of leading brands, including British insurance group Prudential, Bank of China (Hong Kong) and HSBC. He replaced Mr. Timothy TSE Wai Ming. In 2016, we also appointed a Chief Operating Officer, Mr. Roger HEPPER, who has 30 years of experience in managing infrastructure and operational support systems in leading companies.

Strong position

As always, the investment environment offers bags of opportunities and uncertainties. We want a model that is resilient against uncertainties — and also one that can capture the breakthroughs.

Indeed, the present time could be transformational for Value Partners, which is Hong Kong's biggest listed independent asset-management firm by far, with a well-established brand name of its own. Indeed, my opinion is that Asian fund managers like Value Partners could be entering a Golden Age. The mainland Chinese public, with the world's biggest pool of savings, are clearly looking to diversify their investments. The Chinese are becoming richer faster than their own financial system has developed to serve their needs. Value Partners is clearly among the firms that are in a strong position to offer products and services to the China market, on a rising scale, as the Chinese become a leading exporter of capital and consumer of financial services.

We gain confidence from our robust history, based on integrity, professional excellence and learning from mistakes. Since its founding in 1993, Value Partners' assets under management has grown from less than US$5 million to reach US$13.2 billion by the end of 2016. The flagship Value Partners Classic Fund[1] has gained 2,446% (net to clients) since inception compared with the Hang Seng Index's gain of 419% over the same period (performance measured from inception in April 1993 to the end of 2016, when the Classic Fund's size was US$1.41 billion).

In the 24 years since its founding, Value Partners Group has captured a total of 142 performance awards, including many of the most prestigious awards available for its industry sector. Most recently, we were crowned "Best Equity Group (Hong Kong) – 2016[2]" by Thomson Reuters Lipper and "Fund House of the Year – Hong Kong[3]" in *AsianInvestor's* Asset Management Awards 2016.

By the end of last year, the number of full-time staff reached 208, from just two at the start (I and a junior secretary, in early 1993). And since we opened for business, the firm has never suffered a loss-making year, except for an insignificant loss of HK$262,000 recorded in 1999 as we struggled with the fall-out from the Asian Financial Crisis.

To the many clients, employees, shareholders and service providers who have supported and encouraged us, now for 24 years, we shall always be grateful. While reaching for the stars, we keep our feet firmly planted on the ground.

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

1. *Performance of Value Partners Classic Fund (A Units) as of 31 December 2016, in USD, NAV to NAV, with dividend reinvested and net of fees. Annual performance over the past five years: 2012: +14.0%; 2013: +11.2%; 2014: +13.5%; 2015: -1.5%; 2016: -3.2%; 2017 (Year to date as at 28 February): +8.2%.*
2. *2016 Thomson Reuters Lipper Fund Awards Hong Kong, reflecting performance over the 3-year period as at December 2015.*
3. *Based on performance and achievements for 2015.*

Report of the Chief Executive Officer

Moving forward in a challenging market

2016 was a year of surprises. Global financial markets were shocked by "black swan" events which triggered volatility and dampened investment sentiment. In Hong Kong, the asset management market was not immune with retail equity funds recording a net outflow of US$8.2 billion[1], versus a net inflow of US$7.3 billion in 2015. Asia regional ex-Japan equity funds and China equity funds were among the hardest hit in 2016, with net outflows reaching US$1.2 billion[1] and US$1.4 billion[1], respectively.

Financial highlights

With market uncertainty leading to extreme levels of volatility in 2016, we suffered from the first annual net outflow since 2008, bringing down both assets under management ("AUM") and net profit of the Group. As of 31 December 2016, our AUM declined 15% from a year earlier to US$13.2 billion, mainly attributed to a net outflow of US$1.9 billion. Against this backdrop, management fee income and performance fee income both decreased during the year, leading to a 50% drop in profit attributable to owners of the Company (2016: HK$138 million, 2015: HK$274 million).

Given the adverse market conditions, we have taken prudent measures to enhance cost efficiency. Fixed operating expenses continued to be well covered by net management fee income. The fixed cost coverage ratio (net management fees divided by fixed costs) was 2.1 times in 2016.

While navigating a turbulent market, we have been pursuing deliberate initiatives, including product and business diversification, as well as infrastructure enhancement, to mitigate market risks and explore new growth drivers.

Product and business diversification

China and Asian markets were marked by a cyclical correction in 2016. While we believe that Asia remains a major growth engine of the globe and its fundamentals will continue to be attractive over the long term, we also recognize the impact of a market correction could have on our business. In this regard, we are resolute in diversifying our product suite to manage the inherited cyclical nature of our business.

Value Partners has been well recognized for our capability in equity investing since we launched our flagship fund — Value Partners Classic Fund — in 1993. We have been gradually broadening our investment capabilities to include fixed income and multi asset since 2012.

Fixed income is now a significant asset class to our Group, accounting for 17% of total AUM. Our largest fixed income product — Value Partners Greater China High Yield Income Fund[2] — delivered a return of 15.9% for 2016, outperforming the J.P. Morgan China Total Return Index[3] by over 10 percentage points. During the year, we also successfully launched a Greater China preference shares income fund and Qualified Domestic Limited Partnership ("QDLP") products linked to this fund, which were popular among mainland investors. QDLP is a cross-border investment scheme that enables qualified mainland individuals to invest overseas. In 2016, Value Partners' fixed income team had a record year of awards earning eight industry accolades for their excellent investment performance.

Having launched our first multi asset fund in October 2015 and achieved good AUM growth in 2016, we are planning to offer more multi asset solutions in the near future to help investors weather different investment cycles. In addition, we aim to develop alternative investment capabilities as part of our strategic initiative to broaden our asset class coverage.

Meanwhile, we have strengthened our investment team in Singapore and established an office in the United Kingdom as we extend our market coverage to Global Emerging Markets ("GEM"). Our first GEM fund, focusing on fixed income, was launched in February 2017.

Progress was also made on our exchange-traded fund ("ETF") business. The demand for leveraged and inverse ("L&I") ETFs has been flourishing in the region after South Korea launched the first L&I product in Asia about eight years ago. Followed by the respective debut launches in Japan and Taiwan in 2012 and 2014, regulators in Hong Kong and Singapore gave their green light last year. As L&I products were gaining traction, we have been developing our own L&I products which are scheduled for launch in 2017. As a homegrown asset manager in Hong Kong, Value Partners is committed to improving investor education as it is one of the pre-requisites required for developing the ETF market in Hong Kong. To raise the awareness and the usage of ETFs locally, we rolled out a promotional campaign in December 2016 in which the management fee of Value Gold ETF (03081 HK) was lowered to 0% from 0.15% per annum until 30 June 2017. Launched in 2010, Value Gold ETF is the first ETF[4] backed by physical gold stored in Hong Kong, making it less susceptible to geopolitical risks given Hong Kong's relatively stable status as compared to other overseas locations.

Last but not the least, our core equity capability, which contributed to 81% of the Group's AUM, was once again recognized by the industry for consistency and performance. We were proud to be crowned "Best Equity Group (Hong Kong)" in the Thomson Reuters Lipper Fund Awards Hong Kong 2016[5] and named "Fund House of the Year – Hong Kong" in *AsianInvestor's* Asset Management Awards 2016[6].

Apart from expanding our product suite and overseas presence, we have also been building our own robo-advisory wealth management platform to participate in the burgeoning financial technology business ("Fintech"). While the development work is still in progress, we are looking to reach our first milestone in the near future.

Infrastructure enhancement

In order to support our new business initiatives, we have taken various measures to cope with the increasing scale and complexity of the Group's business, as well as the changing dynamics in the market. Among all, we upgraded our infrastructure and management resources and engaged an external adviser to review our internal control procedures last year.

In August 2016, the Group appointed Mr. Roger HEPPER as Chief Operating Officer, who has 30 years of experience in managing infrastructure and internal control systems for leading asset management firms in the region. In his role, Roger oversees the overall infrastructure of the Group, covering product development, middle-office, information technology, legal and risk management. I am delighted to have Roger, a highly respected industry expert, as a member of the Group's senior management team.

Business opportunities

Investment flows in and out of China are expected to increase substantially in the coming years and decades. Value Partners, with its 24 years of local heritage, is well-positioned to take advantage of this once-in-a-lifetime paradigm shift. With our talents and resources, we are in an excellent position to embrace the exciting opportunities ahead and develop Value Partners into a global brand in the process.

Some of the promising developments and leads are highlighted below for information:

(i) China outbound flows

Over the past few years, we have been participating in various cross-border investment schemes to help mainland Chinese investors invest in overseas markets. In 2016, we offered several cross-border private funds to Chinese investors by utilizing our US$100 million QDLP quota. We also took advantage of the Stock Connect programmes by working closely with our business partners on the mainland. We are also keen to participate in the Mainland-Hong Kong Mutual Recognition of Funds ("MRF") and have submitted the application for our flagship fund – Value Partners Classic Fund – to the China Securities Regulatory Commission for approval. In Hong Kong, we have also extended our reach to mainland Chinese investors through building closer ties with Chinese financial institutions in the city.

(ii) Inflows from the rest of the world

While seizing the China outbound flow, we are also building our overseas presence to capture inflows from the rest of the world. In September 2016, Value Partners Asset Management Singapore Pte Ltd ("VPAMS"), the Group's wholly owned subsidiary, was granted a Retail Licensed Fund Manager Company ("LFMC") license to carry out business in fund management with all types of investors. Established in 2014, the subsidiary initially focused on serving institutional and accredited investors, and this will remain the near-term focus until our retail products are launched. Elsewhere in Europe, we have opened an office in London which started to offer products to institutional investors under the Undertakings for the Collective Investment in Transferable Securities ("UCITS") scheme.

Appreciation

Value Partners is one of the great success stories in the fund management industry in Asia and it has been succinctly captured in a book about our Chairman Dato' Seri CHEAH Cheng Hye written recently by a famous financial writer in Hong Kong. I am delighted to have joined Value Partners Group in December 2016 and presented you my first statement as Chief Executive Officer, following the departure of Mr. Timothy TSE. On behalf of the Company, I would like to thank Timothy for his valuable contribution to the Group's development during his 10-year tenure. I would also like to welcome all new colleagues who have joined Value Partners over the past year. Last but not the least, it gives me great pleasure in conveying my heartfelt appreciation to all of our staff for their dedication and commitment to the Group's continuing success.

Dr. AU King Lun MH, Ph.D
Chief Executive Officer and Executive Director

1. *Source: Hong Kong Investment Funds Association, data as of 31 December 2016.*

2. *Performance of Value Partners Greater China High Yield Income Fund (Class P Acc USD) as of 31 December 2016, in USD, NAV to NAV, with dividend reinvested and net of fees. Annual performance over the past five years: 2012: +13.0%; 2013: +1.2%; 2014: +1.1%; 2015: +6.1%; 2016: +15.9%; 2017 (Year to date as at 28 February): +5.5%.*

3. *J.P. Morgan China Total Return Index is a sub-index under the J.P. Morgan Asia Credit Index which tracks total return performance of the Asia fixed-rate dollar bond market.*

4. *Refers to Hong Kong-listed ETFs only.*

5. *2016 Thomson Reuters Lipper Fund Awards Hong Kong, reflecting performance over the 3-year period as at December 2015.*

6. *Based on performance and achievements for 2015.*

Financial review

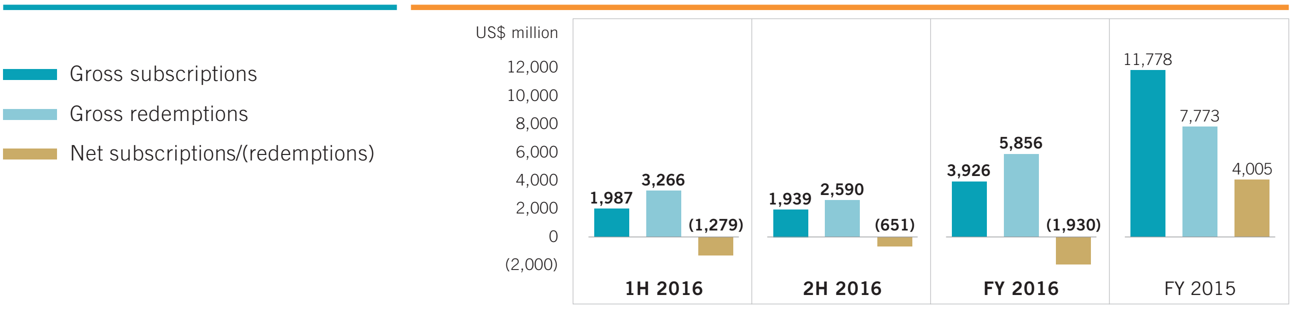
Assets Under Management

AUM and return

The Group's AUM stood at US$13,249 million at the end of December 2016 (31 December 2015: US$15,576 million). The decline was mainly due to the Group's net redemptions of US$1,930 million during the year.

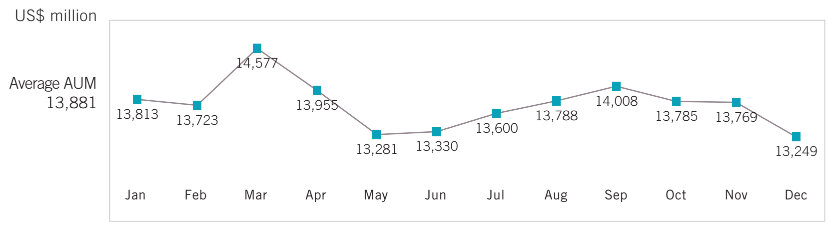
Overall fund performance[1], calculated in asset-weighted average return of funds under management, gained 0.6% in 2016. Among all, Value Partners Greater China High Yield Income Fund[2], our largest fixed income fund, generated solid return of 15.9% during the year. Meanwhile, Value Partners Classic Fund[3], our flagship product, fell 3.2% during the year while Value Partners High-Dividend Stocks Fund[4], the Group's largest public fund[5] in Hong Kong, dipped 0.2% during the year.

In the second half of 2016, our net outflows improved with net redemptions reduced to US$651 million from US$1,279 million in the first half of 2016. For the full year of 2016, we had net redemptions of US$1,930 million (2015: net subscriptions of US$4,005 million), comprises of gross subscriptions of US$3,926 million (2015: US$11,778 million) and gross redemptions of US$5,856 million (2015: US$7,773 million).



AUM Change in the year 2016

Monthly AUM in the year 2016



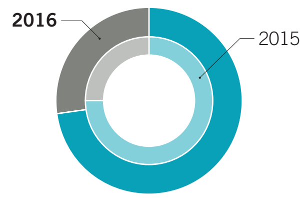
Financial review

AUM by category

The charts below showed the breakdown of the Group's AUM as at 31 December 2016 in two different classifications: by brand and strategy. During the year, Own Branded Funds (73%) remained the major contributor to the Group's AUM by brand amid our expansion in distribution network, despite a slight decline due to net redemptions during the year. In terms of strategy, Absolute Return Long-biased Funds (81%) continued to represent the majority of the Group's AUM, followed by Fixed Income Funds (17%), in which the largest share was taken up by Value Partners Greater China High Yield Income Fund.

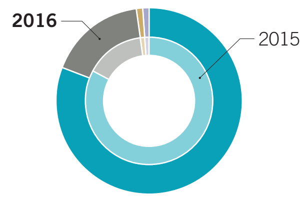
Classification by brand

	2016	2015
Own Branded Funds	**73%**	75%
White Label & Co-branded Funds	**27%**	25%



Classification by strategy

	2016	2015
Absolute Return Long-biased Funds	**81%**	83%
Fixed Income Funds	**17%**	15%
Alternative Funds	**1%**	1%
Quantitative Funds & ETF	**1%**	1%

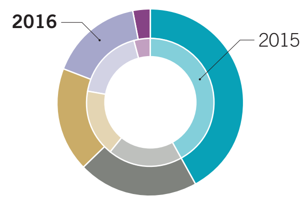


Client base

During the year, institutional clients – including institutions, pension funds, high-net-worth individuals ("HNWIs"), endowments and foundations, funds of funds, together with family offices and trusts – remained the Group's primary set of fund investors, accounting for 58% of total AUM (31 December 2015: 58%). Meanwhile, retail clients contributed to 42% of total AUM (31 December 2015: 42%). In terms of geographical location, Hong Kong clients accounted for 83% of the Group's AUM (31 December 2015: 78%) while United States and Europe took up a combined 7% (31 December 2015: 11%).

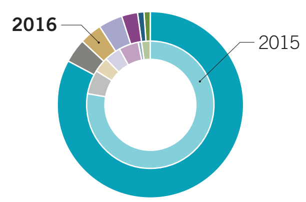
Client analysis by type

	2016	2015
Retail	**42%**	42%
Pension funds	**21%**	19%
High-net-worth individuals	**18%**	17%
Institutions	**16%**	18%
Others	**3%**	4%



Client analysis by geographical region

	2016	2015
Hong Kong	**83%**	78%
United States	**4%**	6%
Singapore	**4%**	4%
China	**4%**	4%
Europe	**3%**	5%
Australia	**1%**	1%
Others	**1%**	2%



Financial review

Summary of results

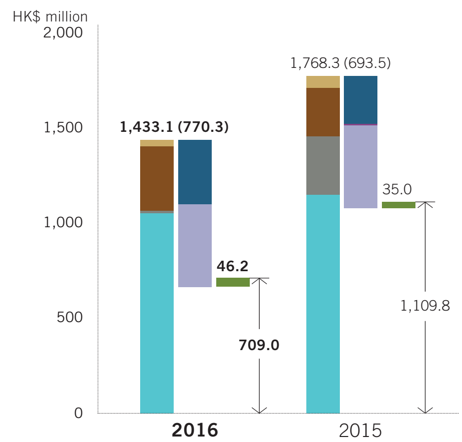
Key financial highlights for the reporting period are as follows:

(In HK$ million)	**2016**	2015	% Change
Total revenue	**1,433.1**	1,768.3	-19.0%
Gross management fees	**1,049.1**	1,144.7	-8.4%
Gross performance fees	**10.8**	309.0	-96.5%
Operating profit (before other gains/losses)	**178.7**	514.0	-65.2%
Profit attributable to owners of the Company	**137.5**	273.6	-49.7%
Basic earnings per share (HK cents)	**7.4**	14.8	-50.0%
Diluted earnings per share (HK cents)	**7.4**	14.8	-50.0%
Interim dividend per share	**Nil**	Nil	
Final dividend per share (HK cents)	**4.8**	10.0	-52.0%
Special dividend per share (HK cents)	**7.2**	6.0	+20.0%
Total dividends per share (HK cents)	**12.0**	16.0	-25.0%

Revenue and fee margin

Breakdown of total net income

(In HK$ million)	**2016**	2015
Revenue		
Management fees	**1,049.1**	1,144.7
Performance fees	**10.8**	309.0
Front-end fees	**338.7**	251.8
Interest and fee income from loan portfolio	**34.5**	62.8
Distribution and advisory fee expenses		
Management fee rebate	**(432.4)**	(434.4)
Performance fee rebate	**-**	(8.3)
Other revenue rebate	**(337.9)**	(250.8)
Other income		
Other income	**46.2**	35.0



The Group's profit attributable to owners of the Company amounted to HK$137.5 million in 2016 (2015: HK$273.6 million) amid a volatile stockmarket. Total revenue decreased by 19.0% to HK$1,433.1 million (2015: HK$1,768.3 million). Gross management fees, the major contributor to our revenue, dropped 8.4% to HK$1,049.1 million (2015: HK$1,144.7 million) as a result of a 9.4% decrease in the Group's average AUM to US$13,881 million (2015: US$15,332 million).

During the year, annualized gross management fee margin increased to 97 basis points (2015: 96 basis points) as the Group continued to realize the benefit from relatively strong inflows into our Own Branded Funds in the second half of 2015. As management fee rebates for distribution channels stood at HK$432.4 million (2015: HK$434.4 million), annualized net management fee margin was compressed slightly to 57 basis points (2015: 60 basis points).

Financial review

Gross performance fees, another source of revenue, decreased to HK$10.8 million (2015: HK$309.0 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 period ended.

Meanwhile, other revenue mainly included front-end load, of which a substantial amount was rebates to distribution channels (a usual practice in the market). Other revenue also included HK$34.5 million (2015: HK$62.8 million) of interest and fee income generated from the loan portfolio of our non-wholly owned subsidiary, which operates small loan business in Chengdu city in China.

Other income, which mainly comprised interest income and dividend income, was HK$46.2 million (2015: HK$35.0 million). Interest income increased to HK$19.3 million (2015: HK$18.6 million) while dividend income increased to HK$21.1 million (2015: HK$16.1 million).

Other gains and losses

Breakdown of other losses – net

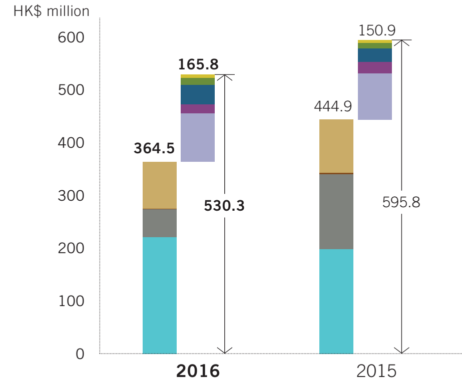
(In HK$ million)	**2016**	2015
Net losses on investments	**(1.1)**	(29.5)
Net losses on investments held-for-sale	**(2.0)**	(1.7)
Impairment loss on investment in an associate	–	(42.8)
Impairment loss on goodwill and license	–	(24.8)
Others	**(15.4)**	(35.0)
	(18.5)	(133.8)

Other gains or losses mainly included fair value changes and realized gains or losses on seed capital investments, investments in own funds and other investments, as well as net foreign exchange gains or losses. Seed capital investments were made by the Group to provide 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.

Cost management

Breakdown of total expenses

(In HK$ million)	2016	2015
Compensation and benefit expenses		
Fixed salaries and staff benefits	**221.4**	199.3
Management bonus	**52.5**	141.7
Staff rebates	**1.4**	2.3
Share-based compensation expenses	**89.2**	101.6
Other expenses		
Other fixed operating costs	**91.4**	87.6
Sales and marketing	**17.9**	22.7
Loan impairment allowances	**36.7**	24.3
Depreciation	**13.9**	10.9
Non-recurring expenses	**5.9**	5.4



In terms of cost management, the Group continued to exercise stringent cost discipline and aimed to keep fixed operating expenses well covered by net management fee income (by around 2 times), a relatively stable income source. Such coverage is measured by "fixed cost coverage ratio", an indicator showing the number of times that fixed operating expenses (excluding discretionary and non-recurring expenses) are covered by net management fee income. For 2016, the Group reported a fixed cost coverage ratio (for asset management business) of 2.1 times (2015: 2.8 times).

Compensation and benefit expenses

During the year, fixed salaries and staff benefits rose by HK$22.1 million to HK$221.4 million (2015: HK$199.3 million), mainly attributable to salary increments and the addition of headcounts to support the Group's business growth.

In line with the Group's compensation policy – which distributes 20% to 23% of the annual net profit pool as management bonus to employees – management bonus for the year decreased to HK$52.5 million (2015: HK$141.7 million). The profit pool is derived by deducting certain adjustments, including cost of capital, from net profit before management bonus and taxation. Discretionary bonus was maintained as it promotes staff loyalty and performance while aligning employee interests with shareholders'.

Meanwhile, staff of Value Partners are entitled to partial rebates of management fees and performance fees when investing in funds managed by the Group. Staff rebates for the year amounted to HK$1.4 million (2015: HK$2.3 million).

During the year, the Group recorded expenses of HK$89.2 million (2015: HK$101.6 million) relating to stock options granted to employees. This expense item had no impact on cash flow and was recognized in accordance with Hong Kong Financial Reporting Standards.

Financial review

Other expenses

Other non-staff operating costs, such as rents, legal and professional fees, investment research fees, as well as other administrative and office expenses, amounted to HK$91.4 million for 2016 (2015: HK$87.6 million), while sales and marketing expenses decreased to HK$17.9 million (2015: HK$22.7 million).

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 annually at the end of each financial year to better align dividend payments with the Group's full-year performance. Dividend per share is declared based on the Group's realized profit which excluded the unrealized gains and losses recognized.

For 2016, the Board of Directors recommended a final dividend of HK4.8 cents per share and a special dividend of HK7.2 cents per share to shareholders.

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 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$2,629.1 million. Net cash inflows from operating activities amounted to HK$130.8 million, and the Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities. The Group's debt-to-equity ratio (interest bearing external borrowings divided by shareholders' equity) was zero while current ratio (current assets divided by current liabilities) was 15.8 times.

Capital structure

As at 31 December 2016, the Group's shareholders' equity and total number of shares in issue for the Company were HK$3,760.6 million and 1.85 billion, respectively.

1. *Overall fund performance is calculated by taking an asset-weighted average of returns of the most representative share class of all funds managed by Value Partners.*

2. *As of 31 December 2016. Refer to footnote 2 on page 16.*

3. *As of 31 December 2016. Refer to footnote 1 on page 13.*

4. *Performance of Value Partners High-Dividend Stocks Fund (Class A1) as of 31 December 2016, in USD, NAV to NAV, with dividend reinvested and net of fees. Annual performance over the past five years: 2012: +25.2%; 2013: +8.1%; 2014: +9.4%; 2015: -3.7%; 2016: -0.2%; 2017 (Year to date as at 28 February): +9.8%.*

5. *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.*

Source for performance figures: HSBC Institutional Trust Services (Asia) Limited and Bloomberg. 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' Seri CHEAH Cheng Hye, aged 63, is Chairman and Co-Chief Investment Officer ("Co-CIO") of Value Partners Group. He is in charge of Value Partners' fund management and investment research, business operations, 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' Seri CHEAH.)

Dato' Seri 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 firm became the first asset management company listed in Hong Kong. Dato' Seri 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 140 professional awards and prizes since the firm's inception in 1993.

Dato' Seri CHEAH has been a member of the Financial Services Development Council ("FSDC"), a high-level, cross-sector advisory body established by the Hong Kong Special Administrative Region Government, since 2015, following a two-year term as a member of the New Business Committee of FSDC since 2013. In February 2017, Dato' Seri CHEAH was nominated by Hong Kong Exchanges and Clearing Limited (HKEX) for the position of Independent Non-executive Director of its board. In addition, he has been a member of The Hong Kong University of Science and Technology ("HKUST") Business School Advisory Council since June 2011.

In August 2016, Dato' Seri CHEAH was conferred Darjah Gemilang Pangkuan Negeri ("DGPN"), one of the highest civil honours granted by the state of Penang in Malaysia to recognize exceptional individuals. The DGPN award comes with the title of "Dato' Seri". In 2013, he was conferred Darjah Setia Pangkuan Negeri ("DSPN") with the title of "Dato' ". In the same year, he was named an Honorary Fellow of the HKUST for outstanding achievements.

Dato' Seri 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 *Finance Asia* in 2007, and in 2003, he was voted the "Most Astute Investor" in the Asset Benchmark Survey.

Prior to starting Value Partners, Dato' Seri 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' Seri CHEAH served for nine years (1993 to 2002) as an independent non-executive director of Hong Kong-listed JCG Holdings, a leading microfinance company (a subsidiary of Public Bank Malaysia renamed from 2006 as Public Financial Holdings).

Biographies of directors and senior management

Executive Directors

SO Chun Ki Louis

Deputy Chairman and Co-Chief Investment Officer

Mr. Louis SO, aged 41, is Deputy Chairman and Co-Chief Investment Officer ("Co-CIO") of Value Partners Group, assisting Dato' Seri 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 18 years of experience in the financial 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 helps 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' Seri CHEAH Cheng Hye.

Mr. SO 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.

AU King Lun MH, Ph.D

Chief Executive Officer

Dr. AU King Lun, aged 57, is Chief Executive Officer ("CEO") of Value Partners Group, responsible for the Group's business and corporate affairs. He joined Value Partners in December 2016, bringing almost 30 years of industry experience and network in the Asian asset management industry to his role with the Group.

Previously, Dr. AU was CEO of Eastspring Investments (Hong Kong) Limited, an ultimately wholly owned subsidiary of Prudential plc of the United Kingdom. He also served as CEO of BOCHK Asset Management Limited (a wholly owned subsidiary of BOC Hong Kong (Holdings) Limited) and held various senior management positions at other financial institutions including 11 years' service with HSBC Global Asset Management (Hong Kong) Limited.

Dr. AU was named CEO of the Year in Hong Kong by *Asia Asset Management* in 2012 and 2014. He was awarded the Medal of Honour ("MH") by the Government of the Hong Kong Special Administrative Region ("Hong Kong SAR") for his valuable contributions to the securities and asset management industry in 2008.

Currently, Dr. AU sits on the Advisory Committee of Hong Kong's Securities and Futures Commission and the Market Development Committee of the Financial Services Development Council ("FSDC"), a high-level, cross-sector advisory body established by the Hong Kong Special Administrative Region Government. From 2015 to 2016, Dr. AU served as a member of FSDC. In addition, he was the Chairman of the Hong Kong Securities and Investment Institute from 2006 to 2008 and the Chairman of the Hong Kong Investment Funds Association in 2004/2005.

Dr. AU holds a CFA, and he earned a Bachelor's degree in Physics from the University of Oxford and a PhD in Theoretical Particle Physics from Durham University.

HUNG Yeuk Yan Renee

Deputy Chief Investment Officer

Ms. Renee HUNG, aged 42, 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 financial 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 graduated from the University of California in Los Angeles with a Bachelor's degree in Applied Mathematics.

Independent Non-executive Directors

CHEN Shih-Ta Michael

Dr. Michael Shih-Ta CHEN, aged 71, was appointed as an Independent Non-executive Director of Value Partners Group Limited on 22 October 2007.

Dr. CHEN serves as Senior Advisor to the Director of the Case Research Center of Peking University, Guanghua School of Management. He 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 is also a member of both the Global Advisory and Editorial Boards of the Global Jesuit Case Series. 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. Between 1973 and 1986, he worked with Citibank both in New York and in Hong Kong in a variety of staff and line roles in its corporate, private and investment banking units. 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 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, aged 68, was appointed as an Independent Non-executive Director of Value Partners Group Limited on 22 October 2007.

Mr. LEE currently serves as an Independent Non-executive Director for Maybank Kim Eng Securities (Thailand) Public Limited Company (a company listed on the Stock Exchange of Thailand), Maybank Investment Bank 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 served as an Independent Non-Executive Director of the Social Security Organization of Malaysia and a member of its investment panel. He 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 the President of the Association of Stock Broking Companies in Malaysia.

Mr. LEE 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, aged 63, was appointed as an Independent Non-executive Director of Value Partners Group Limited on 22 October 2007.

Mr. OYAMA is currently an Adviser to Funai Kosan, Co., Ltd., Japan. Previously, he had over 30 years' experience in financial operations across Japan, United Kingdom and Hong Kong for Nichimen Corporation, Japan, including the Managing Director of Nichimen Co., (Hong Kong) Ltd. and Sojitz Trade & Investment Services (Hong Kong) Ltd. After leaving Nichimen/Sojitz Group, Mr. OYAMA served as a board member etc. of various venture companies, including PreXion Corporation, Japan, Yappa Corporation, Japan and TeraRecon Inc., USA. He was also the founder and Managing Director of Asiavest Co., Ltd., Japan.

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 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, in 2010. He became a Chartered Member of the Securities Analysts Association of Japan (CMA®) in 2009.

Other senior management members

Investment management team

HO Man Kei, Norman CFA

Senior Investment Director

Mr. Norman HO, aged 50, is Senior Investment Director of Value Partners, where he holds a leadership role in the Company's investment process, including a high degree of responsibility for portfolio management.

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

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

IP Ho Wah Gordon CFA

Head of Fixed Income

Mr. Gordon IP, aged 46, is Head of Fixed Income of Value Partners, where he oversees the firm's credit and fixed income investments and portfolio management. He has over 20 years of experience in managing credit and fixed income assets. In 2016, he was named "Fund Manager of the Year – Long Only Fixed Income" by *The Asset*. He was also crowned one of the top 10 Astute Investors in Asian G3 bonds in Hong Kong by *The Asset Benchmark Research* for three consecutive years (2014 to 2016). He came in 4th in the 2016 ranking.

Mr. IP joined Value Partners in August 2009 as a Fund Manager and was promoted to the roles of Senior Fund Manager and Investment Director in 2015 and 2016, respectively. Prior to joining the firm, he was a Director at HSBC Private Bank in Hong Kong, overseeing its fixed income advisory business.

Before relocating to Hong Kong in 2008, Mr. IP served at Prudential Fixed Income Management in the United States for four years, specializing in relative value and credit analysis of securitized products. Besides performing security selection, he was also involved in the day-to-day management and performance attribution of fixed income portfolios.

Prior to Prudential, he was a Vice President in Fixed Income Research at Salomon Smith Barney in New York, contributing to the analysis and structuring of active as well as passive fixed income portfolios for many Fortune 500 companies, sovereign wealth funds and Asian government agencies. Mr. IP started his career as an analyst at Goldman Sachs' fixed income, currency and commodity division in Hong Kong in 1995.

Mr. IP holds a Master's degree in Financial Mathematics from the University of Chicago and a Master's degree in Engineering from Cornell University in the United States. He is a CFA charterholder.

Biographies of directors and senior management

Business management team

Roger Anthony HEPPER

Chief Operating Officer

Mr. Roger HEPPER, aged 56, is Chief Operating Officer of Value Partners Group. He oversees the overall infrastructure of the Group, covering product development, information technology and operations, legal and risk management, as well as middle-office coordination across the Group's Hong Kong headquarters and overseas offices. Mr. HEPPER joined Value Partners in August 2016. He has a distinguished career in asset management with 30 years of experience. He is a veteran of JPMorgan Group with diverse leadership roles.

Mr. HEPPER was Managing Director and Chief Operating Officer of Asia Pacific for JPMorgan Asset Management. He joined the firm in 1987 as an Internal Audit Manager in London and relocated to Hong Kong in 1995 as a Senior Finance Manager of Jardine Fleming Unit Trusts. He was appointed Head of Risk Management and Middle Office of Asia Pacific in 1999, then Head of Risk, Operations & Technology of Asia Pacific in 2001, before taking up the Regional Chief Operating Officer role in 2003. Prior to joining the firm, he began his career at Baker Rooke in London and qualified as a Chartered Accountant.

In addition to holding a number of directorships and board memberships at JPMorgan Asset Management across Asia, Mr. HEPPER was invited to sit in various committees of Hong Kong's Securities and Futures Commission such as the Committee on Unit Trusts and the Real Estate Investment Trusts Committee. He also served as a Representative Director on the OTC Clear Board of Hong Kong Exchanges and Clearing Limited.

Mr. HEPPER graduated from Loughborough University of Technology in England with a Bachelor's degree in Accountancy and Financial Management. He is a Fellow of I.C.A.E.W.

WONG Ngai Sze, Icy

Chief Financial Officer

Ms. Icy WONG, aged 39, is Chief Financial Officer of Value Partners Group, where she is responsible for financial control and treasury operations of the Group and its subsidiaries. She is also in charge of the investor relations function.

Ms. WONG has broad experience in the asset management industry, particularly with regard to financial management, investor relations and other related functions. She joined Value Partners in June 2008 as a Manager of Finance and was promoted over the years to oversee the finance division. In January 2017, she was appointed Chief Financial Officer.

Prior to joining Value Partners, Ms. WONG worked at Ernst & Young and PricewaterhouseCoopers, covering assurance and advisory business service.

Ms. WONG graduated with a Bachelor's degree in Commerce, Accounting and Finance from the University of New South Wales in Australia. She is a member of the Hong Kong Institute of Certified Public Accountants and a holder of Financial Risk Manager ("FRM").

CHEUNG Wan May Wimmie

Head of Legal

Ms. Wimmie CHEUNG, aged 41, is Head of Legal of Value Partners, where she oversees all legal affairs for the Company.

Ms. CHEUNG is an experienced legal professional with more than 18 years in the field. She joined Value Partners in August 2005 as Legal Advisor. She was promoted to Senior Legal Advisor in 2007 and Head of Legal in January 2010.

Prior to joining Value Partners, Ms. CHEUNG was a Corporate Counsel with a group of companies listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Ms. CHEUNG received her Master of Laws (LL.M) from the University of London and also received her Postgraduate Certificate in Laws (P.C.LL) from the University of Hong Kong.

LEE Vivienne

Chief Compliance Officer

Ms. Vivienne LEE, aged 43, is Chief Compliance Officer of Value Partners, where she oversees the Company's compliance function.

Ms. LEE has broad experience in the industry with a particular focus on compliance functions and scope, expertise in regulatory statutes, and other related functions. She joined Value Partners in May 2004 as an Assistant Compliance Manager. She was promoted to 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 the Hong Kong 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 graduated from the University of New South Wales with a Bachelor's degree in Economics. She is a member of the CPA Australia.

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 2016.

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 16.1 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 62.

Dividends

No interim dividend was paid during the year. The Directors recommend the payment of a final dividend of HK4.8 cents per share and a special dividend of HK7.2 cents per share for the year ended 31 December 2016 to the shareholders whose names are registered on the register of members of the Company on 12 May 2017. Subject to the approval of shareholders of the Company at the Annual General Meeting for the year 2017, the final and special dividends will be payable on or about 25 May 2017. Dividend per share is declared based on the Group's realized profit which excluded the unrealized gains and losses recognized.

Summary of results, assets and liabilities

Summary of results, assets and liabilities for the years of 2012 to 2016 are set out on page 3 of this report.

Share issued in the year

Details of the shares issued in the year ended 31 December 2016 are set out in Note 26 to the consolidated financial statements.

Reserves

In addition to the retained profits of the Company, the share premium account and reserve of the Company are 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 2016, the Company's distributable reserve was HK$2,425,116,000.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$353,000.

Board of Directors

During the year ended 31 December 2016 and up to the date of this report the Board comprised:

Executive Directors

Dato' Seri CHEAH Cheng Hye *(Chairman)*
Mr. SO Chun Ki Louis
Dr. AU King Lun (appointed on 7 March 2017)
Ms. HUNG Yeuk Yan Renee
Mr. TSE Wai Ming, Timothy (resigned on 1 November 2016)

Independent Non-executive Directors

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

In accordance with articles 86 and 87 of the Company's articles of association, Dr. AU King Lun, Ms. HUNG Yeuk Yan Renee and Dr. CHEN Shih-Ta Michael 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 23 to 26.

Directors' service contracts

The service contract of Executive Directors 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' Seri CHEAH Cheng Hye and Dr. AU King Lun 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 2016 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 2016, 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:

(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(3)	Approximate percentage of issued Shares
Dato' Seri CHEAH Cheng Hye	Founder of trust/beneficial(1)	403,730,484	–	21.80%
	Beneficial	57,470,828	56,620,000	6.16%
Mr. SO Chun Ki Louis	Beneficial	14,165,723	16,990,000	1.68%
Ms. HUNG Yeuk Yan Renee	Founder of trust(2)	16,870,583	–	0.91%
	Beneficial	–	11,370,000	0.61%
Dr. CHEN Shih-Ta Michael	Beneficial	–	500,000	0.02%
Mr. LEE Siang Chin	Beneficial	200,000	300,000	0.02%
Mr. Nobuo OYAMA	Beneficial	500,000	300,000	0.04%

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' Seri CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Dato' Seri CHEAH Cheng Hye is the founder of this trust. The ultimate holding company of BNP Paribas Jersey Trust Corporation Limited is BNP Paribas SA.

(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) 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' Seri 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 Stenying Holdings Limited, whose entire issued share capital is held by the spouse of Mr. LEE Siang Chin.

(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 2016 is as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2016	Number of Share Options Granted	Exercised	Lapsed	As at 31/12/2016
Dato' Seri CHEAH Cheng Hye	17/06/2015[3]	17/12/2015-16/12/2021	14.092	18,873,333	–	–	–	18,873,333
		17/12/2016-16/12/2021	14.092	18,873,333	–	–	–	18,873,333
		17/12/2017-16/12/2021	14.092	18,873,334	–	–	–	18,873,334
Mr. SO Chun Ki Louis	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
	12/05/2015	12/05/2018-11/11/2021	13.60	1,716,666	–	–	–	1,716,666
		12/05/2019-11/11/2021	13.60	1,716,666	–	–	–	1,716,666
		12/05/2020-11/11/2021	13.60	1,716,668	–	–	–	1,716,668
	17/06/2015	17/12/2015-16/12/2021	14.092	3,413,333	–	–	–	3,413,333
		17/12/2016-16/12/2021	14.092	3,413,333	–	–	–	3,413,333
		17/12/2017-16/12/2021	14.092	3,413,334	–	–	–	3,413,334
Ms. HUNG Yeuk Yan Renee	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
	12/05/2015	12/05/2018-11/11/2021	13.60	1,016,666	–	–	–	1,016,666
		12/05/2019-11/11/2021	13.60	1,016,666	–	–	–	1,016,666
		12/05/2020-11/11/2021	13.60	1,016,668	–	–	–	1,016,668
	17/06/2015	17/12/2015-16/12/2021	14.092	2,373,333	–	–	–	2,373,333
		17/12/2016-16/12/2021	14.092	2,373,333	–	–	–	2,373,333
		17/12/2017-16/12/2021	14.092	2,373,334	–	–	–	2,373,334
Dr. CHEN Shih-Ta Michael	31/05/2012	31/12/2013-30/05/2022	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
	17/06/2015	17/12/2015-16/12/2021	14.092	100,000	–	–	–	100,000
		17/12/2016-16/12/2021	14.092	100,000	–	–	–	100,000
		17/12/2017-16/12/2021	14.092	100,000	–	–	–	100,000
Mr. LEE Siang Chin	17/06/2015	17/12/2015-16/12/2021	14.092	100,000	–	–	–	100,000
		17/12/2016-16/12/2021	14.092	100,000	–	–	–	100,000
		17/12/2017-16/12/2021	14.092	100,000	–	–	–	100,000
Mr. Nobuo OYAMA	17/06/2015	17/12/2015-16/12/2021	14.092	100,000	–	–	–	100,000
		17/12/2016-16/12/2021	14.092	100,000	–	–	–	100,000
		17/12/2017-16/12/2021	14.092	100,000	–	–	–	100,000

Report of the directors

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2016	Number of Share Options Granted	Exercised	Lapsed	As at 31/12/2016
Employees	23/06/2010	23/06/2011-22/12/2016	5.00	166,667	–	(166,667)	–	–
		23/06/2012-22/12/2016	5.00	166,667	–	(166,667)	–	–
		23/06/2013-22/12/2016	5.00	166,666	–	(166,666)	–	–
	31/05/2012	31/05/2014-30/05/2022	3.94	500,000	–	(500,000)	–	–
		31/05/2015-30/05/2022	3.94	500,000	–	(500,000)	–	–
	31/05/2012	31/05/2013-30/05/2022	3.94	100,000	–	–	–	100,000
		31/05/2014-30/05/2022	3.94	100,000	–	–	–	100,000
		31/05/2015-30/05/2022	3.94	200,000	–	–	–	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
	12/05/2015	12/05/2018-11/11/2021	13.60	12,009,987	–	–	(2,269,997)	9,739,990
		12/05/2019-11/11/2021	13.60	12,009,987	–	–	(2,269,997)	9,739,990
		12/05/2020-11/11/2021	13.60	12,010,026	–	–	(2,270,006)	9,740,020
	17/06/2015	17/12/2015-16/12/2021	14.092	7,136,653	–	–	(903,331)	6,233,322
		17/12/2016-16/12/2021	14.092	7,136,653	–	–	(903,331)	6,233,322
		17/12/2017-16/12/2021	14.092	7,136,694	–	–	(903,338)	6,233,356
Total				148,120,000	–	(3,000,000)	(9,520,000)[4]	135,600,000

Notes:

1. The closing prices of the Shares immediately before the share options granted on 23 June 2010, 31 May 2012, 7 December 2012, 12 May 2015 and 17 June 2015 were HK$5.00, HK$3.90, HK$4.54, HK$13.68 and HK$13.50 respectively.

2. No share option was cancelled during the year.

3. Out of a total of 56,620,000 share options, the grant of 54,800,000 share options to Dato' Seri CHEAH was approved in the extraordinary general meeting of the Company held on 27 July 2015.

4. 5,690,000 share options belong to a resigned employee with entitlement to the share options that are not vested by his last employment date.

5. The weighted average closing price of the shares immediately before the dates of exercise by the director and employees was HK$7.04.

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 2016, 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:

Long position in the shares under the SFO

Name	Nature of interest	Number of Shares	Approximate percentage of issued Shares
Ms. TO Hau Yin(1)	Spouse	517,821,312	27.96%
Mr. YEH V-Nee	Beneficial	300,159,324	16.20%
Mrs. YEH Mira(2)	Spouse	300,159,324	16.20%
Cheah Capital Management Limited(3)	Beneficial	403,730,484	21.80%
Cheah Company Limited(3)	Corporate	403,730,484	21.80%
BNP Paribas Jersey Nominee Company Limited(3)	Nominee	403,730,484	21.80%
BNP Paribas Jersey Trust Corporation Limited(3)	Trustee	403,730,484	21.80%

Notes:

(1) Ms. TO Hau Yin is the spouse of Dato' Seri 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' Seri CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Dato' Seri CHEAH Cheng Hye is the founder of this trust. The ultimate holding company of BNP Paribas Jersey Trust Corporation Limited is BNP Paribas SA.

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.

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 the date of this Annual Report

Scheme mandate granted on 9 June 2015: 129,179,038 shares (6.98%).

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.

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' Seri CHEAH Cheng Hye was revised from HK$504,800 to HK$517,400 with effect from 1 January 2017.

- The monthly salary of Mr. SO Chun Ki Louis was revised from HK$290,600 to HK$297,900 with effect from 1 January 2017.

- The monthly salary of Ms. HUNG Yeuk Yan Renee was revised from HK$195,900 to HK$200,800 with effect from 1 January 2017.

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 and Note 38 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.

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 2016) accounted for 40% of the Group's total fee income, and the Group's five largest suppliers accounted for 53% of the Group's distribution fee expenses for the year ended 31 December 2016.

The Group's largest customer (in terms of AUM as at the end of year) accounted for approximately 7% of the Group's total fee income whereas our largest supplier accounted for approximately 14% 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.

Business review

The business reviews of the Group for the year ended 31 December 2016 is set out in the sections headed "Report of the Chief Executive Officer", "Financial review", "Corporate governance report", "Environmental, social and governance report" and "Consolidated financial statements" of this Annual Report.

Disclosures on risk management and environmental policies

Details of disclosures on risk management and environmental policies are set out in the "Corporate governance report" and the "Environmental, social and governance report" of this Annual Report.

Post balance sheet event

There was no post balance sheet event for the year ended 31 December 2016.

Auditor

The consolidated financial statements for the year ended 31 December 2016 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' Seri CHEAH Cheng Hye
Chairman and Co-Chief Investment Officer

Hong Kong, 7 March 2017

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 risk management and 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 2016, apart from the deviation mentioned in later paragraphs. 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 and special dividend to the shareholders of the Group;
- Reviewing and approving, if considered fit, the business plans and financial budgets of the Group;
- Reviewing the business and financial updates of the Group;
- Ensuring a high standard of corporate governance, compliance, risk management and internal control; and
- Overseeing the performance of 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 flash report and follow by a comprehensive monthly management report incorporating financial highlights, management fee analysis, expenses analysis, fund flows summary, treasury operations performance and segment information has been circulated to the Directors. The flash report and the management report would be released to the Directors as soon as practicable after the month end.

The Board held 4 meetings in 2016 and the attendance record of each Director at the board meetings is set out below:

	No. of board meetings attended/held
Executive Directors	
Dato' Seri CHEAH Cheng Hye *(Chairman)*	4/4
Mr. SO Chun Ki Louis	4/4
Ms. HUNG Yeuk Yan Renee	4/4
Mr. TSE Wai Ming, Timothy	3/3 (Note)
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	4/4
Mr. LEE Siang Chin	4/4
Mr. Nobuo OYAMA	4/4

Note: Mr. TSE Wai Ming, Timothy resigned as Executive Director on 1 November 2016.

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 had meetings with the Independent Non-executive Directors without the presence of Executive Directors in 2016. 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 2016 is as follows:

	Type of continuous professional development programmes
Executive Directors	
Dato' Seri CHEAH Cheng Hye *(Chairman)*	A, B, C
Mr. SO Chun Ki Louis	A, B, C
Ms. HUNG Yeuk Yan Renee	A, B, C
Mr. TSE Wai Ming, Timothy	A, B, C(Note)
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	B, C
Mr. LEE Siang Chin	B, C
Mr. Nobuo OYAMA	B, C

Note: Mr. TSE Wai Ming, Timothy resigned as Executive Director on 1 November 2016.

Notes: A: Attending seminars and courses relating to regulations, updates and development on fund management business
B: Attending a briefing section of additional reporting requirements under the Listing Rules for this financial year and other regulatory updates
C: Reading materials relating to the latest development of the Securities and Futures Ordinance and Asset Management Industry in China

Each of the Executive Directors entered into a service contract with the Group 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' Seri CHEAH Cheng Hye, chairs all the board meetings and general meetings. He is leading the overall business and investment strategies of the Group. 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.

Under Code Provision A.2 of the CG Code, the roles of Chairman and Chief Executive Officer of a listed company should be separate and performed by different individuals. However, Dato' Seri CHEAH Cheng Hye has been appointed as the Acting Chief Executive Officer of the Company with effect from 1 November 2016 in view of the resignation of Mr. TSE Wai Ming, Timothy as the Chief Executive Officer and an Executive Director of the Company on the same date. Upon the appointment of Dr. AU King Lun as the Chief Executive Officer of the Company with effect from 12 December 2016, Dato' Seri CHEAH Cheng Hye has ceased to be the Acting Chief Executive Officer of the Company, and the Company is in compliance with the requirement under Paragraph A.2 of the CG Code.

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 risk management and internal control systems. 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 2016. The Chief Executive Officer, the Chief Operating Officer, the Chief Compliance Officer, the Head of Internal Audit, the Chief Financial Officer, Director of Risk Management, and the Company Secretary were normally invited to attend the meetings and representatives of the Auditor also joined three meetings involving the discussion of the Group's interim and annual results. The attendance record of each member at the Audit Committee meetings is set out below:

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

In 2016, 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 2017 audit plan.
- The reports prepared by risk management, compliance and corporate audit departments.
- The internal control report prepared by external advisor.
- The Group's adherence to the code provisions in the CG Code.
- The risk management framework of the Group.

In order to further enhance independent reporting, the members met in separate private sessions with the Auditor 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' Seri CHEAH Cheng Hye, Mr. TSE Wai Ming, Timothy (Note), 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.

The Remuneration Committee held two meetings in 2016. The attendance record of each member at the Remuneration Committee meetings is set out below:

	No. of Remuneration Committee meetings attended/held
Dr. CHEN Shih-Ta Michael *(Chairman)*	2/2
Dato' Seri CHEAH Cheng Hye	2/2
Mr. LEE Siang Chin	2/2
Mr. Nobuo OYAMA	2/2
Mr. TSE Wai Ming, Timothy	1/1 (Note)

Note: Mr. TSE Wai Ming, Timothy ceased as member of Remuneration Committee on 1 November 2016.

In 2016, the Remuneration Committee reviewed, discussed and/or approved the issues related to:

- The remuneration level for Directors and senior management for the year 2017 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' Seri CHEAH Cheng Hye, Dr. CHEN Shih-Ta Michael, Mr. LEE Siang Chin, Mr. Nobuo OYAMA and Mr. TSE Wai Ming, Timothy (Note), three of which are Independent Non-executive Directors. The Nomination Committee is chaired by Dato' Seri CHEAH Cheng Hye.

The Nomination Committee held one meeting in 2016. The attendance record of each member at the Nomination Committee meeting is set out below:

	No. of Nomination Committee meeting attended/held
Dato' Seri CHEAH Cheng Hye *(Chairman)*	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	– (Note)

Note: Mr. TSE Wai Ming, Timothy ceased as member of Nomination Committee on 1 November 2016.

In 2016, 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 2016, the Nominated Committee nominated and recommended Dr. AU King Lun to the board as an Executive Director and his appointment was approved by the board on 7 March 2017.

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. As at 31 December 2016, the Risk Management Committee comprises Mr. Roger Anthony HEPPER, Ms. LEE Vivienne, Mr. MO Chun Wah, Jonathan, Mr. SO Chun Ki Louis and Ms. WONG York Ying, Ella.

The Risk Management Committee held four meetings in 2016. In the meetings, the members reviewed, discussed and/or approved the issues related to:

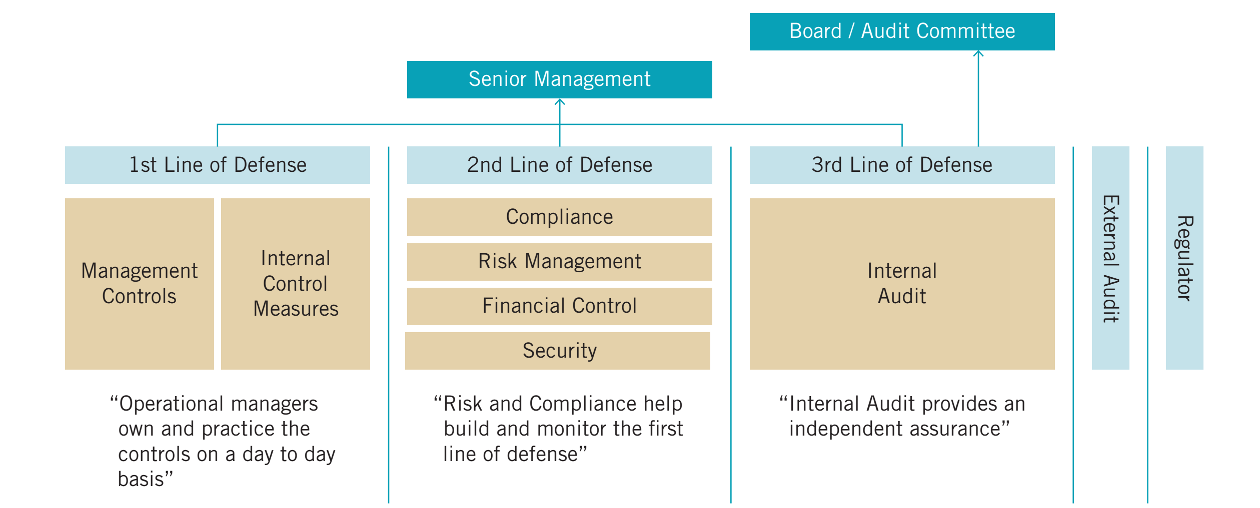
- The Group's risk management framework and system of internal control.
- Regular assessments on major risks.
- IT data security risk and cybersecurity.
- Enhancement of the risk monitoring of the overseas joint ventures.
- Risk control self-assessment update.
- Personal data handling policy.
- Investment and liquidity risk management.
- New risk approval process.
- Authorised capital issues of two funds.
- Regulatory updates.
- Items requiring risk acknowledgement to deal with risk identified but not fully mitigated.
- Control procedures over IT access to sensitive data.
- Internal audit plan.

Risk Management and Internal Controls

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, legal, risk management and internal controls, and the resourcing of the finance and internal audit functions. The Group has established an organizational structure with defined levels of responsibility and reporting procedures. The Risk Management Committee, Legal & Compliance department and Group Internal Audit assist the Board and the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The directors and the Audit Committee are kept regularly apprised of significant risks that may impact on the Group's performance. Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework is guided by the "Three Lines of Defense" model as shown below:

Three Lines of Defense Model of Value Partners Group



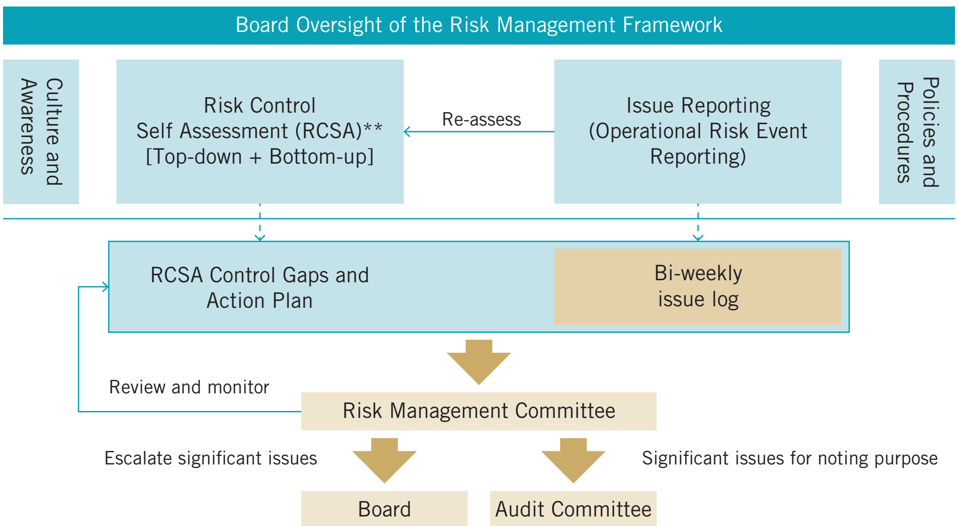
The Risk Management Committee which, via the Chief Operating Officer, co-ordinates enterprise risk management activities and reviews significant aspects of risk management for the Group, reports to the Audit Committee at each regularly scheduled meeting. Subjects covered, amongst other things, include significant risks of the Group and the appropriate mitigation and/or transfer of identified risks. The operating units of the Group, as risk owners, identify, evaluate, mitigate and monitor their own risks, and report such risk management activities to Risk Management and Compliance departments on an annual basis. Assessment on new risk is performed for new business initiatives.

Group Internal Audit reports to the Audit Committee at each regularly scheduled meeting throughout the year on the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls. Group Internal Audit adopts a risk-and-control-based audit approach. The annual work plan of Group Internal Audit covers major activities and processes of the Group's operations, businesses and service units. Special reviews are also performed at management's request. The results of these audit activities are communicated to the Audit Committee. Audit issues are tracked, followed up for proper implementation, and their progress are reported to the Audit Committee periodically. Group Internal Audit provides independent assurance to the Board, the Audit Committee and the executive management of the Group on the adequacy and effectiveness of internal controls for the Group. The Head of Group Internal Audit reports directly to the Chairman of the Audit Committee and the Chief Executive Officer, with an indirect reporting line to the Chief Operating Officer who has the responsibility to assist Group Internal Audit resolve issues on a daily basis.

The senior management of the Group, supported by the Risk Management Committee, Legal & Compliance department and Group Internal Audit, is responsible for the design, implementation and monitoring of the risk management and internal control systems, and for providing regular reports to the Board and the Audit Committee on the effectiveness of these systems.

The following diagram illustrates the key processes used to identify, evaluate and manage the Group's significant risks:

Risk Management Framework of Value Partners Group



** To be updated annually/whenever there is any significant change in the business process(es) and control(s).

Corporate governance report

The Group has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the executive management of the Group to regularly assess and at least annually to personally certify that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Group and its business practices in the future.

The Group has embedded its risk management systems into the core operating practices of the business. On an ongoing basis, the respective operating units of the Company will review and assess the status of potential risks which may impact on their ability to achieve their business objectives and/or those of the Company. Any incidents that arise in the year are investigated to assess if control procedures can be enhanced, whilst new initiatives are subjected to a new risk approval process to identify and address potential new risks that could arise. This review process includes assessment as to whether the existing system of internal controls continues to remain relevant, adequately addresses potential risks, and/or should be supplemented. The results of these reviews are recorded in the logs for monitoring and incorporated into the Group's Risk Control Self-Assessment for analysis of potential strategic implications and for regular reporting to the senior management and directors of the Company.

The Audit Committee has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Chairman of the Audit Committee has designated the Head of Group Internal Audit and/or the Chief Operating Officer to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations to them for consideration by the Audit Committee.

The Group regulates the handling and dissemination of inside information as set out in the Corporate Responsibility Policy and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

During 2016, the Risk Management Committee and Legal & Compliance department have worked closely with the operating units, senior management, and the directors to enhance the risk management systems. Such activities have included, amongst other matters recruiting additional experienced staff to act as Responsible Officers to companies within the Group, implementing several new internal control procedures, increasing the number of training sessions and risk workshops; further standardization of risk reporting and quantification; more closely aligning the assessment of internal controls with their potential risks; and increasing the depth and frequency of interaction with the designated directors on the Company's risk management system's design, operation, and findings. The Chief Operating Officer, Risk Management Committee and Compliance department have presented update reports to the Board and the Audit Committee on the results of the annual Risk Control Self-Assessment and other control procedures that have been implemented to establish and maintain effective risk management and internal control systems. Such work has assisted the directors in the review of the effectiveness of the risk management and internal control systems of the Group during the year.

During 2016, Group Internal Audit conducted selective reviews of the effectiveness of the systems of risk management and internal controls of the Group over financial, operational and compliance controls with emphasis on information technology and security, data privacy and protection, business continuity management and expansion to overseas offices. Additionally, the heads of major business and corporate functions of the Group were required to undertake control self-assessments of their key controls. These results were assessed by the Chief Operating Officer and Group Internal Audit and reported to the Audit Committee, which then reviewed and reported the same to the Board. During the year, the Company also employed an external advisor to conduct an independent review of Value Partners' internal control systems with respect to all SFC-authorised funds managed by the Group for the purpose of assessing the Groups' ability and capability in managing the SFC-authorised funds in accordance with the applicable legal and regulatory standards and requirements, including the Unit Trust Code and the Handbook. Other than one incident where two funds managed by the Group issued shares in excess of their authorised share capital, which was remediated before the year end without any loss to investors, the review revealed no other serious shortcomings in the Groups' internal control systems. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or results of operations of the Group and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions.

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 2016 was approximately HK$4.9 million. In addition, the auditor of the Company also provided tax services to the Group in 2016 and the fee was approximately HK$0.5 million.

Preparation of Financial Statements

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for the year ended 31 December 2016 (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 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-group.com 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 Group 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 Chief Financial Officer 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.

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 records of each Director at the AGM for the year 2016 are set out below:

	AGM attended/held
Executive Directors	
Dato' Seri CHEAH Cheng Hye *(Chairman)*	1/1
Mr. SO Chun Ki Louis	1/1
Ms. HUNG Yeuk Yan Renee	1/1
Mr. TSE Wai Ming, Timothy	1/1 (Note)
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	1/1
Mr. LEE Siang Chin	1/1
Mr. Nobuo OYAMA	1/1

Note: Mr. TSE Wai Ming, Timothy resigned as Executive Director on 1 November 2016.

We had around 100 shareholders or their representatives participated in our annual general meeting for the year 2016 and all the resolutions proposed were passed by poll voting in the meeting. Representatives of the auditor also attended this AGM. 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.

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 is available on the Company's website.

Environmental, social and governance report

1. About the report

This is the first Environmental, Social and Governance ("ESG") report issued by Value Partners Group Limited ("Value Partners" or "the Group"). The report discloses the sustainability initiatives by Value Partners and is prepared in accordance with the Environmental, Social and Governance ("ESG") Reporting Guide set out in Appendix 27 of the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx"). Unless otherwise specified, the time frame of this report is from 1 January 2016 to 31 December 2016.

Value Partners seeks to facilitate the long-term sustainable development of the environment and the society in which it operates in, and is therefore committed to minimize negative social and environmental impact resulted from our operations. The Group highly values the importance of compliance against all relevant laws and regulations in the place.

The Board of Directors provides overall direction on the management of sustainability issues and ESG risks. Reporting and disclosure of ESG initiatives are implemented by company secretarial services with approval from the Board, and is responsible for collaborating with other functional areas in the integration and implementation of sustainability initiatives throughout the company.

The asset management business is the Group's core business segment, therefore, in the following report, all ESG policies and strategies reported covers the asset management business and will also include our small loan business segment where applicable.

2. Operating practices

Value Partners has been a pioneering force in the Asian asset management industry since we first arrived on the scene in 1993. Over the years, we have adhered to the same goals and values: to seek the very best investment opportunities for our clients among under-followed and out-of-favor stocks in the Asia Pacific region. Our long-term success has been founded on the spirit of putting the interest of our clients first, while celebrating seamless co-operation among our team members. To ensure a stable business performance and alignment of interests in the long run, the Group is structured to have senior management taking up a majority of the company's shares.

We recruit employees who share our values and are committed to putting the interest of our clients first, while being fully dedicated to providing the best service to our clients. As a mechanism to improve incentives and to safeguard the interest of our clients, staff remuneration is based on a fixed salary and a performance-based bonus.

Our senior managers have been working together at Value Partners for a long period of time. This demonstrates the talent stability within the company and is an important indicator of the effectiveness and cohesion within the team. Our investment in providing training and development opportunities for our people are also important contributions to the Group's successful talent retention history.

2.1 Product responsibility

The Group's investment strategy is to invest through a disciplined approach, a philosophy which has long been embedded in our overall investment principles. Through applications of robust management systems and detailed investment process guidelines, our fund managers are expected to spend much of their time visiting companies, meeting with their management and talking to their customers and suppliers to ensure that each of our investment decisions is well-informed. All investments carried out by the Company follow through a stringent five-step approach which includes initial screening, preliminary review, detailed analysis, portfolio construction to portfolio execution, monitoring and risk management.

The Company invests with an uncompromising approach of meticulously disciplined and consistent investment process, thereby steering clear of market bubbles, forming prudent asset allocation strategies with long-term financial goals. The investment team ensures that sufficient research, analyses and due diligence are conducted with reasonable care for all investments made. Our fund managers will not deviate from the value investing approach and will avoid investing in market fads which can take away profits as fast as they are made.

As a demonstration of the Company's value-driven investment approach, fund managers are encouraged to consider under-appreciated stocks at initial screening phases, and are trained to identify investment opportunities that are often found in little-known stocks and out-of-favor business sectors. Such opportunities will then go through rigorous review and analysis processes prior to allocation to the investment portfolio.

The trading information of our clients is confidential and will be handled with great care to avoid any data leakage or misuse. Our staff will not disclose client trading information to any other member of staff or outside parties without proper justification. Information will only be disclosed on a "Need to Know" basis and our client information privacy policy is in place to ensure the information from client is handled in an appropriate way. Whenever service providers come to our office during non-office hours, we will remind our staff to lock up all documents and switch off their monitors to prevent leakage of information.

2.2 Supply chain management

Value Partners' approach for sustainability is not only confined to our investment products. The embedded culture to establish long term and mutually beneficial relationship also extends to our suppliers. With the objective to pursue for efficient, effective and transparent processes in goods and services acquisition, Value Partners has established a Policy on Procurement to reinforce consistency with the expenses policy and to fully utilize each dollar of expenditure of the Group.

Our Policy on Procurement stipulates the requirement for a competitive bid for all goods and services which amounts to over HK$50,000 from non-approved vendors. To uphold the principle of fairness and transparency, such bids will require at least two sources of quotations in a fair and open manner.

However, the selection consideration of suppliers is not confined to the quoted price alone. Other factors such as product and/or service quality, reliability and suitability are also viewed upon as important factors for consideration.

In addition, in order to maintain the quality of goods and services procured, the list of approved vendors is reviewed annually and will be placed against competitive bid if vendor performance or quality falls short of the requirements set out by the Company.

2.3 Anti-corruption

The Group considers business integrity and compliance to all applicable laws and regulations as fundamental expectations to be observed during all work processes. The Company has zero tolerance for corruption and money laundering and considers initiatives against such malpractices as essential codes of conduct for all employees within the Company. If and when necessary, we will fully cooperate with the enquiries or requests from regulators. Therefore, the Group has established a Policy on Prevention of Money Laundering and Terrorist Financing Policy and Procedures, which is specifically designed to ensure that our employees fully understand their obligations and responsibilities at work. The policy outlines and requires all employees to be in compliance to all relevant legislations and codes while making investment decisions. These legislations and codes include: Anti-Money Laundering and Counter-Terrorist Financing Ordinance ("AMLO"), Guideline on Anti-Money Laundering and Counter-Terrorist Financing ("AML Guideline"), Drug Trafficking (Recovery of Proceeds) Ordinance ("DTROP"), Organized and Serious Crimes Ordinance ("OSCO"), United Nations (Anti-Terrorism Measures) Ordinance ("UNATMO"), Weapons of Mass Destruction (Control of Provision of Services) Ordinance ("WMD(CPS)O") and Code of Conduct for Persons Licensed by or Registered with the SFC.)

Any other unethical or fraudulent behavior are generally prohibited. Directors, officers, employees and other representatives are required to adhere to the policy as a condition of their employment and engagement to the Group.

In addition, the Code of Ethics clearly states that employees shall act honestly and professionally to the client's best interest and in line with market expectations on integrity. Conflict of interest will be avoided to the largest extend and potential conflicts to client will be disclosed if unavoidable.

3. Employment and labor practices

Our ability to provide premium investment strategies and financial services to our clients relies on the ability of our valued talents in providing professional and informed advice to our distinguished clients. As such, we greatly cherish the services provided to us by our employees and understand the importance of providing our employees with competitive remuneration and welfare as they well deserve. The Group's compliance to relevant local laws and regulations on employment and labor. In addition, we also provide equal opportunities for promotion and dedicate resources in work-related training and personal development of our employees.

To improve on employee welfare and to increase employee involvement in recreational activities, Value Partners has established a Recreation Committee which is responsible for initiating and organizing internal activities, voluntary services, sports events and annual dinner for the Group. The composition of the Recreation Committee includes staff from various departments. Opinions and suggestions on employee activities are welcomed from our staff to the Recreation Committee.

3.1 Welfare and labor standards

The Group provides basic welfare benefits to our employees, which includes insurance schemes covering travel insurance and medical insurance for all full-time employees. Also, the Group provides rental reimbursement to our employees with a maximum amount of refundable rent of up to 40% of the employees' base compensation.

In addition to recreational activities organized by the Recreation Committee, the Group has also invited LensCrafters to provide an information session on eye examination, which complements with our corporate vision care plan, in order to raise awareness on the importance of eye care to our employees. The Annual Dinner organized during the year was also an opportunity to highlight on activities within the year. For this occasion, we have gathered all employees from different locations including Hong Kong, Singapore, Beijing and Shanghai. The Long Service Award is presented by our Chairman Dato' Seri CHEAH to employees who have served Value Partners for more than 5 years and 10 years.

The nature of our business requires the use of skilled talents and the Group is in full compliance with relevant laws and regulations on the use of child and forced labor. Our operations are in full compliance to The Employment of Children Regulations made under the Employment Ordinance, which governs the employment of children in all economic sectors.

3.2 Development and training

The Company's ability to retain talents relies on our ability to provide good career prospects and room for personal development. Our Training Policy is applicable to all full time permanent employees of the Group and is designed to encourage our employees to further enrich their knowledge and skills. Our employees will also obtain relevant professional qualifications which will keep them informed of the latest trends of the industry and provide them with the necessary professional knowledge. Employees who have joined for over 6 months are eligible for company sponsorship to a wide variety of courses, seminars, conferences and other training events. Such arrangements aim to inoculate a sense of shared accountability among the team and that have been well received by our employees.

3.3 Health and safety

Value Partners is committed to provide a safe workplace to our employees and their health are always our prime concern. Every reasonable safety precaution within the workplace will be considered as a means to ensure the safety of our employees. This begins with the compliance to all applicable regulations on health and safety. Policies on ensuring health and safety at the workplace are established and employees are expected to adhere to the relevant policies as stipulated in the Employee Handbook. This ranges from the Company's prohibition of any acts of violence or threats, use of illicit drugs and/or gaming within work premises. In addition, to minimize risk to employees or their fellow colleagues, employees are required to take appropriate measure and report any cases of personal injury sustained at work or contraction of infectious diseases to the direct manager and to our Human Resources Department.

Regarding fire safety issues within the workplace, employees and visitors are also required to vacate the building via fire exits and assemble at street level on the sounding of the fire alarm. An individual will be appointed to check that all colleagues are present at the assembly point and detailed Procedures on Fire Evacuation are available at the Administration Department for all relevant premises.

4. Community involvement

Value Partners strives to be a responsible corporate citizen and dedicates resources to those who are in need within our community. We begin with the upbringing of our children, who are the future pillars of the community. We believe that all children should be cared for and be provided with equal opportunity to grow and develop. Therefore, our employees are encouraged to serve as volunteers to organizations promoting children welfare, and to sponsor community activities or donate to relevant charitable organizations.

During the year, Value Partners has worked closely with Heep Hong Society in Hong Kong in various community involvement activities. Heep Hong Society is a registered charitable organization which provides professional training and education to children and youth of different abilities and their families, with the mission of helping them develop their potential and lead a fulfilling life. Value Partners has established a long-standing relationship with Heep Hong Society and have donated 1,200 woven bags, 2,000 pencils and sponsored the Christmas Program organized by Heep Hong Society. The program is targeted to autistic youth and our volunteers have had a fruitful and meaningful experience with the participants and their parents.

During the year, the Group has also donated generously to VIVA China Children's Cancer Foundation. VIVA China Children's Cancer Foundation Limited is a charity to provide a platform of knowledge from advanced centers of medical research and treatment overseas to China to improve the cancer cure rate for children. During the year, we have significantly exceeded the original target for 2016 and donated a total amount of HK$250,000 to the foundation. In addition, Value Partners is proud to be invited to join the Leaders Cup of 2016 Standard Chartered Hong Kong Marathon. Our Managing Director, Mr. LAI Voon San represented the Group to participate and successfully completed the race with other business and political leaders.

5. Environment

As a company with reportable segments in asset management business and small loan businesses, the nature of the Group's business is not energy intensive. Hence, the most material impact on the environment is confined to the premises where our team operate in. However, the management considers it equally important to shoulder our part of the responsibility in the context of caring for the environment. Compliance to all applicable local environmental laws and regulations is the bottom line, and in addition, we will continue to strive for enhanced energy efficiency and reduced carbon emissions within our work premises. The following are some initiatives on environmental conservation.

5.1 Environmental energy and resources management

The Group has established a series of energy and resources conservation initiatives. In order to reduce energy consumption, T5 fluorescent tubes with high energy efficiency are used in our office. Office lightings, air conditioners, air purifiers and other electric appliances are switched off when they are not in use or automatically with timer control after office hours. Moreover, air conditioner filters and drainage conduits are maintained on a monthly basis to ensure that relevant appliances can operate in an energy efficient manner.

To facilitate more efficient use of resources, the Company has utilized the Employee Self-service (ESS) platform and offered an online E-leave system for our employees. With the help of the E-leave system, use of paper application is replaced with the online system, hence conserving on paper documentation. In our office, all printers are set to print on both sides of paper by default to save paper. Moreover, we recycle where possible and send used resources such as office paper and toner to authorized recyclers for recycling.

During the year, Value Partners received the following certificates recognizing its efforts in environmental protection.

- Building Environmental and Energywise Professionals and SMEs
- Certificate of Appreciation by Fuji Xerox
- Certificate of CO_2 reduction in paper recycling by Confidential Materials Destruction Service Ltd

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
VALUE PARTNERS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Value Partners Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 118, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

Key Audit Matters (continued)

Key audit matters identified in our audit are summarised as follows:

- Fee income recognition
- Valuation of derivative financial instrument
- Allowances for loan impairment

Key Audit Matter	How our audit addressed the Key Audit Matter
Fee income recognition	
For the year ended 31 December 2016, the Group has recognised fee income of HK$1,398.6 million, which includes management fees of HK$1,049.1 million and performance fees of HK$10.8 million. We focused on this area due to the significance of the amount and the risks arising from the manual process involved in fee income recognition. The calculation of management fee and performance fee income is largely a manual process and there is an inherent risk of material misstatement due to the following: 1. Interpretation of contractual terms from the relevant prospectus or investment management agreements; 2. Manual input of key contractual terms and fee rates in relevant spreadsheets; and 3. Manual input of details of assets under management obtained from the third party administrators. The Group's disclosures of fee income are detailed in note 6 to the consolidated financial statements.	Our work included an assessment and testing of Management's key controls on fee income recognition: 1. We evaluated and tested the key controls in place over the calculation of management fee and performance fee income; 2. We evaluated the independent internal control reports issued by relevant third party administrators; and 3. We evaluated and tested the controls in place over the maintenance of records of assets under management, including the reconciliation to custodian statements. We also performed the following tests on a sample basis: 1. We reviewed the key contractual terms and agreed the fee rates against the contractual terms from the relevant prospectus or investment management agreements; 2. We checked the accuracy of the records of assets under management by examining relevant third party custodian statements; 3. We checked the mathematical accuracy of the fee calculations; and 4. We checked the settlement of the fee income. No material issues arose from the above testing.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of derivative financial instrument	
As at 31 December 2016, the Group held an equity swap amounting to HK$33.7 million, which was included in level 3 (measured with inputs that are not based on observable market data) under the fair value hierarchy. The equity swap is an over-the-counter derivative financial instrument and there is no active market for the investment. The primary valuation basis adopted by Management in determining the fair value of the swap as at 31 December 2016 was the recent transaction price during the last quarter of the year as notified by the market maker. Management also corroborated the valuation they adopted by reference to: • A quote provided by the market maker as at the year end; and • An internal assessment based on modelling. We focused on the valuation of the equity swap due to the significance of the amount and judgement involved in determining the fair value of the equity swap. The Group's disclosures of the derivative financial instrument is detailed in note 4.3 and note 20 to the consolidated financial statements.	Our work in relation to the assessment of Management's basis for determining the fair value of the swap included the following: 1. With respect to the recent transaction price adopted by Management as a basis of fair value, we independently confirmed the price with the market maker. 2. With respect to the quote provided by the market maker, we checked the quote against relevant correspondence provided by the market maker to Management. We also independently confirmed the quote with the market maker; and 3. With respect to Management's internal assessment to further corroborate the fair value, we evaluated the appropriateness of the model used and the reasonableness of the relevant inputs, comparators and adjustments made by Management. We also independently re-performed the calculation. No material issues arose from the above testing.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowances for loan impairment	
As at 31 December 2016, the Group had a loan portfolio of HK$189.4 million in respect of its small loan business. Management recognised allowances for collectively assessed impairment of HK$63.6 million and individually assessed impairment of HK$2.0 million respectively against the loan portfolio. The carrying value of the loan portfolio less allowance for loan impairment amounted to HK$123.8 million as at 31 December 2016. We focused on this area due to the significance of the balance and significant judgement applied by Management in the assessment of the recoverability of the loan portfolio. Allowances for loan impairment were estimated by Management using both individual and collective assessments as follows: 1. Individual assessment For the loans that are individually significant, the Group performed an individual assessment on whether an impairment event had occurred and a provision was made as necessary. 2. Collective assessment The Group performed a collective assessment based on the past loss experience of groups of loans with similar credit risk characteristics, relevant observable data that reflects current conditions and ageing categorisation. The Group's disclosure of the loan portfolio and allowances for loan impairment are detailed in note 10 and 25 to the consolidated financial statements.	Our audit procedures included the following: 1. We evaluated Management's processes and methodology for assessing the recoverability of the loan portfolio by reference to industry practices; 2. We performed data analysis of the loan portfolio with a particular focus on loans overdue but not impaired to identify any loans that should be subject to individual assessment but were not timely identified by Management; 3. We tested Management's judgement on the timely recognition of loss event and expected future cash flows on a sample basis; 4. For the individual assessment performed by Management, on a sample basis, we evaluated the appropriateness of the parameters (such as the financial health of the borrower) used by Management in estimating expected cash flows based on the detailed information in the borrowers' credit files and have also taken into account any industry knowledge and developments. We re-performed a sample of the calculations of recoverable amounts; and 5. For the collective assessment performed by Management, • We tested the appropriateness of Management's judgement in respect of the key assumptions (such as historical loss experience and economic factors) based on our knowledge of market practice and changing market conditions; • We tested the completeness and accuracy of the underlying loan portfolio data used in the impairment calculation by agreeing the related information with the Group's general ledgers; and • We evaluated the provision level made by Management for each ageing category by reference to industry practices and historical loss rates. No material issues arose from the above testing.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Marie-Anne Sew Youne, Kong Yao Fah.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7 March 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Income			
Fee income and other revenue	6	**1,433,120**	1,768,257
Distribution and advisory fee expenses	7	**(770,282)**	(693,455)
Net fee income		**662,838**	1,074,802
Other income	8	**46,151**	35,048
Total net income		**708,989**	1,109,850
Expenses			
Compensation and benefit expenses	9	**(364,544)**	(444,847)
Operating lease rentals		**(29,239)**	(26,919)
Other expenses	10	**(136,518)**	(124,058)
Total expenses		**(530,301)**	(595,824)
Operating profit (before other gains/losses)		**178,688**	514,026
Net losses on investments		**(1,082)**	(29,546)
Net losses on investments held-for-sale	21	**(2,024)**	(1,687)
Impairment loss on investment in an associate	19.1	**–**	(42,754)
Impairment loss on goodwill and license	18.1	**–**	(24,771)
Others		**(15,365)**	(35,002)
Other losses – net	11	**(18,471)**	(133,760)
Operating profit (after other gains/losses)		**160,217**	380,266
Share of loss of an associate	19.1	**–**	(5,132)
Profit before tax		**160,217**	375,134
Tax expense	12	**(27,627)**	(104,346)
Profit for the year		**132,590**	270,788
Other comprehensive loss for the year			
– Items that may be subsequently reclassified to profit or loss			
Fair value losses on available-for-sale financial assets		**(2,303)**	(3,922)
Foreign exchange translation		**(37,494)**	(27,553)
Other comprehensive loss for the year	13	**(39,797)**	(31,475)
Total comprehensive income for the year		**92,793**	239,313
Profit attributable to			
Owners of the Company		**137,547**	273,586
Non-controlling interests		**(4,957)**	(2,798)
		132,590	270,788
Total comprehensive income for the year attributable to			
Owners of the Company		**100,202**	244,752
Non-controlling interests		**(7,409)**	(5,439)
		92,793	239,313
Earnings per share for profit attributable to owners of the Company (HK cents per share)			
– basic	14.1	**7.4**	14.8
– diluted	14.2	**7.4**	14.8

The notes on pages 66 to 118 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	17	**10,603**	16,461
Intangible assets	18	**14,047**	13,878
Deferred tax assets	28	**15,384**	10,153
Investments	20	**734,229**	1,061,122
Other assets	24	**8,616**	8,583
Loan portfolio, net	25	**67,795**	104,275
		850,674	1,214,472
Current assets			
Investments	20	**41,756**	154,832
Investments held-for-sale	21	**14,875**	209,394
Fees receivable	22	**112,429**	206,042
Loan portfolio, net	25	**55,986**	146,036
Amounts receivable on sale of investments		**–**	7,227
Prepayments and other receivables		**33,040**	28,919
Deposits with brokers		**175,310**	–
Time deposits		**43,781**	70,073
Cash and cash equivalents	23	**2,629,131**	2,228,784
		3,106,308	3,051,307
Current liabilities			
Investments	20	**4,121**	–
Accrued bonus		**53,181**	142,111
Distribution fee expenses payable	29	**105,967**	116,963
Other payables and accrued expenses		**25,021**	30,816
Short-term loan	30	**–**	59,800
Other financial liabilities	31	**4,527**	–
Current tax liabilities		**3,276**	54,882
		196,093	404,572
Net current assets		**2,910,215**	2,646,735
Non-current liabilities			
Accrued bonus		**320**	746
Net assets		**3,760,569**	3,860,461
Equity			
Equity attributable to owners of the Company			
Issued equity	26	**1,391,473**	1,377,533
Other reserves	27	**148,515**	263,083
Retained earnings		**2,157,728**	2,149,583
		3,697,716	3,790,199
Non-controlling interests		**62,853**	70,262
Total equity		**3,760,569**	3,860,461

On behalf of the Board

SO Chun Ki Louis
Director

AU King Lun
Director

The notes on pages 66 to 118 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Note	Attributable to owners of the Company Issued equity HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2015		1,336,979	191,186	2,281,423	3,809,588	76,617	3,886,205
Profit for the year		–	–	273,586	273,586	(2,798)	270,788
Other comprehensive income/(loss)							
Fair value gains on available-for-sale financial assets	27	–	(3,922)	–	(3,922)	–	(3,922)
Foreign exchange translation	27	–	(24,912)	–	(24,912)	(2,641)	(27,553)
Total comprehensive income/(loss)		–	(28,834)	273,586	244,752	(5,439)	239,313
Transactions with owners in their capacity as owners							
Exercise of share options	26	40,554	–	–	40,554	–	40,554
Acquisition of additional interest in a subsidiary	27	–	(841)	–	(841)	(916)	(1,757)
Share-based compensation	26, 27	–	101,572	–	101,572	–	101,572
Dividends to owners of the Company		–	–	(405,426)	(405,426)	–	(405,426)
Total transactions with owners in their own capacity as owners		40,554	100,731	(405,426)	(264,141)	(916)	(265,057)
As at 31 December 2015		1,377,533	263,083	2,149,583	3,790,199	70,262	3,860,461
As at 1 January 2016		**1,377,533**	**263,083**	**2,149,583**	**3,790,199**	**70,262**	**3,860,461**
Profit for the year		**–**	**–**	**137,547**	**137,547**	**(4,957)**	**132,590**
Other comprehensive income/(loss)							
Fair value losses on available-for-sale financial assets	27	**–**	**(2,303)**	**–**	**(2,303)**	**–**	**(2,303)**
Foreign exchange translation	27	**–**	**(35,042)**	**–**	**(35,042)**	**(2,452)**	**(37,494)**
Total comprehensive income/(loss)		**–**	**(37,345)**	**137,547**	**100,202**	**(7,409)**	**92,793**
Transactions with owners in their capacity as owners							
Exercise of share options	26	**13,940**	**–**	**–**	**13,940**	**–**	**13,940**
Share-based compensation	26, 27	**–**	**89,168**	**–**	**89,168**	**–**	**89,168**
Transfer of share-based compensation reserve upon exercise, forfeiture or expiring of share options	27	**–**	**(166,391)**	**166,391**	**–**	**–**	**–**
Dividends to owners of the Company		**–**	**–**	**(295,793)**	**(295,793)**	**–**	**(295,793)**
Total transactions with owners in their own capacity as owners		**13,940**	**(77,223)**	**(129,402)**	**(192,685)**	**–**	**(192,685)**
As at 31 December 2016		**1,391,473**	**148,515**	**2,157,728**	**3,697,716**	**62,853**	**3,760,569**

The notes on pages 66 to 118 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Net cash generated from operations	33	**160,836**	1,196,895
Interest received		**18,421**	20,483
Interest received from loan portfolio		**36,047**	61,728
Tax paid		**(84,464)**	(120,642)
Net cash generated from operating activities		**130,840**	1,158,464
Cash flows from investing activities			
Acquisition of additional interest in a subsidiary		**–**	(1,757)
Disposal of an associate		**50,742**	–
Purchase of property, plant and equipment and intangible assets		**(8,293)**	(20,029)
Disposal of property, plant and equipment and intangible assets		**–**	172
Purchase of investments		**(55,448)**	(613,464)
Disposal of investments		**645,507**	558,726
Dividends received from investments		**16,681**	15,363
Net cash generated from/(used in) investing activities		**649,189**	(60,989)
Cash flows from financing activities			
Dividends paid		**(295,794)**	(405,426)
Proceeds from shares issued upon exercise of share options		**13,940**	40,554
Repayment of from borrowings		**(59,800)**	(2,620)
Net cash used in from financing activities		**(341,654)**	(367,492)
Net increase in cash and cash equivalents		**438,376**	729,983
Net foreign exchange losses on cash and cash equivalents		**(38,029)**	(52,200)
Cash and cash equivalents at beginning of the year		**2,228,784**	1,551,001
Cash and cash equivalents at end of the year		**2,629,131**	2,228,784

The notes on pages 66 to 118 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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, Nexxus 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 16 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 7 March 2017.

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 all applicable 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 3 below.

New standards, amendments and interpretations issued but are not effective for the financial year beginning 1 January 2016 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.

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 2016 and have not been early adopted (continued)

- 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 2018 and earlier application is permitted. The Group is currently assessing the impact of HKFRS 15.

- HKFRS 16 "Leases" will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. The standard is mandatory for annual periods beginning on or after 1 January 2019. The Group is yet to assess HKFRS 16's full impact.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

(a) Consolidation (continued)

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.

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".

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

(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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

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.

(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 owners of the company are reclassified to the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

(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).

2.8 Impairment

(a) Impairment of intangible assets and other non-financial assets

Assets that have an indefinite useful life such as goodwill and licence 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.

2 Summary of significant accounting policies (continued)

2.8 Impairment (continued)

(b) Impairment of financial assets (continued)

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.

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.

(c) Impairment of loans

The Group assessed the impairment losses on all loans on the balance sheet date based on two methods: individual assessment and collective assessment. The Group applied the individual assessment method to test the impairment of loans that are individually significant. If an objective evidence could indicate the loan had impairment loss, the loss amount shall be measured at the difference between the book value of the loan and the discounted value of estimated future cash flows and allowance for impairment loss on loans would be set aside and recognized in the loss of the period; the solvency of the borrower, reasonable value of the collateral, compensatory ability of the guarantor and other factors shall be fully considered in the impairment testing. Loans that are not individually significant and unimpaired loan tested by the individual assessment shall be included in the loan portfolio with similar characteristics. Their impairment losses shall be assessed collectively, and corresponding allowance for the impairment losses shall be recognized in the profit or loss.

2 Summary of significant accounting policies (continued)

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.

(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.

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

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.

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 Summary of significant accounting policies (continued)

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.

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.

2 Summary of significant accounting policies (continued)

2.16 Current and deferred tax (continued)

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.

2.18 Revenue 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.

2 Summary of significant accounting policies (continued)

2.18 Revenue recognition (continued)

(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.

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 owners 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.

2 Summary of significant accounting policies (continued)

2.20 Compensation and benefits (continued)

(b) Share-based compensation (continued)

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.

(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.

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2 Summary of significant accounting policies (continued)

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 Critical accounting estimates and judgements

3.1 Fair value estimation of derivative financial instruments

The fair value of derivative financial instrument that are not quoted in an active market is determined by a quote provided by the market maker, the recent transaction price and internal assessment based on modelling. 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.

3.2 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.

3 Critical accounting estimates and judgements (continued)

3.3 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.

4 Financial risk management

4.1 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.

(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.

	Change		**Impact on post-tax profit**		**Impact on other components of equity**	
	2016	2015	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Australian dollar	**+/– 5%**	+/– 5%	**+/– 1,501**	+/– 5,253	**–**	–
Renminbi	**+/– 5%**	+/– 5%	**+/– 12,085**	+/– 15,548	**+/– 24,214**	+/– 27,037
Taiwan dollar	**+/– 5%**	+/– 5%	**+/– 947**	+/– 1,326	**+/– 2,574**	+/– 2,968

Refer to Notes 20, 22, 23 and 29 below for additional disclosures on foreign exchange exposure.

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For the year ended 31 December 2016

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(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 2016, if interest rates had been 50 basis points (2015: 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$605,000 higher or HK$605,000 lower respectively (2015: HK$1,175,000 higher or HK$1,175,000 lower). The sensitivity analysis for the year ended 31 December 2016 and 2015 was primarily arising from the increase/decrease in interest income on cash and cash equivalents.

Fair value interest rate risk

As at 31 December 2016, the Group has no outstanding loan. The Group considered that the interest rate risk in relation to short-term loan is insignificant as at 31 December 2015. 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. Refer to Note 4.1(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 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.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(c) Price risk (continued)

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.

	Change		Post-tax profit	
	2016	2015	**2016 HK$'000**	2015 HK$'000
MSCI China Index	**+/– 10%**	+/– 10%	**+/– 43,182**	+/– 94,940

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 20 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.

(d) Credit risk

Credit risk arises from cash and cash equivalents, deposits with brokers, 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.

	2016 HK$'000	2015 HK$'000
A+	**7,277**	–
AA-	**–**	7,278
A	**1,298,359**	1,268,026
A-	**380,668**	80,340
BBB+	**437,412**	426,354
BBB	**710,660**	486,297
Unrated	**22,796**	38,375
	2,857,172	2,306,670

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For the year ended 31 December 2016

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(d) Credit risk (continued)

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.

Loan portfolio

Maximum exposures to credit risk before taking into account any collateral held or other credit enhancements are HK$185,358,000 (2015: HK$279,934,000).

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.

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**112,374**	195,810
Past due but not impaired		
1 – 90 days	**4,518**	19,603
91 days – 1 year	**368**	14,357
Past due and impaired	**72,155**	53,132
Gross loan portfolio	**189,415**	282,902
Allowance for loan impairment	**(65,634)**	(32,591)
	123,781	250,311

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 2016, the principal collateral types consist of land and property of HK$116,850,000 (2015: HK$223,331,000). 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 2016, fees receivable including management fee and performance fee from the five major investment funds and managed accounts amounted to HK$81,510,000 (2015: HK$119,608,000), which accounted for 72% (2015: 58%) of the total outstanding balance. Refer to Note 22 below for additional disclosures on credit risk.

4 Financial risk management (continued)

4.1 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 2016, the Group held liquid assets of HK$2,629,131,000 (2015: HK$2,228,784,000), being cash and cash equivalents, that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group'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.

	2016				2015			
	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
Assets								
Investments								
Non-derivative financial instruments	**742,330**	**–**	**–**	**–**	1,178,697	–	–	–
Derivative financial instruments	**–**	**–**	**33,655**	**–**	–	37,257	–	–
Investments held-for-sale	**–**	**14,875**	**–**	**–**	–	209,394	–	–
Fees receivable	**–**	**112,429**	**–**	**–**	–	206,042	–	–
Loan portfolio, gross	**–**	**94,827**	**114,827**	**–**	–	198,112	141,459	–
Amounts receivable on sale of investments	**–**	**–**	**–**	**–**	–	7,227	–	–
Other receivables	**–**	**14,396**	**–**	**–**	–	16,093	–	–
Deposits with brokers	**–**	**175,310**	**–**	**–**	–	–	–	–
Time deposits	**–**	**43,781**	**–**	**–**	–	70,073	–	–
Cash and cash equivalents	**189,930**	**2,439,201**	**–**	**–**	371,488	1,857,296	–	–
	932,260	**2,894,819**	**148,482**	**–**	1,550,185	2,601,494	141,459	–
Liabilities								
Investments								
Non-derivative financial instruments	**(3,644)**	**–**	**–**	**–**	–	–	–	–
Derivative financial instruments	**–**	**(438)**	**(39)**	**–**	–	–	–	–
Accrued bonus	**–**	**(53,181)**	**(320)**	**–**	–	(142,111)	(746)	–
Distribution fee expenses payable	**–**	**(105,967)**	**–**	**–**	–	(116,963)	–	–
Other payables and accrued expenses	**(2,127)**	**(22,894)**	**–**	**–**	(1,841)	(28,975)	–	–
Short-term loan	**–**	**–**	**–**	**–**	–	(59,800)	–	–
Other financial liabilities	**(4,527)**	**–**	**–**	**–**	–	–	–	–
	(10,298)	**(182,480)**	**(359)**	**–**	(1,841)	(347,849)	(746)	–
Cumulative gap	**921,962**	**2,712,339**	**148,123**	**–**	1,548,344	2,253,645	140,713	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4 Financial risk management (continued)

4.2 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 2016, Sensible Asset Management Hong Kong Limited ("SAMHK"), 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 ("SFO"). These regulated entities are subject to and complied with the paid-up capital and liquid capital requirements under the SFO for the year ended 31 December 2016 and 2015.

Value Partners Asset Management Singapore Pte. Ltd, another wholly owned subsidiary of the Group, holds a Capital Market Services License for Fund Management issued by the Monetary Authority of Singapore under the Securities and Futures Act ("SFA"). The company is subject to and complied with the paid-up capital and liquid capital requirements under SFA during the year ended 31 December 2016 and 2015.

	Types of regulated activities [b]
Sensible Asset Management Hong Kong Limited [a]	Types 4 and 9
Sensible Asset Management Limited [a]	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 [a]	Types 4 and 9
Value Partners Asset Management Singapore Pte. Ltd	Capital Market Services for Fund Management

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

(b) The types of SFO 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

Value Partners Concord Asset Management Co., Ltd. ("VP Concord"), a non-wholly owned subsidiary of the Group, is licensed for its asset management business in Taiwan. Its net assets per share fell below the regulatory requirement of par value, and the management is in the process of rectifying the issue with the regulator.

4 Financial risk management (continued)

4.3 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	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Investments (Note 20)								
Listed securities	**211,036**	301,505	**–**	–	**–**	–	**211,036**	301,505
Unlisted securities								
Investment funds – Cayman Islands	**–**	–	**288,336**	519,506	**4,341**	3,015	**292,677**	522,521
Others	**–**	–	**234,535**	354,671	**–**	–	**234,535**	354,671
Derivative financial instruments	**–**	–	**(39)**	–	**33,655**	37,257	**33,616**	37,257
Investments held-for-sale (Note 21)	**–**	–	**14,875**	209,394	**–**	–	**14,875**	209,394

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.

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.
- 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.

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4 Financial risk management (continued)

4.3 Fair value estimation (continued)

The following table presents the movement of level 3 instruments.

	Investments	
	2016 HK$'000	2015 HK$'000
As at 1 January	**40,272**	3,326
Addition	**2,531**	39,391
Return of capital from investment	**(71)**	(243)
Losses recognized in profit or loss	**(4,669)**	(2,026)
Losses recognized in other comprehensive income	**(67)**	(176)
As at 31 December	**37,996**	40,272
Total losses for the year included in the consolidated statement of comprehensive income for level 3 instruments for the year	**(4,736)**	(2,202)
Change in unrealized gains or losses for level 3 instruments held at year end and included in profit or loss	**(2,884)**	(2,026)

The level 3 instruments include investment funds and a derivative financial instrument. 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. In 2016, the primary valuation basis in determining the fair value of the derivative financial instrument is the recent transaction price as notified by the market maker. The Group also corroborates the valuation by reference to a quote provided by the market maker and internal assessment based on modelling. In 2015, the fair value of the derivative financial instrument was determined based on the quote provided by the market maker by using discount cash flow analysis.

4 Financial risk management (continued)

4.3 Fair value estimation (continued)

For these level 3 investments, no quantitative unobservable inputs are used to determine their fair value. No quantitative analysis would be presented.

As at 31 December 2016 and 2015, 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 2016 (2015: Nil).

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

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 has a small loan business in Chengdu. 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.

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5 Segment information (continued)

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 2016			Year ended 31 December 2015		
	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	**1,398,604**	**34,516**	**1,433,120**	1,705,460	62,797	1,768,257
Distribution and advisory fee expenses	**(770,282)**	**–**	**(770,282)**	(693,455)	–	(693,455)
Net fee income	**628,322**	**34,516**	**662,838**	1,012,005	62,797	1,074,802
Other income	**42,740**	**3,411**	**46,151**	31,232	3,816	35,048
Total net income	**671,062**	**37,927**	**708,989**	1,043,237	66,613	1,109,850
Depreciation and amortization	**(13,225)**	**(664)**	**(13,889)**	(10,114)	(764)	(10,878)
Operating expenses	**(458,523)**	**(57,889)**	**(516,412)**	(531,074)	(53,872)	(584,946)
Operating profit/(loss) (before other gains/losses)	**199,314**	**(20,626)**	**178,688**	502,049	11,977	514,026
Other losses – net	**(18,471)**	**–**	**(18,471)**	(133,760)	–	(133,760)
Operating profit/(loss) (after other gains/losses)	**180,843**	**(20,626)**	**160,217**	368,289	11,977	380,266
Share of loss of an associate	**–**	**–**	**–**	(5,132)	–	(5,132)
Profit/(loss) before tax	**180,843**	**(20,626)**	**160,217**	363,157	11,977	375,134
Tax expense	**(31,230)**	**3,603**	**(27,627)**	(99,620)	(4,726)	(104,346)
Profit/(loss) for the year	**149,613**	**(17,023)**	**132,590**	263,537	7,251	270,788

Income from external customers consists of fee income from asset management business of HK$1,398,604,000 (2015: HK$1,705,460,000), interest income from small loan business of HK$33,893,000 (2015: HK$61,253,000) and fee income from small loan business of HK$623,000 (2015: HK$1,544,000).

5 Segment information (continued)

Assets

	As at 31 December 2016			As at 31 December 2015		
	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	10,110	493	10,603	15,419	1,042	16,461
Intangible assets	13,832	215	14,047	13,556	322	13,878
Deferred tax assets/(liabilities)	(1,027)	16,411	15,384	2,005	8,148	10,153
Investments	775,985	–	775,985	1,215,954	–	1,215,954
Investments held-for-sale	14,875	–	14,875	209,394	–	209,394
Fees receivable	112,429	–	112,429	206,042	–	206,042
Loan portfolio, net	–	123,781	123,781	–	250,311	250,311
Amounts receivable on sale of investments	–	–	–	7,227	–	7,227
Prepayments and other receivables	29,180	3,860	33,040	25,324	3,595	28,919
Deposits with brokers	175,310	–	175,310	–	–	–
Time deposits	41,406	2,375	43,781	67,573	2,500	70,073
Cash and cash equivalents	2,430,270	198,861	2,629,131	2,040,386	188,398	2,228,784
Other assets	8,616	–	8,616	8,583	–	8,583
	3,610,986	345,996	3,956,982	3,811,463	454,316	4,265,779

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$78,647,000 (2015: HK$91,424,000) are derived from a single external customer of the asset management business segment.

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6 Revenue

Revenue consists of fees from investment management activities, fund distribution activities, as well as interest and fee income from loan portfolio.

	2016 HK$'000	2015 HK$'000
Management fees	**1,049,068**	1,144,691
Performance fees	**10,802**	308,967
Front-end fees	**338,734**	251,802
Total fee income	**1,398,604**	1,705,460
Interest income from loan portfolio	**33,893**	61,253
Fee income from loan portfolio	**623**	1,544
Total revenue	**1,433,120**	1,768,257

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.

	2016 HK$'000	2015 HK$'000
Distribution fee expenses	**770,282**	688,933
Advisory fee expenses	**–**	4,522
Total distribution and advisory fee expenses	**770,282**	693,455

8 Other income

	2016 HK$'000	2015 HK$'000
Interest income on cash and cash equivalents, time deposits and restricted bank balances	**19,339**	18,583
Dividend income on financial assets at fair value through profit or loss	**16,114**	8,824
Dividend income on available-for-sale financial assets	**5,028**	7,320
Others	**5,670**	321
Total other income	**46,151**	35,048

9 Compensation and benefit expenses

	2016 HK$'000	2015 HK$'000
Salaries, wages and other benefits	**216,840**	196,164
Management bonus	**52,525**	141,687
Share-based compensation (Notes 26 and 27)	**89,168**	101,572
Pension costs	**6,011**	5,424
Total compensation and benefit expenses	**364,544**	444,847

9.1 Pension costs – mandatory provident fund scheme

There were no forfeited contributions utilized during the year ended 31 December 2016 (2015: Nil) and as at 31 December 2016 (2015: Nil) to reduce future contributions.

As at 31 December 2016, no contributions were payable to the mandatory provident fund scheme (2015: Nil).

9.2 Five highest-paid individuals

The five highest-paid individuals in the Group during the year ended 31 December 2016 included three (2015: four) directors whose emoluments are reflected in the analysis shown in Note 38. Details of the remuneration of the remaining highest-paid individuals are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, wages and other benefits	**5,605**	3,028
Management bonus	**6,732**	11,233
Share-based compensation	**16,809**	12,837
Pension costs – mandatory provident fund scheme	**36**	18
	29,182	27,116

Individual emoluments were within the following bands:

	Number of individuals	
	2016	2015
HK$10,000,001 to HK$15,000,000	**1**	0
HK$15,000,001 to HK$20,000,000	**1**	0
HK$25,000,001 to HK$30,000,000	**0**	1

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9 Compensation and benefit expenses (continued)

9.3 Senior management remuneration by band

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

	Number of individuals	
	2016	2015
Below HK$5,000,000	**4**	4
HK$5,000,001 to HK$10,000,000	**1**	0
HK$10,000,001 to HK$15,000,000	**0**	1
HK$15,000,001 to HK$20,000,000	**1**	0
HK$25,000,001 to HK$30,000,000	**0**	1

10 Other expenses

	2016 HK$'000	2015 HK$'000
Charge of loan impairment allowances	**36,670**	24,281
Depreciation and amortization	**13,889**	10,878
Marketing expenses	**13,618**	18,075
Research expenses	**12,747**	12,311
Legal and professional fees	**11,521**	5,753
Travelling expenses	**7,333**	8,880
Office expenses	**7,225**	7,003
Auditor's remuneration	**4,882**	4,261
Insurance expenses	**4,806**	4,252
Entertainment expenses	**2,794**	3,342
Recruitment expenses	**1,857**	4,633
Registration and licensing fees	**1,249**	1,962
Transaction costs	**729**	1,763
Donations	**353**	1,886
Others	**16,845**	14,778
Total other expenses	**136,518**	124,058

11 Other losses – net

	2016 HK$'000	2015 HK$'000
Net losses on investments		
Gains on financial assets at fair value through profit or loss	**115,914**	89,046
Losses on financial assets at fair value through profit or loss	**(116,996)**	(119,012)
Gains on disposal of available-for-sale financial assets	**–**	420
Net losses on investments held-for-sale		
Gains on investments held-for-sale (Note 21)	**–**	6,517
Losses on investments held-for-sale (Note 21)	**(2,024)**	(8,204)
Impairment loss on investment in an associate (Note 19)	**–**	(42,754)
Impairment loss on goodwill and license	**–**	(24,771)
Others		
Net foreign exchange losses	**(15,365)**	(35,197)
Gains on disposal of property, plant and equipment	**–**	195
Total other losses – net	**(18,471)**	(133,760)

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 2016 at the rate of 16.5% (2015: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	2016 HK$'000	2015 HK$'000
Current tax		
Hong Kong profits tax	**32,777**	54,280
Overseas tax	**8,228**	59,898
Adjustments in respect of prior years	**(8,147)**	(3,476)
Total current tax	**32,858**	110,702
Deferred tax		
Origination and reversal of temporary differences (Note 28)	**(5,231)**	(6,356)
Total tax expense	**27,627**	104,346

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12 Tax expense (continued)

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:

	2016 HK$'000	2015 HK$'000
Profit before tax	**160,217**	375,134
Tax calculated at domestic tax rates applicable to profits in the respective countries	**25,128**	75,833
Tax effects of:		
Share of an associate's results and impairment loss	**–**	7,901
Non-taxable income and gains on investments	**(47,850)**	(47,150)
Non-deductible expenses and losses on investments	**58,496**	71,238
Adjustments in respect of prior years	**(8,147)**	(3,476)
Tax expense	**27,627**	104,346

The weighted average applicable tax rate was 15.7% (2015: 20.2%). The decrease is caused by a change in the profitability of the Group's subsidiaries in respective regions.

13 Other comprehensive loss

	2016 HK$'000	2015 HK$'000
Items that may be subsequently reclassified to profit or loss:		
Fair value losses on available-for-sale financial assets (Note 20.1 and 27)	**(2,303)**	(3,922)
Foreign exchange translation	**(37,494)**	(27,553)
Total other comprehensive loss	**(39,797)**	(31,475)

14 Earnings per share

14.1 Basic earnings per share

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

	2016	2015
Profit for the year attributable to owners of the Company (HK$'000)	**137,547**	273,586
Weighted average number of ordinary shares in issue (thousands)	**1,849,722**	1,844,440
Basic earnings per share (HK cents per share)	**7.4**	14.8

14 Earnings per share (continued)

14.2 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.

	2016	2015
Profit for the year attributable to owners of the Company (HK$'000)	**137,547**	273,586
Weighted average number of ordinary shares in issue (thousands)	**1,849,722**	1,844,440
Adjustments for share options (thousands)	**2,492**	6,506
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,852,214**	1,850,946
Diluted earnings per share (HK cents per share)	**7.4**	14.8

15 Dividends

	2016 HK$'000	2015 HK$'000
Proposed final dividend of HK4.8 cents (2015: HK10.0 cents) per ordinary share	**88,882**	184,871
Proposed special dividend of HK7.2 cents (2015: HK6.0 cents) per ordinary share	**133,324**	110,923
Total dividends	**222,206**	295,794

The directors recommend payment of a final dividend of HK4.8 cents per ordinary share and a special dividend of HK7.2 cents per ordinary share. The estimated total final dividend and total special dividend, based on the number of shares outstanding as at 31 December 2016, are HK$88,882,000 and HK$133,324,000 respectively. Such dividends are to be approved by shareholders at the Annual General Meeting of the Company on 4 May 2017 and have not been recognized as a liability at the balance sheet date.

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16 Investments in subsidiaries

16.1 Corporate structure

As at 31 December 2016, the Company had interests in the following principal subsidiaries:

Name	Place of incorporation	Principal activities and place of operation	Issued share capital	Effective interest held Directly	Effective interest held 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 ("PRC")	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%	–
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	35,000,000 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	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 (UK) Limited	United Kingdom	Investment Management in United Kingdom	GBP50,000	100%	–
Value Partners Asset Management Singapore Pte. Ltd.	Singapore	Investment management in Singapore	1,000,000 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	–	62.05%
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	25,000,000 ordinary shares	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	Hong Kong	Providing information technology services	1 ordinary share	100%	–
Value Partners Technology Systems Limited	Hong Kong	Providing robo-advisory services	10,000,000 ordinary shares	100%	–
Valuegate Holdings Limited	British Virgin Islands	Trademark holding in Hong Kong	2 ordinary shares of US$1 each	100%	–
惠理海外投資基金管理(上海)有限公司	PRC	Investment advisory in China	Registered capital of RMB20,000,000	–	100%
惠理股權投資管理(深圳)有限公司	PRC	Investment advisory in China	Registered capital of RMB13,000,000	–	100%

16 Investments in subsidiaries (continued)

16.2 Interests in structured entitles

As at 31 December 2016, the Group is deemed to hold a controlling interest in the following investment fund (2015: Nil). All assets and liabilities of this fund are consolidated within the Group's balance sheet.

	Place of incorporation	Effective interest held Directly	Indirectly
Value Partners Big Data Fund	Cayman Islands	–	95%

17 Property, plant and equipment

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Vehicles HK$'000	Total HK$'000
As at 1 January 2015					
Cost	20,810	4,865	12,673	1,875	40,223
Accumulated depreciation	(13,530)	(3,769)	(8,706)	(465)	(26,470)
Net book amount	7,280	1,096	3,967	1,410	13,753
Year ended 31 December 2015					
Opening net book amount	7,280	1,096	3,967	1,410	13,753
Additions	4,402	166	5,095	652	10,315
Disposals	–	–	–	(172)	(172)
Exchange differences	(60)	(10)	(79)	164	15
Depreciation (Note 10)	(4,103)	(271)	(2,421)	(655)	(7,450)
Closing net book amount	7,519	981	6,562	1,399	16,461
As at 31 December 2015					
Cost	25,212	5,031	17,768	2,355	50,366
Accumulated depreciation	(17,693)	(4,050)	(11,206)	(956)	(33,905)
Net book amount	7,519	981	6,562	1,399	16,461
Year ended 31 December 2016					
Opening net book amount	**7,519**	**981**	**6,562**	**1,399**	**16,461**
Additions	**832**	**90**	**2,134**	**–**	**3,056**
Disposals	**(1,186)**	**–**	**(458)**	**–**	**(1,644)**
Exchange differences	**(54)**	**(5)**	**–**	**(28)**	**(87)**
Depreciation (Note 10)	**(4,410)**	**(291)**	**(3,353)**	**(773)**	**(8,827)**
Write back of depreciation on disposals	**1,186**	**–**	**458**	**–**	**1,644**
Closing net book amount	**3,887**	**775**	**5,343**	**598**	**10,603**
As at 31 December 2016					
Cost	**24,858**	**5,121**	**19,444**	**2,355**	**51,778**
Accumulated depreciation	**(20,971)**	**(4,346)**	**(14,101)**	**(1,757)**	**(41,175)**
Net book amount	**3,887**	**775**	**5,343**	**598**	**10,603**

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18 Intangible assets

	License HK$'000	Goodwill HK$'000	Computer software HK$'000	Total HK$'000
As at 1 January 2015				
Cost	24,050	54,435	15,718	94,203
Accumulated amortization	–	–	(8,083)	(8,083)
Accumulated impairment	(13,500)	(40,214)	–	(53,714)
Net book amount	10,550	14,221	7,635	32,406
Year ended 31 December 2015				
Opening net book amount	10,550	14,221	7,635	32,406
Additions	–	–	9,714	9,714
Impairment	(10,550)	(14,221)	–	(24,771)
Exchange differences	–	–	(43)	(43)
Amortization (Note 10)	–	–	(3,428)	(3,428)
Closing net book amount	–	–	13,878	13,878
As at 31 December 2015				
Cost	24,050	54,435	25,432	103,917
Accumulated amortization	–	–	(11,554)	(11,554)
Accumulated impairment	(24,050)	(54,435)	–	(78,485)
Net book amount	–	–	13,878	13,878
Year ended 31 December 2016				
Opening net book amount	–	–	**13,878**	**13,878**
Additions	–	–	**5,237**	**5,237**
Exchange differences	–	–	**(6)**	**(6)**
Amortization (Note 10)	–	–	**(5,062)**	**(5,062)**
Closing net book amount	–	–	**14,047**	**14,047**
As at 31 December 2016				
Cost	–	–	**30,669**	**30,669**
Accumulated amortization	–	–	**(16,622)**	**(16,622)**
Net book amount	–	–	**14,047**	**14,047**

18 Intangible assets (continued)

18.1 Impairment tests of goodwill and other intangible assets

As at 31 December 2016 and 2015, the carrying amounts of goodwill and license acquired in business combinations have been allocated to the following CGUs:

	License		Goodwill	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
SAMHK, in relation to the exchange-traded fund ("ETF") business				
– Beginning of the year	**–**	–	**–**	14,221
VP Concord, in relation to the investment management business in Taiwan				
– Beginning of the year	**–**	10,550	**–**	–
Impairment charge	**–**	(10,550)	**–**	(14,221)
End of the year	**–**	–	**–**	–

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. In 2015, growth rates in a range between 5% and 100% have been applied to the SAMHK CGU and a range between 10% and 15% have been applied to the VP Concord CGU. A terminal growth rate of 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 15.7% for the SAMHK CGU and 15.4% for the VP Concord CGU.

In 2015, after revisiting the plan on products launch, the Group assessed the recoverable amounts of the SAMHK CGU and VP Concord CGU based on the estimated value-in-use calculations were lower than the carrying amounts. The carrying amounts of the goodwill and license were fully written down, and an impairment loss of HK$24,771,000 was recognized in "Other (losses)/gains-net" in 2015.

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19 Investments in associates

19.1 Investments in associates accounted for using equity method

	2016 HK$'000	2015 HK$'000
Beginning of the year	**–**	102,651
Share of results – loss after tax	**–**	(5,132)
Impairment loss (Note 11)	**–**	(42,754)
Reclassification to investments held-for-sale (Note 21)	**–**	(54,765)
End of the year	**–**	–

In 2012, the Group acquired 49% interests in Goldstate Capital Fund Management Company Limited ("Goldstate Capital"), a China incorporated licensed mutual fund management company headquartered in Shanghai, and accounted for its investment in Goldstate Capital as an associate.

In 2015, the Group entered into a sale and purchase agreement with a third party to sell its 49% interests of Goldstate Capital for RMB45 million (equivalent to HK$55 million). The carrying amount of the investment in an associate was then written down to HK$54,765,000. As at 31 December 2015, the Group reclassified its interests in Goldstate Capital from "Investment in an associate" to "Investments held-for-sale". Refer to Note 21.

In February 2016, the transaction was approved by relevant Chinese government authorities, and the transaction was completed thereafter.

19.2 Investments in associates measured at fair value

Where the Group has an interest in the investment funds that give the Group significant influence, but not control, the Group records such investments at fair value. Details of such investment funds are summarized as follow.

	Place of incorporation	**Interest held 2016**	Interest held 2015
Value Partners Ireland Fund Plc – Value Partners Health Care Fund	Ireland	**21%**	24%

	2016 HK$'000	2015 HK$'000
Net asset value	**177,993**	156,225
Profit/(loss) for the year and total comprehensive income	**1,324**	(5,845)

The fair value of the Group's interest in such investment funds are summarized in Note 36.3.

20 Investments

Investments include the following:

	Financial assets/ (liabilities) at fair value through profit or loss		Available-for-sale financial assets		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Listed securities (by place of listing)						
Equity securities – Long – China	**–**	154,832	**–**	–	**–**	154,832
Equity securities – Long – Hong Kong	**30,583**	–	**–**	–	**30,583**	–
Equity securities – Short – Hong Kong	**(3,644)**	–	**–**	–	**(3,644)**	–
Equity securities – Long – Singapore	**4,514**	–	**–**	–	**4,514**	–
Equity securities – Long – Taiwan	**4,428**	–	**–**	–	**4,428**	–
Equity securities – Long – United States	**2,230**	–	**–**	–	**2,230**	–
Investment funds – Hong Kong	**173,363**	146,673	**–**	–	**173,363**	146,673
Market value of listed securities	**211,474**	301,505	**–**	–	**211,474**	301,505
Unlisted securities (by place of incorporation/establishment)						
Equity securities – Singapore	**–**	–	**5,594**	6,463	**5,594**	6,463
Investment funds – Australia	**17,573**	16,056	**–**	–	**17,573**	16,056
Investment funds – Cayman Islands	**288,336**	519,863	**4,341**	2,658	**292,677**	522,521
Investment funds – China	**13,869**	27,727	**1,183**	–	**15,052**	27,727
Investment funds – Ireland	**38,063**	145,584	**–**	–	**38,063**	145,584
Investment funds – Luxemburg	**–**	–	**71,867**	74,811	**71,867**	74,811
Investment funds – Taiwan	**–**	1,127	**–**	–	**–**	1,127
Investment funds – United States	**60,675**	58,767	**25,711**	24,136	**86,386**	82,903
Fair value of unlisted securities	**418,516**	769,124	**108,696**	108,068	**527,212**	877,192
Derivative financial instruments						
Equity swap – China	**33,655**	37,257	**–**	–	**33,655**	37,257
Equity swap – Taiwan	**(39)**	–	**–**	–	**(39)**	–
Index futures – Hong Kong	**(438)**	–	**–**	–	**(438)**	–
Fair value of derivative financial instruments	**33,178**	37,257	**–**	–	**33,178**	37,257
Total investments	**663,168**	1,107,886	**108,696**	108,068	**771,864**	1,215,954
Representing:						
Non-current	**625,533**	953,054	**108,696**	108,068	**734,229**	1,061,122
Current	**37,635**	154,832	**–**	–	**37,635**	154,832
Total investments	**663,168**	1,107,886	**108,696**	108,068	**771,864**	1,215,954

In addition to the above, some investments were classified as held-for-sale as at 31 December 2016 and 2015. Refer to Note 21 for details.

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20 Investments (continued)

The Group provided seed capital to set up a number of investment funds, of which the Group acts as the investment manager or investment advisor. As at 31 December 2016 and 2015, except for the consolidated fund disclosed in Note 16.2, the Group determined that all of these investment funds are unconsolidated structured entities. Refer to Note 36.3 for details.

The maximum exposure to loss for all interests in structured entities is the carrying value of the investments in investment funds (refer to Note 35.3) and fees receivable as shown in the consolidated balance sheet. The size of the investment funds ranges from US$4 million to US$3.5 billion (2015: US$1 million to US$3.9 billion). During the year, other than seed capital, the Group did not provide other financial support to unconsolidated structured entities and has no intention of providing other support.

Investments are denominated in the following currencies:

	2016 **HK$'000**	2015 HK$'000
Australian dollar	**17,634**	16,353
Hong Kong dollar	**233,603**	341,029
Renminbi	**15,052**	182,559
Singapore dollar	**10,109**	6,463
Taiwan dollar	**4,427**	1,127
United States dollar	**490,679**	667,878
Others	**360**	545
Total investments	**771,864**	1,215,954

20.1 Available-for-sale financial assets

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

	2016 **HK$'000**	2015 HK$'000
Beginning of the year	**108,068**	34,389
Additions	**2,931**	102,519
Disposals	**–**	(24,918)
Fair value losses (Notes 13 and 27)	**(2,303)**	(3,922)
End of the year	**108,696**	108,068

There was no impairment provision on available-for-sale financial assets as at 31 December 2016 (2015: Nil).

21 Investments held-for-sale

In 2015, the Group reclassified its investment in an associate to held-for-sale after it entered into a sale and purchase agreement with a third party to sell its 49% interest of the associate. In February 2016, the transaction was approved by relevant Chinese government authorities, and the transaction was completed thereafter.

The Group also classified some of its 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. As at 31 December 2016 and 2015, the major assets of these investment funds were listed equity securities.

	Fair value	
	2016	2015
	HK$'000	HK$'000
Investment in an associate (Note 19.1)	**–**	54,765
Investment funds – Cayman Islands	**–**	131,425
Investment funds – Taiwan	**14,875**	23,204
Total investments held-for-sale	**14,875**	209,394

Income recognized in other losses – net relating to investments held-for-sale

	2016	2015
	HK$'000	HK$'000
Change in unrealized gains/losses on investments held-for-sale	**(625)**	(7,832)
Realized (losses)/gains on investments held-for-sale	**(1,399)**	6,145
Net losses on investments held-for-sale	**(2,024)**	(1,687)

22 Fees receivable

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 2016 (2015: 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:

	2016	2015
	HK$'000	HK$'000
Fees receivable that were past due but not impaired		
1 – 30 days	**490**	692
31 – 60 days	**1,096**	162
61 – 90 days	**1,475**	406
Over 90 days	**2,436**	16,006
	5,497	17,266
Fees receivable that were within credit period	**106,932**	188,776
Total fees receivable	**112,429**	206,042

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22 Fees receivable (continued)

Fees receivable are denominated in the following currencies:

	2016	2015
	HK$'000	HK$'000
Australian dollar	**687**	818
Hong Kong dollar	**22,762**	25,294
Renminbi	**4,591**	26,079
United States dollar	**84,347**	153,768
Others	**42**	83
Total fees receivable	**112,429**	206,042

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 2016 (2015: Nil).

23 Cash and cash equivalents

	2016	2015
	HK$'000	HK$'000
Cash at banks and in hand	**183,371**	369,068
Short-term bank deposits	**2,439,201**	1,857,296
Deposits with brokers	**6,559**	2,420
Total cash and cash equivalents	**2,629,131**	2,228,784

Cash and cash equivalents are denominated in the following currencies:

	2016	2015
	HK$'000	HK$'000
Australian dollar	**5,766**	81,946
Hong Kong dollar	**1,136,647**	979,715
Renminbi	**349,635**	373,638
Singapore dollar	**9,075**	5,031
Taiwan dollar	**2,891**	23,911
United States dollar	**1,122,908**	764,506
Others	**2,209**	37
Total cash and cash equivalents	**2,629,131**	2,228,784

24 Other assets

	2016 HK$'000	2015 HK$'000
Restricted bank balances	**6,022**	5,984
Others	**2,594**	2,599
Total other assets	**8,616**	8,583

In accordance with the Regulations Governing the Conduct of Discretionary Investment Business and the Regulations Governing Offshore Funds of Taiwan, as at 31 December 2016, VP Concord, a subsidiary of the Group, placed a deposit of NT$25 million (equivalent to HK$6,012,000) (2015: NT$25 million (equivalent to HK$5,900,000)) 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.

In addition, bank deposits of RMB9,000 (equivalent to HK$10,000) (2015: RMB70,000 (equivalent to HK$84,000)) were placed as a minimum reserve for the Group's investment in equity securities in China.

25 Loan portfolio, net

25.1 Loan portfolio less allowance

	2016 HK$'000	2015 HK$'000
Loan portfolio in the People's Republic of China		
Corporate	**46,115**	51,918
Personal	**143,300**	230,984
	189,415	282,902
Allowance for impairment	**(65,634)**	(32,591)
Total loan portfolio, net	**123,781**	250,311
Representing:		
Non-current	**67,795**	104,275
Current	**55,986**	146,036
Total loan portfolio, net	**123,781**	250,311

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

As at 31 December 2016, the loan portfolio had a weighted average remaining term of 2.3 years (2015: 2.2 years) on a contractual basis, without taking into account any prepayment of loans. Final maturity of the loan portfolio is in the year 2021.

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25 Loan portfolio, net (continued)

25.2 Allowance for loan impairment

Collective assessment	2016 HK$'000	2015 HK$'000
Beginning of the year	3,081	3,470
Charged to the consolidated statement of comprehensive income (Note 10)	(918)	(242)
Exchange differences	(155)	(147)
End of the year	2,008	3,081

Individual assessment	2016 HK$'000	2015 HK$'000
Beginning of the year	29,510	6,398
Charged to the consolidated statement of comprehensive income (Note 10)	37,588	24,523
Exchange differences	(3,472)	(1,411)
End of the year	63,626	29,510

As at 31 December 2016, the allowance for collectively assessed loan impairment amounted to 1.1% of the outstanding principal balances of the loan portfolio (2015: 1.1%), and the allowance for individually assessed loan impairment amounted to 69% of the impaired loan portfolio (2015: 56%).

26 Issued equity

	Number of shares	Issued equity HK$'000
As at 1 January 2015	1,836,664,831	1,336,979
Shares issued upon exercise of share options	12,050,000	40,554
As at 31 December 2015 and 1 January 2016	1,848,714,831	1,377,533
Shares issued upon exercise of share options	3,000,000	13,940
As at 31 December 2016	1,851,714,831	1,391,473

As at 31 December 2016, the total authorized number of ordinary shares of the Company was 5,000,000,000 shares (2015: 5,000,000,000 shares) with a par value of HK$0.1 (2015: 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.

26 Issued equity (continued)

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 for the year ended 31 December 2016 (2015: 140,920,000).

The total expense recognized in the consolidated statement of comprehensive income for share options granted to directors and employees for the year ended 31 December 2016 was HK$89,168,000 (2015: HK$101,572,000) which has no impact to the Group's cash flow. The weighted average fair value of options granted during the year 2015 was determined using the Black-Scholes valuation model. The total fair value of options granted is amortized over the vesting period. The significant inputs into the model included share price at the grant date, exercise price, estimated volatility, estimated dividend yield based on historical dividend per share for year 2014, expected option life and annual risk-free interest rate. The volatility was measured based on historic average share price volatility over a period of similar maturity to those of the share options.

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)
As at 1 January 2015	3.82	19,650
Granted	13.60	44,500
Granted	14.09	96,420
Forfeited	13.60	(270)
Forfeited	14.09	(130)
Exercised	2.44	(6,400)
Exercised	5.00	(2,550)
Exercised	3.94	(3,100)
As at 31 December 2015	13.46	148,120
As at 1 January 2016	**13.46**	**148,120**
Forfeited	**13.60**	**(6,810)**
Forfeited	**14.09**	**(2,710)**
Exercised	**5.00**	**(2,000)**
Exercised	**3.94**	**(1,000)**
As at 31 December 2016	**13.63**	**135,600**

Out of the 135,600,000 (2015: 148,120,000) outstanding share options, 66,986,000 (2015: 7,600,000) options were exercisable as at 31 December 2016 with weighted average exercise price of HK$13.43 (2015: HK$4.55) per share. 3,000,000 (2015: 12,050,000) options were exercised during the year ended 31 December 2016.

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26 Issued equity (continued)

Share options (continued)

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

Expiry date	Exercise price (HK$ per share)	Number of options ('000) 2016	2015
22 December 2016	5.00	–	2,000
11 November 2021	13.60	**37,420**	44,230
16 December 2021	14.09	**93,580**	96,290
30 May 2022	3.94	**600**	1,600
6 December 2022	4.56	**4,000**	4,000

The measurement dates of the share options were 17 June 2015, 12 May 2015, 7 December 2012, 31 May 2012, 23 June 2010, being the dates of grant of the share options, and 27 July 2015, being the date of the Group's extraordinary general meeting approving the grant of 54,800,000 share options to Dato' Seri Cheah. 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.

27 Other reserves

	Share–based compensation reserve [a] HK$'000	Revaluation reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve [b] HK$'000	Foreign exchange translation reserve HK$'000	Regulatory reserve HK$'000	Total HK$'000
As at 1 January 2015	168,593	19,584	240	(1,341)	3,655	455	191,186
Share-based compensation (Note 9)	101,572	–	–	–	–	–	101,572
Fair value losses on available-for-sale financial assets (Note 20.1)	–	(3,922)	–	–	–	–	(3,922)
Foreign exchange translation reserve	–	–	–	–	(24,912)	–	(24,912)
Acquisition of additional interest in a subsidiary	–	–	–	(841)	–	–	(841)
As at 31 December 2015	270,165	15,662	240	(2,182)	(21,257)	455	263,083
As at 1 Jan 2016	**270,165**	**15,662**	**240**	**(2,182)**	**(21,257)**	**455**	**263,083**
Share-based compensation (Note 9)	**89,168**	**–**	**–**	**–**	**–**	**–**	**89,168**
Transfer of share-based compensation reserve upon exercise, forfeiture or expiry of share options	**(166,391)**	**–**	**–**	**–**	**–**	**–**	**(166,391)**
Fair value losses on available-for-sale financial assets (Note 20.1)	**–**	**(2,303)**	**–**	**–**	**–**	**–**	**(2,303)**
Foreign exchange translation reserve	**–**	**–**	**–**	**–**	**(35,042)**	**–**	**(35,042)**
As at 31 December 2016	**192,942**	**13,359**	**240**	**(2,182)**	**(56,299)**	**455**	**148,515**

(a) Share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised. The amount will be transferred to retained earnings when the related options are exercised, expired or forfeited.

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

28 Deferred tax

The movement of deferred tax assets is as follows:

Deferred tax assets	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
As at 1 January 2015	–	3,797	3,797
Credited to the consolidated statement of comprehensive income (Note 12)	–	6,356	6,356
As at 31 December 2015	–	10,153	10,153
As at 1 January 2016	**–**	**10,153**	**10,153**
Credited to the consolidated statement of comprehensive income (Note 12)	**–**	**5,231**	**5,231**
As at 31 December 2016	**–**	**15,384**	**15,384**

The analysis of deferred tax assets is as follows:

	2016 HK$'000	2015 HK$'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**15,029**	9,642
– Deferred tax asset to be recovered within 12 months	**355**	511
	15,384	10,153

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.

29 Distribution fee expenses payable

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

	2016 HK$'000	2015 HK$'000
0 – 30 days	**103,357**	116,866
31 – 60 days	**2,129**	–
61 – 90 days	**244**	–
Over 90 days	**237**	97
Total distribution fee expenses payable	**105,967**	116,963

Distribution fee expenses payable are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
United States dollar	**105,967**	116,952
Others	**–**	11
Total distribution fee expenses payable	**105,967**	116,963

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30 Short-term loan

The Group had no short term loan as at 31 December 2016. As at 31 December 2015, the Group had a short term loan of (RMB50,000,000 (equivalent to HK$59,800,000)) bears an annual interest rate of 4.45% and was repayable in January 2016. Such loan was secured by the cash deposit of Brilliant Star Capital Limited, a subsidiary of the Company.

31 Other financial liabilities

The Group consolidates certain seed capital investments where it is deemed to have control, and records an additional liability representing the fair value of the proportion of the fund owned by third party investors.

32 Financial instruments by category

	2016 **HK$'000**	2015 HK$'000
Category of financial assets		
Loans and receivables		
Loan portfolio, net (Note 25)	**123,781**	250,311
Restricted bank balances (Note 24)	**6,022**	5,984
Fees receivable	**112,429**	206,042
Amounts receivable on sale of investments	**–**	7,227
Other receivables	**14,396**	12,246
Deposits with brokers	**175,310**	–
Time deposits	**43,781**	70,073
Cash and cash equivalent	**2,629,131**	2,228,784
	3,104,850	2,780,667
Financial assets at fair value through profit or loss		
Investments (Note 20)	**667,289**	1,107,886
Investments held-for-sale (Note 21)	**14,875**	209,394
	682,164	1,317,280
Available-for-sale financial assets		
Investments (Note 20)	**108,696**	108,068
Category of financial liabilities		
Financial liabilities at fair value through profit or loss		
Investments (Note 20)	**4,121**	–
Other financial liabilities at amortized cost		
Accrued bonus	**53,501**	142,857
Distribution fee expenses payable	**105,967**	116,963
Other payables and accrued expenses	**25,021**	30,816
Short-term loan	**–**	59,800
Other financial liabilities	**4,527**	–
	189,016	350,436

33 Notes to the consolidated cash flow statement

	2016 HK$'000	2015 HK$'000
Profit before tax	**160,217**	375,134
Adjustments for		
Interest income from loan portfolio	**(33,893)**	(61,253)
Interest income on cash and cash equivalents and restricted bank balances	**(19,339)**	(18,583)
Dividend income	**(21,142)**	(16,144)
Share-based compensation	**89,168**	101,572
Depreciation and amortization	**13,889**	10,878
Impairment loss on goodwill and licenses	**–**	24,771
Impairment loss on investment in associate	**–**	42,754
Charge of loan impairment allowances	**36,670**	24,281
Other losses – net	**3,106**	31,038
Share of loss of an associate	**–**	5,132
Changes in working capital		
Other assets	**(33)**	120
Fees receivable	**93,613**	487,558
Loan portfolio, net	**92,422**	61,813
Deposits with brokers	**(175,310)**	–
Time deposits	**26,292**	180,096
Prepayments and other receivables	**(3,204)**	6,282
Accrued bonus	**(89,356)**	(93,210)
Distribution fee expenses payable	**(10,996)**	39,947
Other payables and accrued expenses	**(5,795)**	(5,291)
Other financial liabilities	**4,527**	–
Net cash generated from operations	**160,836**	1,196,895

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:

	2016 HK$'000	2015 HK$'000
Not later than one year	**24,391**	24,255
Later than one year and not later than five years	**16,060**	24,939
Total operating lease commitments	**40,451**	49,194

34.2 Capital commitments

As at 31 December 2016, the Group has unfunded capital commitment in a private equity fund amounted to US$375,000 (equivalent to HK$2,910,000) (2015: US$600,000 (equivalent to HK$4,656,000)). As at the end of the year, the capital commitment contracted to purchase licensed software but not yet incurred amounted to HK$1,548,000 (2015: HK$3,000,000).

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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 2016 and 2015, 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 2016 and 2015, 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

	2016 HK$'000	2015 HK$'000
Consultancy fee to a close family member of key management personnel	**(289)**	(289)

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:

	2016 HK$'000	2015 HK$'000
Management bonus, salaries and other short-term employee benefits	**36,255**	75,240
Share-based compensation	**46,944**	60,389
Pension costs	**69**	72
Total key management compensation	**83,268**	135,701

36 Related-party transactions (continued)

36.3 Investments in investment funds which are managed/advised by the Group

The Group has interests in the following consolidated and unconsolidated structured entities. These are the investment funds under the Group's management or advisory and from which it earns fees from investment management or advisory activities and fund distribution activities. These investment funds manage pools of assets from third party investors, and are financed through the issue of units/shares to investors.

	Fair value	
	2016 HK$'000	2015 HK$'000
Consolidated structured entities		
Value Partners Big Data Fund (Note 16.2)	**87,812**	93,372
Unconsolidated structured entities		
ASTON/Value Partners Asia Dividend Fund	**60,395**	58,474
Premium Asia Income Fund	**17,573**	16,056
Value China ETF	**4,671**	4,816
Value Gold ETF	**142,179**	117,003
Value Japan ETF	**8,932**	8,624
Value Korea ETF	**7,815**	7,890
Value Partners Asia Fund, LLC	**280**	293
Value Partners China A-Share Select Fund [a]	**74**	83
Value Partners China Greenchip Fund Limited [b]	**–**	138,405
Value Partners Classic Equity Fund [c], [d]	**–**	108,267
Value Partners Classic Fund [e]	**–**	86,402
Value Partners Concord Greater China Value Fund	**14,874**	23,204
Value Partners Concord ETF Income Fund of Funds [a]	**–**	1,127
Value Partners Credit Fund [f]	**–**	1
Value Partners Global Contrarian Fund [c]	**13,716**	13,252
Value Partners Greater China High Yield Income Fund [f]	**1**	19,116
Value Partners Ireland Fund Plc – Value Partners Health Care Fund (Note 19.2)	**38,063**	37,316
Value Partners Hedge Fund Limited [f]	**2**	2
Value Partners High-Dividend Stocks Fund [g]	**266**	264
Value Partners Intelligent Funds – China Convergence Fund [a]	**65,672**	71,856
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	**170,698**	190,126
Value Partners Multi-Asset Fund	**37,908**	38,052
Value Partners Strategic Equity Fund [h]	**–**	357
Value Taiwan ETF	**9,765**	8,340
中信•金元惠理金融投資集合資金信託計劃	**–**	14,080
金海九號證券投資集合資金信託計劃	**13,869**	13,647
Total investments in investment funds which are managed/advised by the Group	**694,565**	1,070,425

(a) The units held were Class A units.

(b) The shares held were redeemable Class A shares.

(c) The Group has waived its voting rights in respect of its holdings.

(d) The shares held were USD Class shares.

(e) The units held were "C" units.

(f) The shares held were management shares.

(g) The units held were Class A2 MDis units.

(h) The shares held were non-voting shares.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

36 Related-party transactions (continued)

36.4 Investments in an investment fund managed by a related company

As at 31 December 2016, the Group had investments in Malabar India Fund, LP amounted to HK$25,689,000 (2015: HK$24,136,000) which is managed by Malabar Investment LLC in which the Group had an interest of 6.6% (2015: 6.6%).

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 2016 and 2015 declared by Value Partners Hong Kong Limited to Value Partners Group Limited. The amount is unsecured and non-interest bearing.

37 Balance sheet and reserve movement of the Company

Balance Sheet of the Company

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment in subsidiaries		**1,401,293**	1,393,652
Amounts due from subsidiaries		**951,718**	713,251
		2,353,011	2,106,903
Current assets			
Dividends receivable		**300,000**	410,000
Prepayments and other receivables		**579**	517
Cash and cash equivalents		**133,182**	28,953
		433,761	439,470
Current liabilities			
Other payables and accrued expenses		**1,125**	109
Net current assets		**432,636**	439,361
Non-current liabilities			
Amounts due to subsidiaries		**175,359**	23,081
Net assets		**2,610,288**	2,523,183
Equity			
Issued equity		**2,258,286**	2,244,346
Other reserves	(a)	**193,182**	270,405
Retained earnings	(a)	**158,820**	8,432
Total equity		**2,610,288**	2,523,183

On behalf of the Board

SO Chun Ki Louis
Director

AU King Lun
Director

(a) Reserve movement of the Company

	Share-based compensation reserve HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000
As at 1 January 2015	168,593	240	16,072
Share-based compensation	101,572	–	–
Profit for the year	–	–	397,786
Dividends	–	–	(405,426)
As at 31 December 2015	270,165	240	8,432
As at 1 January 2016	**270,165**	**240**	**8,432**
Share-based compensation	**89,168**	**–**	**–**
Transfer of share-based compensation reserve upon exercise, forfeiture or expiring of share options (Note 27)	**(166,391)**	**–**	**166,391**
Profit for the year	**–**	**–**	**279,790**
Dividends	**–**	**–**	**(295,793)**
As at 31 December 2016	**192,942**	**240**	**158,820**

Notes to the Consolidated Financial Statements

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38 Benefits and interests of directors

38.1 Directors' and chief executive's emoluments

The remuneration of each director and chief executive of the Company is as follows:

	Fees HK$'000	Salaries HK$'000	Management bonus HK$'000	Estimated money value of other benefits [a] HK$'000	Pension costs HK$'000	Total HK$'000
Year ended 31 December 2016						
Executive directors						
Dato' Seri Cheah, Cheng Hye	**–**	**6,562**	**8,730**	**20,494**	**18**	**35,804**
Mr So, Chun Ki Louis	**–**	**3,778**	**6,100**	**15,651**	**18**	**25,547**
Ms Hung, Yeuk Yan Renee	**–**	**2,547**	**4,400**	**10,763**	**18**	**17,728**
Mr Tse, Wai Ming, Timothy [b]	**–**	**2,558**	**180**	**1,436**	**15**	**4,189**
Independent non-executive directors						
Dr Chen, Shih Ta Michael	**300**	**–**	**–**	**360**	**–**	**660**
Mr Lee, Siang Chin	**300**	**–**	**–**	**440**	**–**	**740**
Mr Oyama, Nobuo	**300**	**–**	**–**	**365**	**–**	**665**
Chief executive officer						
Dr Au, King Lun [c]	**–**	**174**	**1,800**	**3**	**2**	**1,979**
	900	**15,619**	**21,210**	**49,512**	**71**	**87,312**
Year ended 31 December 2015						
Executive directors						
Dato' Seri Cheah, Cheng Hye	–	6,401	23,391	28,168	18	57,978
Mr So, Chun Ki Louis	–	3,685	15,966	17,455	18	37,124
Ms Hung, Yeuk Yan Renee	–	2,484	11,233	12,257	18	25,992
Mr Tse, Wai Ming, Timothy [b]	–	2,949	7,600	4,040	18	14,607
Independent non-executive directors						
Dr Chen, Shih Ta Michael	300	–	–	494	–	794
Mr Lee, Siang Chin	300	–	–	565	–	865
Mr Oyama, Nobuo	300	–	–	500	–	800
	900	15,519	58,190	63,479	72	138,160

(a) Other benefits include share-based compensation, 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, insurance premium and professional bodies' membership.

(b) Resigned on 1 November 2016.

(c) Appointed as chief executive officer on 12 December 2016, and as executive director on 7 March 2017.

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 2016 (2015: Nil). No directors waived or agreed to waive any emoluments for the year ended 31 December 2016 (2015: Nil).

38.2 Directors' material interests in transactions, arrangement or contracts

No significant transactions, arrangement and contracts in relation to the Group's business to which the Company 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.

Particulars of subsidiaries

As at 31 December 2016, 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
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$57,314,734
Sensible Asset Management Limited	British Virgin Islands	Investment management in Hong Kong	US$200,000
Value Executive Solutions 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
Value Partners (UK) Limited	United Kingdom	Investment management in United Kingdom	GBP50,000
Value Partners Asset Management Singapore Pte. Ltd.	Singapore	Investment management in Singapore	S$1,000,000
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

Particulars of subsidiaries

Name	Place of incorporation	Principal activities and place of operation	Issued share capital
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$25,000,000
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	Hong Kong	Providing information technology services	HK$1
Value Partners Technology Systems Limited	Hong Kong	Providing robo-advisory services	HK$10,000,000
Valuegate Holdings Limited	British Virgin Islands	Trademark holding in Hong Kong	US$2
惠理海外投資基金管理(上海)有限公司	PRC	Investment management and advisory in PRC	Registered capital of RMB20,000,000 有限責任公司(獨資)
惠理股權投資管理(深圳)有限公司	PRC	Investment advisory in PRC	Registered capital of RMB13,000,000 有限責任公司(獨資)

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