惠 理 集 團
Value Partners Group

AN AWARD-WINNING ASSET MANAGER

Value Partners has won **200+** performance awards since 1993 for investment excellence.

Our investment capabilities:

Equities | Fixed income | Alternatives
Multi-asset | Quantitative Investment Solutions

Value Partners Group Limited
惠理集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 806

2018 Annual Report

Corporate profile

Established in 1993, Value Partners is one of Asia's largest independent asset management firms offering world-class investment services and products for institutional and individual clients globally. The firm has been a dedicated value investor in Asia and around the world. Its investment strategies cover equities, fixed income, alternatives, multi-asset and Quantitative Investment Solutions. In addition to its Hong Kong headquarters, the firm has offices in Shanghai, Shenzhen, Beijing, Kuala Lumpur, Singapore, London and Boston.

Value Partners was the first and only asset management firm listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 806 HK) after it went public in November 2007. The firm had US$15.0 billion of assets under management as of 31 December 2018.

Contents

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

Key facts about Value Partners

US$15.0 billion[1]
assets under management

200+
top performing awards and prizes since establishment

About 70
investment professionals focusing on Greater China and Asia investments

13.9%
annualized return and **2,735.5%** cumulative return since launch in 1993 for Value Partners Classic Fund (A Units)[2]

2018
Outstanding Listed Company (Main Board category)[3]

6,500
in-person due diligence research meetings annually

26 years
of history weathered various financial crises regionally and globally

Footnote:

(1) As of 31 December 2018.

(2) As of 31 December 2018. 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:
2014: +13.5%; 2015: -1.5%; 2016: -3.2%; 2017: +44.9%; 2018: -23.1%; 2019 (Year to date as at 28 February): +18.5%.

(3) Awarded by Hong Kong Economic Journal.

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, PhD
(Chief Executive Officer)
Ms. HUNG Yeuk Yan Renee
(Deputy Chief Investment Officer)

Independent Non-executive Directors

Dr. CHEN Shih-Ta Michael
Mr. Nobuo OYAMA
Mr. WONG Poh Weng

Non-executive Honorary Chairman

Mr. YEH V-Nee

Company Secretary

Mr. CHEUNG Kwong Chi, Aaron

Authorized Representatives

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

Members of the Audit Committee

Mr. WONG Poh Weng *(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, PhD
Dr. CHEN Shih-Ta Michael
Mr. Nobuo OYAMA
Mr. WONG Poh Weng

Members of the Remuneration Committee

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

Members of the Risk Management Committee

Dr. AU King Lun MH, PhD *(Chairman)*
Mr. CHENG Tsz Chung
Ms. CHEUNG Hor Yee Patricia
Mr. Roger Anthony HEPPER
Ms. LEE Vivienne
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

43rd Floor, The Center
99 Queen's Road Central
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House-3rd Floor
24 Shedden Road, P.O. Box 1586
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

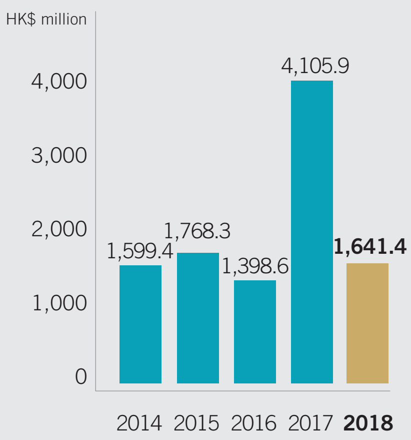
www.valuepartners-group.com

Stock Code

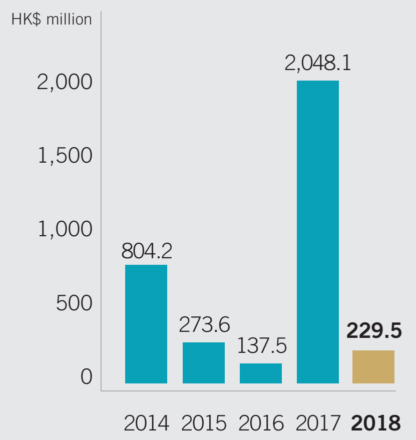
Stock Exchange of Hong Kong: 806

Financial highlights

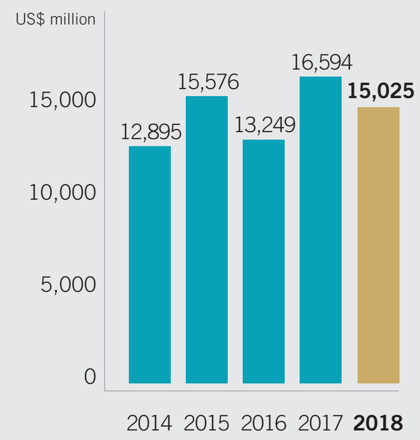
Revenue



Profit attributable to owners of the Company



Assets under management



		Results for the year ended 31 December				
(In HK$ million)	**2018**	**2017**	**% Change**	**2016**	**2015**	**2014**
Revenue	**1,641.4**	4,105.9	-60.0%	1,398.6	1,768.3	1,599.4
Operating profit (before other gains/losses)	**399.9**	2,207.3	-81.9%	197.8	514.0	749.6
Profit attributable to owners of the Company	**229.5**	2,048.1	-88.8%	137.5	273.6	804.2
Earnings per share (HK cents)						
– Basic	**12.4**	110.6	-88.8%	7.4	14.8	45.4
– Diluted	**12.4**	110.5	-88.8%	7.4	14.8	45.3

		Assets and liabilities as at 31 December				
(In HK$ million)	**2018**	**2017**	**% Change**	**2016**	**2015**	**2014**
Total assets	**4,395.9**	6,878.0	-36.1%	3,957.0	4,265.8	4,362.6
Less: Total liabilities	**417.4**	1,238.0	-66.3%	196.4	405.3	476.4
Total net assets	**3,978.5**	5,640.0	-29.5%	3,760.6	3,860.5	3,886.2

		Assets under management ("AUM") as at 31 December				
(In US$ million)	**2018**	**2017**	**% Change**	**2016**	**2015**	**2014**
AUM	**15,025**	16,594	-9.5%	13,249	15,576	12,895

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

Our robust medium- and long-term performance has consistently earned the industry's highest accolades. In 2018, we received 31 new awards, bring the harvest to 201 performance prizes won since our company's founding in 1993. The success of Value Partners is underpinned by the strong teamwork of our closely-knit Investment Management Team, which consists of about 70 fund managers and analysts.

Benchmark Fund of the Year Awards 2018

Value Partners won several top prizes from Benchmark, including **Onshore Provider of the Year**, **Greater China Equity House (Outstanding Achiever)**, **Asia ex-Japan Equity House (Best-In-Class)**, **High Yield Fixed Income House (Outstanding Achiever)**, as well as **Commodity ETF House (Best-In-Class)**.

Our Managing Director of Intermediary Business Mr. Wallace TSANG (right) and Senior Credit Analyst Mr. GOH Wee Liam accepted the awards at the presentation ceremony.

Forbes Asia's "Most Profitable Company"

Value Partners has once again made *Forbes Asia's* list of **"Best Under a Billion" companies** as we continue to be acknowledged by the market for our fine work and progress.

Our Chief Executive Officer Dr. King AU (2nd from the left) was both a panelist as well as an award recipient at the Forbes awards ceremony, which was held in Tokyo for the first time.

2018 HKCAMA* - Offshore China Fund Awards

Our **Greater China High Yield Fixed Income Fund** was awarded **Best Total Return – Greater China Fixed Income Fund** (for both 3-year and 5-year periods). Our **New China Policy Fund** and **China Convergence Fund** were awarded **Best Total Return – Greater China Equity Fund** for 1-year (1st Runner-up) and 5-year (2nd Runner-up), respectively.

Our Investment Director and Head of China Business Mr. YU Xiaobo (1st from the left), as well as Ms. Danielle LI and Mr. GOH Wee Liam from our fixed income team were on stage to receive the performance awards.

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

Listed Company Awards of Excellence 2018

Value Partners Group was again named a **Best Listed Company (Main Board category)** by *Hong Kong Economic Journal* & PR Asia. The award is a testament to the Group's growing business and the excellent work of all our colleagues.

Members of our senior management team, including Chief Executive Officer Dr. AU (6th from the left), Chief Administrative Officer Ms. Patricia CHEUNG (3rd from the left) and our service providers, attended the awards ceremony and shared the great moment together.

2018 Jingyi Awards

Value Partners Group was crowned **Best Growth Company within Hong Kong Stock Connect** accolade at the prestigious Jingyi Awards ceremony, which was sponsored by the *Securities Times* – a leading financial and securities newspaper ran by the *People's Daily*. In addition, our **Chairman Dato' Seri CHEAH Cheng Hye** also won the **Outstanding Figure of Hong Kong Stock Connect** title.

Our Assistant Fund Manager JIANG Mingbo (5th from the left) was on stage to collect the prestigious prizes at a ceremony in Shenzhen, China.

The Asset Benchmark Research Awards 2018 - Asian G3 Bonds

Value Partners topped the Hedge Fund category of the Research's **Top Investment House in Asian G3 Bonds for 2018.** Three of our fund managers from the fixed income team, including **Mr. Gordon IP, Ms. Elaine HU and Mr. Edwin KAM,** were also chosen as the **Most Astute Investors** in this ranking.

2018 Thomson Reuters Lipper Fund Awards

We scooped up 3 coveted performance awards at the annual Thomson Reuters Lipper Fund Awards, including **Best US Dollar High Yield Bond Fund** (for both 3-year and 5-year periods) for our **Greater China High Yield Income Fund**, as well as **Best China Equity Fund** (10-year) for our **Chinese Mainland Focus Fund**.


惠理擅長價值投資 捕捉中港股債機遇

Mr. Gordon IP, Chief Investment Officer on fixed income investments and Mr. YU Chen Jun, Senior Fund Manager focusing on equities investments, shared their investment insights at a featured interview with Hong Kong Economic Journal.

Public speeches and industry contributions

Hong Kong Management Association – 58th Annual Fellowship Dinner

Chairman and Co-Chief Investment Officer Dato' Seri CHEAH Cheng Hye was invited to be the keynote speaker at the high-profile dinner. His speech was on "How to become a top professional."

SFC Regulatory Forum 2018

Chief Executive Officer Dr. King AU *(2nd from the right)* joined a panel to share insights into opportunities and challenges for the Hong Kong asset management industry in light of recent new cross-border initiatives.

Hong Kong Myanmar Chamber of Commerce's Economic and Finance Seminar series

Dato' Seri CHEAH delivered a speech on "Hong Kong's financial capability as good investment partner for Myanmar" at the seminar.

FundForum Asia, Hong Kong

Dr. AU was invited to be a speaker on a panel discussing innovation in the Chinese asset management industry and global growth strategies.

Global Asset Management Association of Lujiazui forms in Shanghai; Value Partners Shanghai is one of founding members

The Association was set up in November 2018. There were 41 top asset management financial institutes set up their operations in the Lujiazui Financial City, and 10 of them are largest global asset management firms.

2018 Global Asset Management Domestic Market Development Forum

Mr. YU Xiaobo, our **Investment Director and Head of China Business** *(3rd from the left)* presented at a panel and shared his views on the collaborations between foreign asset managers and domestic financial institutions.

Penang Premium Business Enterprise Group – The Power Talk Series

Dato' Seri CHEAH spoke on the topic of "Insights of a successful entrepreneur."

South China Morning Post's China Conference in Malaysia

Dato' Seri CHEAH delivered a speech on "The changing China story: What it means for Malaysia and the world" at the SCMP's flagship China Conference.

Invest Malaysia 2018

Dato' Seri CHEAH was one of the notable conversationalists at the 14th Invest Malaysia. The event had gathered over 1,000 Malaysia and regional fund managers from Taiwan, Thailand, Singapore, Hong Kong, the US and the UK.

Asia Asset Management's annual forums on ETF and Fintech

Mr. David QUAH, our Managing Director of Quantitative Investment Solutions *(1st from the right)*, discussed the development trends and opportunities for Asia's ETF at the two panels organized by Asia Asset Management in Taipei and Kuala Lumpur.

Bloomberg BuySide Week - London

Our **Investment Director Mr. CHUNG Man Wing** was invited to be a panelist at Bloomberg's largest event for the buyside in Europe. He shared the China angle on a high-profile panel that looked at "Uncovering opportunities in emerging markets."

Corporate news and major events

Value Partners' Academy – Hong Kong and Singapore

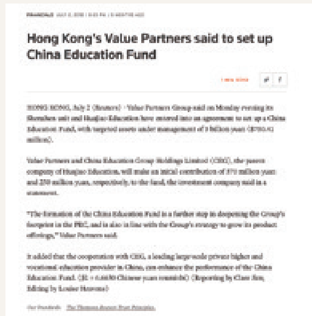
We established a new initiative named the Value Partners Academy, which provides an interactive forum for us to share ideas and engage with our clients from around the world. It aims to provide targeted knowledge sharing and facilitate interactive discussions between our fund managers and clients. During the year, we successfully hosted two events in Hong Kong and Singapore.

Launched first own-branded fund in the domestic Chinese market

We launched our first private investment securities fund on the mainland of China in January 2018 after becoming the first Hong Kong-based fund manager to be awarded a private fund management ("PFM") license in China in November 2017.

Established inaugural private equity fund in the domestic Chinese market

In July 2018, the Group announced the establishment of a private equity fund that focuses on China's private higher and vocational education sector. The fund will be co-managed by China Education Group, one of China's leading private higher education providers.


Hong Kong's Value Partners said to set up China Education Fund

Source: Reuters

Flagship Classic Fund received MRF approval

Our longest-standing Value Partners Classic Fund received approval for Northbound sales through the Mainland-Hong Kong Mutual Recognition of Funds ("MRF") program in December 2018.

Launched first domestic fund in Japan with Daiwa Securities Group

The fund is the first fund to be co-managed by Value Partners and Daiwa Securities Group. Targeted at Japanese investors, the fund aims to capitalize on the long-term growth trend for sectors that benefit from innovation in China.

We opened our Malaysia office

On 8 October 2018, we celebrated the opening of our new office in Kuala Lumpur. A gathering that was attended by a number of VIPs was held in the Malaysian capital to mark the occasion. The location will serve as our hub for distribution, investment management and product development in Southeast Asia as we deepen our footprint in the vibrant region.

We established our North America subsidiary

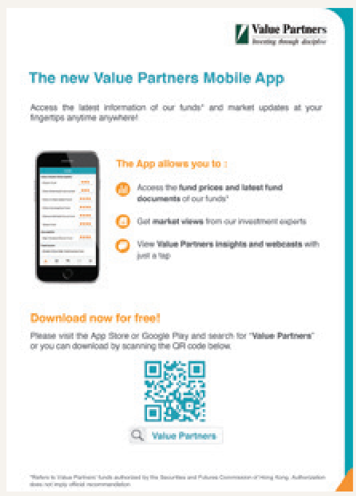
The subsidiary will serve as our North America distribution hub as we look to strengthen our engagement with investors in the region. In the fourth quarter of 2018, we welcomed our first on-the-ground employee as we geared up to open an office in Boston.

Our new Hong Kong headquarters

In the summer of 2018, we relocated our headquarters to The Center in Hong Kong's Central district. The new space is designed to accommodate the Group's future growth and facilitate better interaction between our staff. To inaugurate its new headquarters, our management team hosted a traditional Roasted Pig Cutting ceremony.

Value Partners App

To streamline our engagement with our intermediary distribution partners, we launched a Value Partners App in July 2018 to provide real time fund information and investment insights.



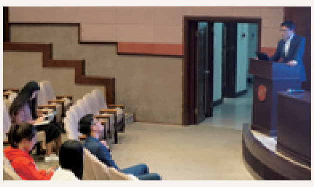
Highlights of the Group's key community involvements and employees activities

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. The Group also sponsors community activities and donates to charitable organizations. Our employees are encouraged to serve as volunteers at organizations promoting child welfare, and to nurture young talents in society. During the year, 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.

Volunteer activities and youth development

Career talks for universities in Shanghai

Our Group organized a Campus Recruitment Seminar in the mainland of China, invited students and teachers from Shanghai Fudan University, Shanghai Jiaotong University and Shanghai University of Finance and Economics, meeting with our fund managers and HR specialists and discussed practical tips on job search and career development. Our colleagues from the Shanghai office also introduced history of Value Partners and its development plan, and received positive response from participants.



The Community Chest 50th Anniversary Walk for Millions

We are delighted to have participated in the Community Chest's annual event, which supports the underprivileged in Hong Kong. It was the event's 50th anniversary and our staff members are proud to have played an active role in helping to raise awareness about family and children's welfare.

FSDC Career Day 2018

The FSDC Career Day provides a platform for university students to learn about various jobs and business areas in the financial services industry through experience sharing by leading practitioners. Value Partners was one of the sponsors of the event. Additionally, our CEO Dr. AU shared on some career advice for the asset management industry, while our colleagues from Human Resources offered advices on job hunting and getting prepared for a career in finance.

HKGCC's Free Ride Day campaign 2018

Value Partners again participated in the Hong Kong General Chamber of Commerce's annual Free Ride Day campaign to show our support for the tireless work that the Chamber does for the business community in Hong Kong.

Heep Hong Society

Value Partners is a proud supporter of Heep Hong Society, which helps children and youths from underprivileged backgrounds. We invited family members from the Society to join a Fun Day, a family party and a BBQ during the year.

Work-life balance and employee wellness

To improve employee welfare and to increase employee involvement in recreational activities, our Recreation Committee continued to organize a variety of staff activities.

- Visiting T•PARK, a place to learn and engage in Hong Kong's green force through its recreational and educational facilities
- Learn to cook
- Family-friendly christmas party
- Annual dinner

Chairman's Statement

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

The year 2018 was the most difficult we faced since the 2008 Global Financial Crisis. Investors' sentiment turned sour against value investing and against China-related securities, both of which are a core focus for us. Not surprisingly, Value Partners' fund performance and corporate profitability suffered.

Still, it's important to note that this was one bad year after quite a number of good ones. Moreover, 2019 has started very well, both for China-related investments and for value investing. Whereas a year earlier, in the Chairman's report issued at the beginning of 2018, we expressed caution and worry about the market outlook, now we think we are in recovery mode.

Securities related to China, and in the Asia-Pacific region in general, have become attractively priced, with supportive government policies, while global capital flows now favour our region as markets in the United States look over-extended. It's also apparent that neither China nor the U.S. can afford a trade war, thus calming sentiment, though we do realize the world has entered a new era of long-term Sino-American economic and political tensions.

In 2018, Value Partners Group's net profit dropped sharply to HK$229.5 million (earnings per share: 12.4 HK cents) from HK$2.05 billion (earnings per share: 110.6 HK cents) the previous year.

The setback can also be seen in our funds' performance, with our flagship Value Partners Classic Fund falling 23.1% in 2018[1] (but this has to be seen from the perspective that in 2017, the fund recorded a net gain of 44.9%). The Classic Fund's medium-to long-term performance remains robust; it has recorded a positive performance in 18 and a negative performance in eight of its 26 years in existence.

Overall, as an asset management platform, Value Partners Group has never been stronger in its history. We never stop adding resources to all aspects of our operation, learning from mistakes and focusing on the performance of our funds and on a comprehensive support and services infrastructure.

Thus, in 2018, we were still able to attract a net inflow of US$1.2 billion to our funds (although group assets under management declined to US$15.0 billion from US$16.6 billion a year earlier due to the negative performance drag suffered by funds during the year). Our robust medium- and long-term performance received continuing recognition, with 31 new awards obtained since the beginning of 2018, bringing the harvest to 201 performance prizes won since the firm started in 1993.

For 2018, we are proposing a final dividend of 6.0 HK cents per share, compared to 104.0 HK cents paid out in 2017.

For a more detailed discussion of the Group, please refer to the accompanying report from our Chief Executive Officer ("CEO"). Highlights of our CEO's report include a remarkable expansion in our product menu, excellent advances in our China mainland business, fresh innovations and partnerships, and the opening of new offices, including a major new subsidiary in Malaysia.

We remain a strong believer in the China story. Despite the tensions with America, we believe China will make continuing progress to become the world's largest economy in the next ten to 15 years, presenting huge opportunities for our fund and for Value Partners as a firm. Whereas China used to be an export-driven economy, in recent years, its growth is increasingly driven by domestic consumption, supporting a complete range of economic activities, from research and development and manufacturing, to distribution and professional services. The country, in other words, has developed a "demand chain" to support its own growth.

Appreciation

To the many clients, shareholders and service providers who have supported and encouraged us, we shall always be grateful. Very importantly, may I express special thanks and recognition to the many outstanding people we have on our staff, who are a key part of the Value Partners success story. The Group employed 238 people at the end of 2018, with offices in Hong Kong, Shanghai, Shenzhen, Beijing, Singapore, Kuala Lumpur, London and Boston.

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

1. *Annual calendar returns of Value Partners Classic Fund (A Units) over the past five years: 2014: +13.5%; 2015: -1.5%; 2016: -3.2%; 2017: +44.9%; 2018: -23.1%; 2019 (Year to date as at 28 February): +18.5%.*

Source for performance figures: HSBC Institutional Trust Services (Asia) Limited and Bloomberg. Past performance is not indicative of future performance.

Report of the Chief Executive Officer

Delivering growth against a challenging backdrop

2018 presented one of the most challenging environments in recent history for the Group. Waves of sell-offs swept across financial markets in Asia as fears about the US-China trade war, rising U.S. interest rates and a slowdown in global economic growth ravaged investor sentiment. Despite the squeeze that the harsh market environment has had on our top line, we continued to make exciting progress in growing and transforming our business as our ongoing efforts yielded promising results. Highlights include our flagship fund's recent approval for the Mainland-Hong Kong Mutual Recognition of Funds ("MRF") scheme, the launch of our first private debt fund and the establishment of our inaugural private equity fund in the domestic Chinese market. The Value Partners brand also proved its mettle as we finished 2018 with a sizeable net inflow into our funds and products. As major macroeconomic risks continue to linger, we are prepared for what could be another bumpy year in 2019 although the outlook has noticeably brightened in recent months. We will prudently manage our resources to ensure that we strike an important balance between achieving strict cost control targets and investing sufficiently in our future growth.

Financial highlights

Despite the turbulent financial markets, we recorded a net inflow of US$1.2 billion during 2018 on the back of continued strong demand for our flagship fixed income fund and the growth of our business on the mainland of China. It was a notable reversal on the US$278 million net outflow that we saw in 2017. However, the Group's assets under management ("AUM") declined to US$15.0 billion at the end of 2018 from US$16.6 billion a year ago as the performance of our funds suffered amid the tough market environment.

Total revenue was squeezed by a sharp fall in gross performance fees as most of our absolute-alpha long-biased equity funds that attract performance fees finished the year below their high watermarks. However, we continued to see healthy growth in our net management fees as average AUM increased. Our average AUM rose to US$16.9 billion in 2018 from US$15.5 billion a year ago. Our net management fee margin remained steady at 59 basis points.

We strictly applied disciplined cost controls as we navigated the challenging market environment. In 2018, we achieved a fixed cost coverage ratio (net management fees divided by fixed expenses) of 2.2 times, which was down only slightly from the 2.3 times for 2017. We also continued to maintain a sound balance sheet with a strong cash position.

As we continue to diversify our AUM mix, we expect our revenues and profits to become less sensitive to movements in secondary markets. We will be launching a number of alternatives products in the coming year as we further broaden our product suite. Alternatives will not only help to reinforce our margins but also offer diversification benefits as performance and flows for the asset class tend to have low correlation with those of traditional asset classes.

China Business – Further breakthroughs and accelerating growth

Our business on the mainland of China continued to gather speed in 2018. AUM attributed to our China Business increased by more than 28% during 2018 to finish the year at US$1.1 billion. The growth was mainly underpinned by the winning of new mandates, strong flows into existing accounts and successful launches of private investment securities funds. We also further broadened the scope of our business on the mainland of China, which now extends to the retail client segment via the MRF scheme.

Our flagship Classic Fund received approval in December 2018 to join the MRF scheme, which provides an avenue for eligible Hong Kong-domiciled funds to be marketed to retail investors on the mainland of China. We will be distributing the Classic Fund across major channels including banks, insurers, brokers and online platforms via our master agent Tianhong Asset Management. The MRF scheme allows us to raise up to 50% of the overall AUM of our Classic Fund from mainland Chinese retail investors through a new RMB share class that will have the same fee structure as existing share classes. We have also applied for our High-Dividend Stocks Fund to join the MRF scheme and hope to obtain approval in the near future.

Value Partners has now launched four private investment securities funds under our own brand in the domestic Chinese market. The number is currently one of the highest among the 16 foreign asset managers that hold the private fund management ("PFM") license as of the end of 2018[1]. Our first fund launched in January 2018, while the subsequent three funds, which also invest in China's A-share market, were unveiled in the second half of the year. All four funds are ramping up well. We plan to further expand the range and scope of our offerings in China's domestic private funds market in the coming year. Importantly, our PFM license could provide a potential avenue for us to obtain a full mutual fund license down the road. A full mutual fund license would enable us to establish a retail fund business and to secure another important channel for accessing China's sprawling wealth management market.

In January 2018, we launched our domestic private equity platform with the establishment of our Shenzhen subsidiary, Value Partners Private Equity Investment Management (Shen Zhen) Limited. With its QFLP license, the platform can raise capital both onshore and offshore to invest in domestic private equity projects. Our China education-focused private equity fund is managed by our Shenzhen subsidiary.

Alternatives – The next phase of our product suite expansion

Value Partners' product suite has grown from a single equity fund at the time of the Group's founding in 1993 to what's now a family of more than 40 funds spanning equities, fixed income, multi-asset, quantitative investment solutions ("QIS") and alternatives.

With most of the groundwork for growing our fixed income offerings complete, we are now focusing our efforts on the alternatives space. Alternatives represent not only a necessary and complementary addition to our revenue mix but also a new frontier of growth. According to a recent report by Preqin[2], global alternatives AUM is expected to increase 59% from US$8.8 trillion in 2017 to US$14 trillion in 2023, with the bulk of that growth set to be contributed by the Asia-Pacific and North America regions. At the same time, fund investors globally are becoming increasingly drawn to the ripening ecosystem of private market investment opportunities in China and Asian emerging markets.

Over the past year, we made significant progress in growing our alternative investment capabilities, which cover private equity, private debt and real estate.

In private equity, we expect to launch our first fund on the mainland of China in the coming weeks. Established under China's Qualified Foreign Limited Partnership ("QFLP") program, the fund will invest in China's private higher education and vocational education sectors. It will be co-managed by Hong Kong-listed China Education Group – one of China's largest private education companies – and is among the first vehicles to offer foreign investors exposure to direct investments in private universities and junior colleges in China. The fund has a term of five years with two optional one-year extensions. Fundraising has been very encouraging so far, with a number of major mainland Chinese financial institutions and overseas investors having already made sizeable commitments.

We launched our inaugural Asia-focused private debt fund in January 2019. Capitalizing on the corporate funding gap in China and other Asian countries, the fund will provide an alternative source of financing for mid-sized Asian companies and has the unique feature of being able to invest in all private loan asset classes. Our award-winning fixed income team, in conjunction with the Group's real estate private equity unit, serves as the manager of the fund.

In the real estate private equity arena, we will soon be launching a new fund that will be marketed to external investors. The fund will adopt the same Asia-Pacific core-plus strategy as the existing fund that we launched in June 2017. Our existing fund has built a strong performance track record, having achieved an IRR above our initial target as at the end of 2018. The fund currently owns six commercial properties in Japan, Australia and New Zealand after it acquired three projects in 2018.

Beyond our alternatives pipeline, we have developed a number of thematic products in light of strong investor appetite for the category. We recently launched an Asian Innovation Opportunities Fund that invests in sectors that benefit from technological innovation in Asia and is geared towards retail investors in Hong Kong. In the quantitative investments space, we are preparing a thematic ETF product that capitalizes on the growth of China's Greater Bay Area. The product will have a landmark structure where it will also include an unlisted share class that will allow us to tap into the intermediary space in addition to the listed ETF market. We expect to launch the fund in the coming months.

Making inroads globally

Two years after establishing our London office, we have made good progress in growing our business in Europe. The suite of own-branded funds that we are distributing through the UCITS platform enjoyed solid inflows in 2018 following a revamp of the products earlier to achieve better alignment with the needs of European institutional investors. The range of products on offer has also expanded to encompass one fixed income and five equity funds following the launch of our UCITS-compliant Asia ex-Japan equity fund in September 2018. In the institutional mandates space, we achieved a major breakthrough that is meaningful in not only its potential AUM contribution but also its affirmation of our standing as a China Investments Expert. Additionally, our U.K. subsidiary has received approval from the Financial Conduct Authority to provide regulated products and services in the U.K.

On the other side of the Atlantic, we welcomed our first U.S.-based colleague in the second half of 2018 as we geared up to open our Boston office. The office will serve as our North America distribution hub and will initially target institutional investors. We have seen strong traction so far as North American institutional investors increasingly seek exposure to the China market following MSCI's inclusion of A-shares in its key indices this year.

We have deepened and streamlined our presence in Southeast Asia with the opening of our Malaysia office last October. The office serves as our hub for distribution, product development and investment management in Southeast Asia. Our Singapore office will continue to act as a client servicing center for institutional and private banking clients, as well as a research outpost, in the region. Malaysia is an important strategic market for Value Partners given the brand visibility and strong business network that we already enjoy in the country. Our Malaysia office will also provide a base for us to develop new product classes including Shariah-compliant funds and Southeast Asia-focused ETFs.

Beyond our more established markets, we are seeing strong investor interest in our products in the Middle East and North Asia. In Japan, we inked a strategic partnership with Daiwa Securities Group through the exclusive launch of a China A-share innovation fund in Japan last October. We will be collaborating closely with the financial services giant to develop and distribute China-focused products for the Japanese market. In Taiwan, we have recorded inflows into our equity funds from major institutional clients and are planning a number of distribution partnerships.

Effectively managing our resources for the future

China has become the world's second largest asset management market and is expected to account for half of global net new industry flows between now and 2030[3]. At the same time, demand for China investments is swelling among investors globally as the world's second largest economy continues to assume greater prominence on the international stage and offer better access.

Value Partners is well situated to capitalize on this twin opportunity set. We are excited about the future possibilities as we strengthen our distribution capabilities and grow our product suite to better position ourselves as an Investment Solutions Provider for Chinese investors and a China Investments Expert for investors from the rest of the world. In recent months, we've been examining ways to enhance our operations and better allocate our resources to more efficiently achieve this goal. We have also been leveraging on technology to develop high-impact and cost-effective solutions for our operations and client servicing. As always, we are committed to maintaining healthy profitability and a sound balance sheet for shareholders while ensuring that we seize growth opportunities. We will be focusing our resources on priority growth areas while reducing low priority spending to control costs as we continue to expand our business.

Appreciation

I would like to thank all of our colleagues for their hard work and dedication amid what was one of the most challenging market environments in recent years. Despite the tough backdrop, we achieved a great deal to be proud of.

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

1. *Source: Asset Management Association of China.*

2. *Source: The Future of Alternatives report published by Preqin in October 2018.*

3. *Source: Leadership in Times of Plenty: Future Winners in China's Asset Management Industry report published by Deloitte's CaseyQuirk in November 2017.*

Financial review

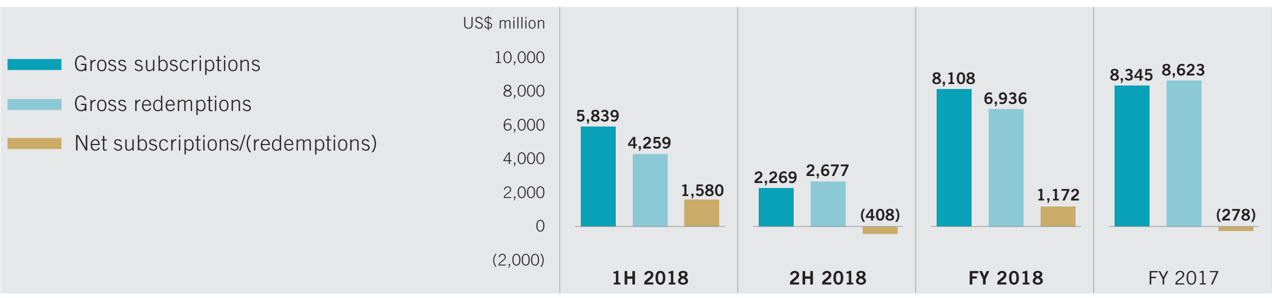
Assets Under Management

AUM and return

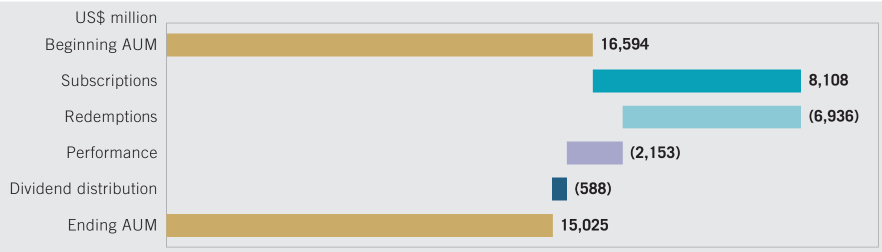
The Group's AUM stood at US$15,025 million at the end of December 2018 (31 December 2017: US$16,594 million). The decline was mainly due to negative fund returns in a challenging market environment. While the Group generated a net subscription of US$1,172 million in 2018, it was offset by a US$2,153 million drop in AUM that resulted from negative fund returns.

Overall fund performance[1], calculated as the asset-weighted average return of funds under management, was a decline of 11.2% in 2018. Among our funds, the Value Partners Greater China High Yield Income Fund[2], the Group's largest public fund[3] in Hong Kong, dipped 4.9% during the year. The Value Partners Classic Fund[4], our flagship product, fell 23.1% during the year, while the Value Partners High-Dividend Stocks Fund[5] declined 14.2%.

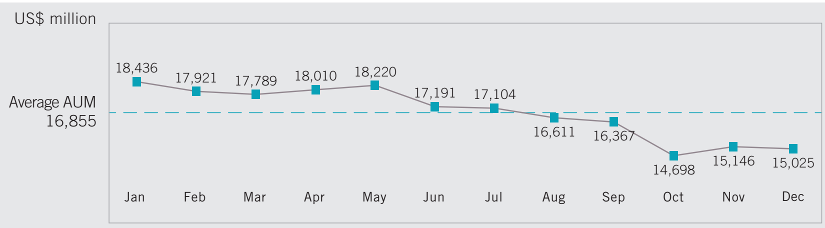
Despite the weak market sentiment, we recorded a net inflow of US$1,172 million in 2018, which swung from a slight net outflow in 2017. The net inflow in 2018 was accounted for by gross subscriptions of US$8,108 million (2017: US$8,345 million) and gross redemptions of US$6,936 million (2017: US$8,623 million).



AUM change in the year 2018



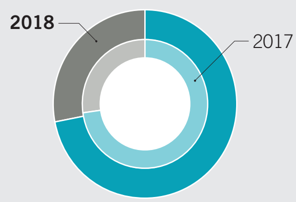
Monthly AUM in the year 2018



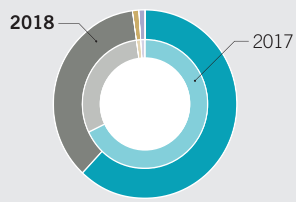
AUM by category

The charts below show breakdowns of the Group's AUM as at 31 December 2018 using two classifiers: brand and strategy. Own Branded Funds (72%) remained the biggest contributor to the Group's AUM. By strategy, Absolute Return Long-biased Funds (62%) continued to represent the largest share of the Group's AUM, followed by Fixed Income Funds (36%), where the majority of AUM was contributed by the Value Partners Greater China High Yield Income Fund. The share of Group AUM accounted for by the Value Partners Greater China High Yield Income Fund increased steadily during the year.

Classification by brand	2018	2017
Own Branded Funds	**72%**	73%
White Label & Co-branded Funds	**28%**	27%



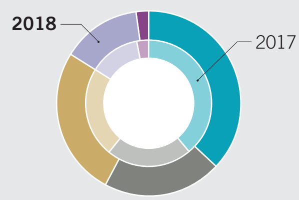
Classification by strategy	2018	2017
Absolute Return Long-biased Funds	**62%**	68%
Fixed Income Funds	**36%**	30%
Quantitative Funds & ETF	**1%**	1%
Alternative Funds	**1%**	1%



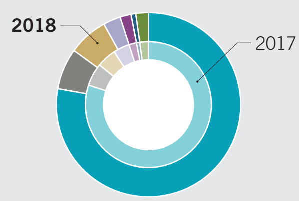
Client base

During the year, institutional clients – including institutions, pension funds, high-net-worth individuals ("HNWIs"), endowments and foundations, funds of funds, and family offices and trusts – remained the Group's primary set of fund investors, accounting for 63% of total AUM (31 December 2017: 61%). Meanwhile, retail clients contributed 37% of total AUM (31 December 2017: 39%). In terms of geographic location, Hong Kong clients continued to be the largest segment, contributing 78% of the Group's AUM (31 December 2017: 80%). There was a notable rise in the share of AUM attributable to clients in China, which increased to 7% (31 December 2017: 5%) as the Group's China Business saw solid growth in 2018. The share of AUM contributed by clients in Singapore also rose to 7% (31 December 2017: 6%), while clients from the United States and Europe took up a combined 5% (31 December 2017: 6%).

Client analysis by type	2018	2017
Retail	**37%**	39%
High-net-worth individuals	**26%**	23%
Pension funds	**21%**	22%
Institutions	**14%**	13%
Others	**2%**	3%



Client analysis by geographical region	2018	2017
Hong Kong	**78%**	80%
Singapore	**7%**	6%
China	**7%**	5%
United States	**3%**	4%
Europe	**2%**	2%
Australia	**1%**	1%
Others	**2%**	2%



Summary of results

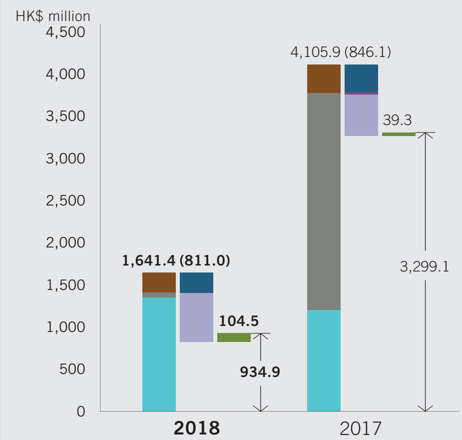
Key financial highlights for the reporting period are as follows:

(In HK$ million)	2018	2017	% Change
Total revenue	**1,641.4**	4,105.9	-60.0%
Gross management fees	**1,347.5**	1,196.0	+12.7%
Gross performance fees	**56.2**	2,570.9	-97.8%
Operating profit (before other gains/losses)	**399.9**	2,207.3	-81.9%
Profit attributable to owners of the Company	**229.5**	2,048.1	-88.8%
Basic earnings per share (HK cents)	**12.4**	110.6	-88.8%
Diluted earnings per share (HK cents)	**12.4**	110.5	-88.8%
Interim dividend per share	**Nil**	Nil	
Final dividend per share (HK cents)	**6.0**	18.0	-66.7%
Special dividend per share (HK cents)	**Nil**	86.0	-100.0%
Total dividend per share (HK cents)	**6.0**	104.0	-94.2%

Revenue and fee margin

Breakdown of total net income

(In HK$ million)	2018	2017
Revenue		
Management fees	**1,347.5**	1,196.0
Performance fees	**56.2**	2,570.9
Front-end fees	**237.7**	339.0
Distribution fee expenses		
Management fee rebate	**(578.8)**	(490.5)
Performance fee rebate	**5.0**	(17.3)
Other revenue rebate	**(237.2)**	(338.3)
Other income		
Other income	**104.5**	39.3



The Group's profit attributable to owners of the Company decreased to HK$229.5 million in 2018 (2017: HK$2,048.1 million) as total revenue fell 60.0% to HK$1,641.4 million (2017: HK$4,105.9 million).

The drop in total revenue was underwritten by a sharp decline in gross performance fees, which decreased to HK$56.2 million (2017: HK$2,570.9 million), as most of the Group's funds that attract performance fees finished the year below their high watermarks against the weak market backdrop. Performance fees are generated when eligible funds, at their performance fee crystallization dates, report returns exceeding their high watermarks for the respective period up to the crystallization date.

On the other hand, gross management fees, the Group's largest revenue contributor in 2018, rose 12.7% to HK$1,347.5 million (2017: HK$1,196.0 million) on an 8.8% increase in the Group's average AUM to US$16,855 million (2017: US$15,491 million).

During the year, our annualized gross management fee margin increased to 103 basis points (2017: 99 basis points) on the back of strong net flows into the Value Partners Greater China High Yield Income Fund, which has relatively higher margins. Our net annualized net management fee margin remained steady at 59 basis points (2017: 59 basis points) as management fee rebates for distribution channels increased to HK$578.8 million (2017: HK$490.5 million).

Other revenue mainly included front-end load, of which a substantial amount was rebated to distribution channels (a usual practice in the market).

Other income, which mainly comprised of interest income and dividend income, totaled HK$104.5 million in 2018 (2017: HK$39.3 million). The jump was mainly due to a rise in interest income to HK$67.4 million (2017: HK$27.1 million) and an increase in dividend income to HK$30.3 million (2017: HK$11.7 million).

Other gains and losses

Breakdown of other (losses)/gains – net	(In HK$ million)	**2018**	2017
	Net (losses)/gains on investments	**(189.7)**	198.8
	Fair value gain of an investment property	**17.1**	–
	Gains on disposal of a subsidiary	**–**	11.2
	Net foreign exchange gains	**3.9**	19.8
	Foreign exchange losses reclassified to profit or loss on disposal of a foreign operation	**–**	(2.1)
		(168.7)	227.7

Other gains or losses mainly included fair value changes and realized gains or losses on seed capital investments, investments in our own funds and other investments, as well as net foreign exchange gains or losses. Seed capital investments are made by the Group to provide capital that was considered necessary to new funds during the initial phase of fund launches. The Group also invests in its own funds alongside investors, where appropriate, for better alignment of interests and investment returns. Other losses on a net basis totaled HK$168.7 million in 2018, swinging from gains of HK$227.7 million in 2017 as some of our seed capital investments booked mark-to-market losses in the challenging market environment.

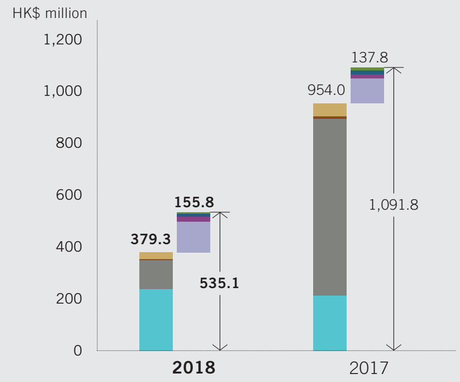
Investment in joint ventures

Investment in joint ventures represents the Group's 50% equity interest in Value Investing Group Company Limited and its 50% equity interest in Clear Miles Hong Kong Limited. Value Investing Group Company Limited has trust beneficiary interests in three (2017: two) Japanese logistics centers, while Clear Miles Hong Kong Limited has 100% indirect interest in an Australian industrial property. The Group's share of gains amounted to HK$68.5 million (2017: Nil), which consisted of revaluation gains on properties that totaled HK$46.5 million (2017: Nil) and rental income of HK$22.0 million (2017: Nil).

Cost management

Breakdown of total expenses

(In HK$ million)	2018	2017
Compensation and benefit expenses		
Fixed salaries and staff benefits	**238.2**	212.9
Management bonus	**110.5**	682.1
Staff rebates	**3.9**	10.2
Share-based compensation expenses	**26.7**	48.8
Other expenses		
Other fixed operating costs	**118.7**	96.2
Sales and marketing	**19.2**	15.4
Depreciation	**12.3**	16.3
Non-recurring expenses	**5.6**	9.9



In terms of cost management, the Group continued to exercise stringent cost discipline and kept fixed operating expenses well covered by net management fee income, which is a relatively stable source of income. Such coverage is measured by the "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. The Group aims to maintain a fixed cost coverage ratio of around 2 times. For 2018, the Group reported a fixed cost coverage ratio of 2.2 times (2017: 2.3 times).

Compensation and benefit expenses

During the year, fixed salaries and staff benefits rose by HK$25.3 million to HK$238.2 million (2017: HK$212.9 million). The increase was mainly attributable to salary increments.

As part of its compensation policy, the Group distributes 20% to 23% of its annual net profit pool as a management bonus to employees. The management bonus for 2018 totaled HK$110.5 million (2017: HK$682.1 million). The profit pool is calculated by deducting certain adjustments from net profit before the management bonus and taxation. This discretionary bonus is maintained to promote staff loyalty and performance while aligning employee and shareholder interests.

The staff of Value Partners is 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$3.9 million (2017: HK$10.2 million).

During the year, the Group recorded expenses of HK$26.7 million (2017: HK$48.8 million) that was related to stock options granted to employees. This expense item had no impact on cash flows and was recognized in accordance with Hong Kong Financial Reporting Standards.

Other expenses

Other non-staff operating costs – such as rent, legal and professional fees, investment research fees, and other administrative and office expenses – amounted to HK$118.7 million for the year (2017: HK$96.2 million), while sales and marketing expenses increased to HK$19.2 million (2017: HK$15.4 million).

Dividends

The Group has been adopting a consistent dividend distribution policy that takes into account 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 excludes unrealized gains and losses recognized.

For 2018, the Board of Directors recommended a final dividend of HK6.0 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. At the end of 2018, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK$1,629.2 million. Net cash inflows from operating activities amounted to HK$1,979.8 million. The Group's debt-to-equity ratio (interest bearing external borrowings (excluding borrowings by investment funds where the Group has a controlling interest) divided by shareholders' equity) was zero, while its current ratio (current assets divided by current liabilities) was 8.0 times.

Capital structure

As at 31 December 2018, the Group's shareholders' equity and total number of shares issued were HK$3,978.5 million and 1.86 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. *Annual calendar returns of Value Partners Greater China High Yield Income Fund (Class P Acc USD) over the past five years: 2014: +1.1%; 2015: +6.1%; 2016: +15.9%; 2017: +10.1%; 2018: -4.9%; 2019 (Year to date as at 28 February): +4.0%.*

3. *SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*

4. *Annual calendar returns of Value Partners Classic Fund (A Units) over the past five years: 2014: +13.5%; 2015: -1.5%; 2016: -3.2%; 2017: +44.9%; 2018: -23.1%; 2019 (Year to date as at 28 February): +18.5%.*

5. *Annual calendar returns of Value Partners High-Dividend Stocks Fund (Class A1) over the past five years: 2014: +9.4%; 2015: -3.7%; 2016: -0.2%; 2017: +32.9%; 2018: -14.2%; 2019 (Year to date as at 28 February): +8.5%.*

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 65, is Chairman and Co-Chief Investment Officer 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.

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 200 professional awards and prizes since the firm's inception in 1993.

Dato' Seri CHEAH currently serves as an Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited ("HKEX"), a member of The Hong Kong University of Science and Technology ("HKUST") Business School Advisory Council, as well as Co-Chairman of The Malaysian Chamber of Commerce (Hong Kong and Macau). He was previously a member of the Financial Services Development Council ("FSDC") (from February 2015 to January 2019), and a member of the New Business Committee of FSDC (from 2013 to 2018). FSDC is a high-level, cross-sector advisory body established by the Hong Kong Special Administrative Region Government.

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 named "Outstanding Manager of the Year – Greater China equity category" in the Fund of the Year Awards 2017 by *Benchmark*, and 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 2010, he was named by *AsianInvestor* as one of the Top-25 Most Influential People in Asian Hedge Funds. In 2009, he was named by *AsianInvestor* as one of the 25 Most Influential People in Asian Asset Management. He was also named "Capital Markets Person of the Year" by *FinanceAsia* in 2007, and in 2003, he was voted the "Most Astute Investor" in the Asset Benchmark Survey.

Prior to starting Value Partners, Dato' 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 (from 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).

Executive Directors

SO Chun Ki Louis

Deputy Chairman and Co-Chief Investment Officer

Mr. Louis SO, aged 43, is Deputy Chairman and Co-Chief Investment Officer of Value Partners Group, responsible for 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 20 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 helped the Group establish an unparalleled research and investment team.

He was named "Outstanding Manager of the Year – Greater China equity category" in the Fund of the Year Awards 2017 by *Benchmark*. 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, PhD

Chief Executive Officer

Dr. AU King Lun, aged 59, 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 decades of asset management industry experience to his role.

Previously, Dr. AU was CEO of Eastspring Investments (Hong Kong) Limited and BOCHK Asset Management Limited. He also held various senior management positions at other financial institutions including 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 is an Index Advisory Committee Member of the Shanghai Stock Exchange as well as the China Securities Index Co., Ltd. He also 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"). 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 44, 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 Value Partners 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.

From 2012/2013 to 2016/2017, Ms. HUNG served as a member of the Board of Directors of Tung Wah Group of Hospitals in Hong Kong.

Ms. HUNG holds an Executive MBA degree from the City University of Hong Kong and a Bachelor of Science degree in Applied Mathematics from the University of California in Los Angeles.

Independent Non-executive Directors

CHEN Shih-Ta Michael

Dr. Michael Shih-Ta CHEN, aged 73, was appointed as an Independent Non-executive Director of Value Partners Group Limited since 22 October 2007.

Currently, Dr. CHEN serves as a Research Scholar at Bank of Indonesia Institute, an Advisor of the Thompson Center for Business Case Studies at The Hong Kong University of Science and Technology, and a Senior Advisor to the Director of the Case Research Center at Peking University, Guanghua School of Management. He is an Emeritus Member of Harvard Business School's Asia-Pacific Advisory Board. He was appointed as a member of the Investment Committee of the Croucher Foundation in Hong Kong in January 2015. 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. Prior to joining the Center in October 2005, he worked in both the private and public sectors. Previously, he served as Head of the Risk Management Unit of the Private Sector Operations Department of the Asian Development Bank, Head of International Private Banking in Hong Kong of Standard Chartered Bank, and Regional Director of National Westminster Bank. He served on the boards of a number of companies invested by Asian Development Bank. He also wrote cases and taught at various educational entities and universities.

Dr. CHEN 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.

Nobuo OYAMA

Mr. Nobuo OYAMA, aged 65, was appointed as an Independent Non-executive Director of Value Partners Group Limited since 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. Mr. OYAMA is a Chartered Member of the Securities Analysts Association of Japan (CMA®).

WONG Poh Weng

Mr. WONG Poh Weng, aged 66, was appointed as an Independent Non-executive Director of Value Partners Group Limited since 14 August 2018.

Mr. WONG has over 40 years of experience in professional accounting firms, and is currently the Chairman of RSM Hong Kong, the Chairman of the RSM Asia Pacific Executive Committee and a member of the RSM International Board of Directors. Mr. WONG became a partner of RSM Hong Kong since 1986 and has served in various capacities in the RSM International Network. He started his career at Coopers & Lybrand, London in 1972, qualified as a Chartered Accountant in 1976 and was seconded to Coopers and Lybrand Hong Kong in 1978.

Mr. WONG graduated with a Bachelor of Science degree from University of Essex in United Kingdom. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since 1986 and a fellow member of the Institute of Chartered Accountants in England and Wales since 1983.

Other senior management members

Investment Management Team

HO Man Kei, Norman CFA

Senior Investment Director

Mr. Norman HO, aged 52, is a Senior Investment Director of Value Partners, where he is a key leader in the Group'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 the Group in November 1995. He was promoted to the roles of Investment Director and Senior Investment Director in 2010 and January 2014, respectively. Prior to joining the Group, he was an Executive with Dao Heng Securities Limited and had started his career with Ernst & Young.

Mr. HO 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

Chief Investment Officer, Fixed Income

Mr. Gordon IP, aged 48, is Chief Investment Officer, 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 the fixed income industry. 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. In July 2017, he was promoted to his current role.

Mr. IP was crowned 2018 CIO of the Year (Fixed Income) by Insights and Mandates in their 2018 I&M Professional Investment Awards. He was named "Manager of the Year (High Yield Fixed Income) by *Benchmark's* Fund of the Year Awards 2018, having also won the prestigious accolade in 2017. In addition, he was one of the highly commended Astute Investors in Asian G3 bonds (Hong Kong), awarded by The Asset Benchmark Research Awards 2018, and voted as one of the Top 10 Astute Investors in the same category for four consecutive years (2014 to 2017).

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.

YU Xiaobo
Investment Director and Head of China Business

Mr. YU Xiaobo, aged 35, is an Investment Director and Head of China Business of Value Partners, where he is responsible for research and investment management on the Greater China region, an area he has over 10 years of experience. In addition, he oversees the Group's China business.

Mr. YU joined Value Partners in December 2009 as a Senior Analyst and was promoted to the roles of Fund Manager and Senior Fund Manager in 2014, and Investment Director in October 2016. Currently, he is involved in the management of the Group's flagship Classic Fund and a few mandates for European and US clients. In addition, he is the sole manager responsible for the management of Value Partners Health Care Fund and an A-share mandate.

Mr. YU has extensive experience in the industry. Prior to joining Value Partners, he was with China International Capital Corporation as an Analyst. He also worked at PricewaterhouseCoopers.

Mr. YU graduated from the University of International Business & Economics in China with a Bachelor's degree in Business Management and obtained a Master's degree in Business Administration from Cheung Kong Graduate School of Business in China.

Business Management Team

Roger Anthony HEPPER
Chief Operating Officer

Mr. Roger HEPPER, aged 58, is Chief Operating Officer of Value Partners Group. He oversees the overall infrastructure of the Group, covering product development, information technology and operations, risk and controls, 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 over 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 41, 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 43, is Head of Legal of Value Partners, where she oversees all legal affairs for the Company.

Ms. CHEUNG is an experienced legal professional with nearly 20 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 obtained her Postgraduate Certificate in Laws (P.C.LL) from the University of Hong Kong.

LEE Vivienne

Chief Compliance Officer

Ms. Vivienne LEE, aged 45, is Chief Compliance Officer of Value Partners, where she oversees the Group's compliance function.

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

Previously, she was an Assistant Manager with 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 in Australia with a Bachelor's degree in Economics. She is a member of the CPA Australia.

CHEUNG Hor Yee Patricia

Chief Administrative Officer

Ms. Patricia CHEUNG, aged 40, is Chief Administrative Officer of Value Partners, where she oversees operations and portfolio analytics. She joined Value Partners in August 2018.

Ms. CHEUNG has over 18 years' of experience in the financial institutions sector, holding senior positions in investment banking, central counterparty, and asset management businesses.

Prior to joining Value Partners, she was most recently the Group Treasurer at Hong Kong Exchanges and Clearing Limited, where she oversaw US$20 billion equivalent of liquidity portfolio. Before that, she was Managing Director and Chief Operating Officer at Zheng He Capital Management Limited and senior advisor to Lufax, the largest online wealth manager in China incubated by Ping An Group. Other roles she had held included Managing Director and Asia Treasurer for Morgan Stanley Asia Limited, Head of Treasury, Asia Pacific at Newedge Group, and Executive Director at Goldman Sachs Asia Limited.

Ms. CHEUNG graduated from The Wharton School, University of Pennsylvania with a Bachelor of Science in Economics. She has completed a FinTech certificate course by Massachusetts Institute of Technology, and is an active mentor to various FinTech innovation ventures in Asia.

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 2018.

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 15.1 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 71.

Dividend

No interim dividend was paid during the year. The Directors recommend the payment of a final dividend of HK6.0 cents per share for the year ended 31 December 2018 to the shareholders whose names are registered on the register of members of the Company on 7 May 2019. Subject to the approval of shareholders of the Company at the Annual General Meeting for the year 2019, the final dividend will be payable on or about 22 May 2019. Dividend per share is declared based on the Group's Dividend Policy.

Summary of results, assets and liabilities

Summary of results, assets and liabilities for the years of 2014 to 2018 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 2018 are set out in Note 25 to the consolidated financial statements.

Reserves

In addition to the retained earnings of the Company, the share premium account which is included in issued equity, and other reserves of the Company as set out in Note 37 to the consolidated financial statements, 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 2018, the Company's distributable reserve was HK$2,677,427,000.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$130,000.

Board of Directors

During the year ended 31 December 2018 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
Ms. HUNG Yeuk Yan Renee

Independent Non-executive Directors

Dr. CHEN Shih-Ta Michael
Mr. LEE Siang Chin (resigned on 14 August 2018)
Mr. Nobuo OYAMA
Mr. WONG Poh Weng (appointed on 14 August 2018)

In accordance with articles 86 and 87 of the Company's articles of association, Dr. AU King Lun, Ms. HUNG Yeuk Yan Renee and Mr. WONG Poh Weng will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

Biographical details of the Directors as at the date of this annual report are set out on pages 24 to 31.

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 six months' prior notice in writing (other than Ms. HUNG Yeuk Yan Renee whose notice period is three months).

Dr. CHEN Shih-Ta Michael and Mr. Nobuo OYAMA have entered into a service contract with the Company for one year commencing on 22 November 2018. Mr. WONG Poh Weng has entered into a service contract with the Company for the period from 14 August 2018 to the conclusion of the Company's next annual general meeting. Either the Company or the Independent Non-executive Director may terminate the appointment by giving at least three months' notice in writing.

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 2018, 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	–	21.75%
	Beneficial	58,442,828	56,620,000	6.20%
Mr. SO Chun Ki Louis	Beneficial	15,765,723	33,390,000	2.64%
Dr. AU King Lun	Beneficial	–	1,500,000	0.08%
Ms. HUNG Yeuk Yan Renee	Founder of trust[2]	16,870,583	–	0.90%
	Beneficial	1,200,000	10,170,000	0.61%
Dr. CHEN Shih-Ta Michael	Beneficial	–	500,000	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

(c) Share options

The Company adopted a share option scheme on 24 October 2007 (and as amended on 15 May 2008) and expired on 24 October 2017 (the "2007 Share Option Scheme"). All outstanding options granted under the 2007 Share Option Scheme will continue to be valid and exercisable in accordance with the principal terms of the 2007 Share Option Scheme. The Company adopted a new share option scheme at the annual general meeting held on 4 May 2017 (the "2017 Share Option Scheme"). A summary of the movements of the outstanding share options during the year ended 31 December 2018 is as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2018	Number of Share Options Granted	Exercised	Lapsed	As at 31/12/2018
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	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
	15/10/2018	15/04/2019-14/04/2025	5.87	–	6,000,000	–	–	6,000,000
		15/04/2020-14/04/2025	5.87	–	6,000,000	–	–	6,000,000
		15/04/2021-14/04/2025	5.87	–	6,000,000	–	–	6,000,000
Dr. AU King Lun	15/10/2018	15/04/2019-14/04/2025	5.87	–	500,000	–	–	500,000
		15/04/2020-14/04/2025	5.87	–	500,000	–	–	500,000
		15/04/2021-14/04/2025	5.87	–	500,000	–	–	500,000
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. 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

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2018	Number of Share Options Granted	Exercised	Lapsed	As at 31/12/2018
Employees	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	–	(100,000)	–	100,000
	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	6,116,659	–	–	(579,999)	5,536,660
		12/05/2019-11/11/2021	13.60	6,116,659	–	–	(579,999)	5,536,660
		12/05/2020-11/11/2021	13.60	6,116,682	–	–	(580,002)	5,536,680
	17/06/2015	17/12/2015-16/12/2021	14.092	4,563,325	–	–	(86,666)	4,476,659
		17/12/2016-16/12/2021	14.092	4,563,325	–	–	(86,666)	4,476,659
		17/12/2017-16/12/2021	14.092	4,563,350	–	–	(86,668)	4,476,682
	15/10/2018	15/04/2019-14/04/2025	5.87	–	2,666,666	–	–	2,666,666
		15/04/2020-14/04/2025	5.87	–	2,666,666	–	–	2,666,666
		15/04/2021-14/04/2025	5.87	–	2,666,668	–	–	2,666,668
Other (5)	17/06/2015	17/12/2015-13/08/2020	14.092	100,000	–	–	–	100,000
		17/12/2016-13/08/2020	14.092	100,000	–	–	–	100,000
		17/12/2017-13/08/2020	14.092	100,000	–	–	–	100,000
Total				119,720,000	27,500,000	(4,100,000)	(2,000,000)	141,120,000

Notes:

1. The closing prices of the Shares immediately before the share options granted on 31 May 2012, 7 December 2012, 12 May 2015, 17 June 2015 and 15 October 2018 were HK$3.90, HK$4.54, HK$13.68, HK$13.50 and HK$5.87 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. The weighted average closing price of the shares immediately before the dates of exercise by Directors and employees was HK$9.81.

5. An amount of 300,000 share options were granted to Mr. LEE Siang Chin on 17 June 2015. He resigned as an Independent Non-executive Director with effect from 14 August 2018. The Board, pursuant to the 2007 Share Option Scheme, approved to extend the exercise period of Mr. Lee's share options for two years from the effective date of his resignation.

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 2007 and 2017 Share Option Schemes 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 2018, 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	518,793,312	27.95%
Mr. YEH V-Nee	Beneficial	298,805,324	16.10%
Mrs. YEH Mira(2)	Spouse	298,805,324	16.10%
Cheah Capital Management Limited(3)	Beneficial	403,730,484	21.75%
Cheah Company Limited(3)	Corporate	403,730,484	21.75%
BNP Paribas Jersey Nominee Company Limited(3)	Nominee	403,730,484	21.75%
BNP Paribas Jersey Trust Corporation Limited(3)	Trustee	403,730,484	21.75%

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 or entities connected with any Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share options

The 2007 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) and expired on 24 October 2017. All outstanding options granted under the 2007 Share Option Scheme will continue to be valid and exercisable in accordance with the principal terms of the 2007 Share Option Scheme. The Company adopted a new share option scheme at an annual general meeting of the Company held on 4 May 2017 (the "2017 Share Option Scheme"). A summary of the principal terms of the 2017 Share Option Scheme is set out below.

1. Purpose of the 2017 Share Option Scheme

To reward Participants as defined in item 2 below 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 2017 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 2017 Share Option Scheme and percentage of issued share capital as at the date of this Annual Report

185,171,483 shares (9.98%)

4. Maximum entitlement of each participant under the 2017 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 2017 Share Option Scheme

The Share Option Scheme will remain valid until 3 May 2027.

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$527,750 to HK$415,805 with effect from 15 October 2018.

- The monthly salary of Mr. SO Chun Ki Louis was revised from HK$303,860 to HK$415,805 with effect from 15 October 2018.

- The monthly salary of Ms. HUNG Yeuk Yan Renee was revised from HK$216,860 to HK$221,200 with effect from 1 January 2019.

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 8 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 8 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 2018) accounted for 34% of the Group's total fee income, and the Group's five largest suppliers accounted for 47% of the Group's distribution fee expenses for the year ended 31 December 2018.

The Group's largest customer (in terms of AUM as at the end of year) accounted for approximately 6% of the Group's total fee income whereas the Group's largest supplier accounted for approximately 13% of total distribution fee expenses for the year ended 31 December 2018.

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 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 2018 is set out in the sections headed "Chairman's Statement", "Report of the Chief Executive Officer", "Financial review", "Corporate governance report", "Environmental, social and governance report" and "Consolidated financial statements" of this Annual Report.

During the year, in addition to compliance with laws and regulations relating to environmental areas, the Group also complied with other relevant laws and regulations that have a significant impact on the Company.

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.

Auditor

The consolidated financial statements for the year ended 31 December 2018 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, 12 March 2019

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 2018. 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 of which 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 dividends 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.

In 2018, the Board reviewed the following corporate governance matters:

- reviewing the Dividend Policy and Nomination Policy;
- reviewing the compliance with the CG Code; and
- conducting an annual review of the risk management and internal control systems of the Group.

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, performance fee analysis, management fee analysis, expenses analysis, fund flows summary, major fund flow by strategy, 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 6 meetings in 2018 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)*	6/6
Mr. SO Chun Ki Louis	6/6
Dr. AU King Lun	5/6
Ms. HUNG Yeuk Yan Renee	6/6
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	5/6
Mr. LEE Siang Chin	2/3 (Note 1)
Mr. Nobuo OYAMA	6/6
Mr. WONG Poh Weng	3/3 (Note 2)

Notes:

1. Mr. LEE Siang Chin resigned as Independent Non-executive Director on 14 August 2018.

2. Mr. WONG Poh Weng was appointed as Independent Non-executive Director on 14 August 2018.

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 2018. 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 2018 is as follows:

	Type of continuous professional development programmes
Executive Directors	
Dato' Seri CHEAH Cheng Hye *(Chairman)*	A, B
Mr. SO Chun Ki Louis	A, B
Dr. AU King Lun	A, B
Ms. HUNG Yeuk Yan Renee	A, B
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	B
Mr. Nobuo OYAMA	B
Mr. WONG Poh Weng	B (Note)

Note: Mr. WONG Poh Weng was appointed as Independent Non-executive Director on 14 August 2018.

Notes: A: Attending seminars and courses relating to regulations, updates and development on fund management business
B: Reading materials relating to the latest development of the Listing Rules

Each of the Executive Directors entered into a service contract with the Group and each of the Independent Non-executive Directors entered into a letter of appointment with the Company. 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, Dr. AU King Lun, 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.

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. Nobuo OYAMA and Mr. WONG Poh Weng (Note 1) all of which are Independent Non-executive Directors. The Audit Committee is chaired by Mr. WONG Poh Weng.

The Audit Committee held four meetings in 2018. The Chief Executive Officer, the Chief Operating Officer, the Chief Administrative Officer, the Chief Compliance Officer, the Head of Internal Audit, the Chief Financial Officer, the Risk Manager, 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. WONG Poh Weng *(Chairman)*	1/1 (Note 1)
Dr. CHEN Shih-Ta Michael	4/4
Mr. Nobuo OYAMA	4/4
Mr. LEE Siang Chin	2/3 (Note 2)

Notes:

1. Mr. WONG Poh Weng was appointed as member of Audit Committee on 14 August 2018.

2. Mr. LEE Siang Chin ceased as member of Audit Committee on 14 August 2018.

In 2018, 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 2019 external and internal audit plans.
- The reports prepared by risk management, compliance, corporate audit and information risk departments.
- The risk management framework and risk control self-assessment summary of the Group.
- The investment approvals process regarding the corporate transactions/matters which require the board's approval.
- The existing backend system decommissioning.

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 Independent Non-executive 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. SO Chun Ki Louis, Dr. CHEN Shih-Ta Michael, Mr. Nobuo OYAMA and Mr. WONG Poh Weng (Note 1), three of which are Independent Non-executive Directors. The Remuneration Committee is chaired by Dr. CHEN Shih-Ta Michael.

The Remuneration Committee held three meetings in 2018. 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)*	3/3
Dato' Seri CHEAH Cheng Hye	3/3
Mr. Nobuo OYAMA	3/3
Mr. SO Chun Ki Louis	3/3
Mr. WONG Poh Weng	1/1 (Note 1)
Mr. LEE Siang Chin	1/2 (Note 2)

Notes:

1. Mr. WONG Poh Weng was appointed as member of Remuneration Committee on 14 August 2018.

2. Mr. LEE Siang Chin ceased as member of Remuneration Committee on 14 August 2018.

In 2018, the Remuneration Committee reviewed, discussed and/or approved the issues related to:

- The remuneration level for Directors and senior management for the year 2019 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 appointment letters of Independent Non-executive Directors.
- The letter of appointment of Mr. WONG Poh Weng.

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. AU King Lun, Dr. CHEN Shih-Ta Michael, Mr. Nobuo OYAMA and Mr. WONG Poh Weng (Note 1), three of which are Independent Non-executive Directors. The Nomination Committee is chaired by Dato' Seri CHEAH Cheng Hye.

The Company has adopted the Board Diversity Policy which is available on the Company's website. The Board Diversity Policy aims to set out the approach to achieve diversity in the Company's Board to ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Company recognizes the benefits of diversity in Board members and believes that Board diversity can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural background, educational background, professional experience, skills, knowledge and/or length of service. In forming the perspective on diversity, the Company also considers its own business model and specific needs from time to time. All Board appointments will be based on merits and each candidate is considered against objective criteria. The Nomination Committee assists the Board in reviewing the Board Diversity Policy.

The Nomination Committee helds two meetings in 2018. 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)*	2/2
Dr. AU King Lun	2/2
Dr. CHEN Shih-Ta Michael	2/2
Mr. Nobuo OYAMA	2/2
Mr. WONG Poh Weng	1/1 (Note 1)
Mr. LEE Siang Chin	0/1 (Note 2)

Notes:

1. Mr. WONG Poh Weng was appointed as member of Nomination Committee on 14 August 2018.

2. Mr. LEE Siang Chin ceased as member of Nomination Committee on 14 August 2018.

In 2018, the Nomination Committee reviewed, discussed and/or approved the issues related to:

- Updating the Board Diversity Policy.
- 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.
- Updating the terms of reference of the Nomination Committee.

Embedded in the Nomination Committee's Terms of Reference is the Nomination Policy for Directors. The Nomination Committee shall identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships. Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

In evaluating and selecting a candidate for directorship, the following criteria should be considered:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Committee from time to time for nomination of directors and succession planning.

During 2018, the Nominated Committee nominated and recommended Mr. WONG Poh Weng to the board as an Independent Non-executive Director and his appointment was approved by the board on 14 August 2018. Apart from such nomination and recommendation, no new Director has been selected or recommended for directorship during 2018.

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 2018, the Risk Management Committee comprises Dr. AU King Lun, Mr. CHENG Tsz Chung, Mr. Roger Anthony HEPPER, Ms. LEE Vivienne, Mr. SO Chun Ki Louis and Ms. WONG York Ying, Ella. The Risk Management Committee is chaired by Dr. AU King Lun.

The Risk Management Committee held five meetings in 2018. In the meetings, the members reviewed, discussed and/or approved the issues related to:

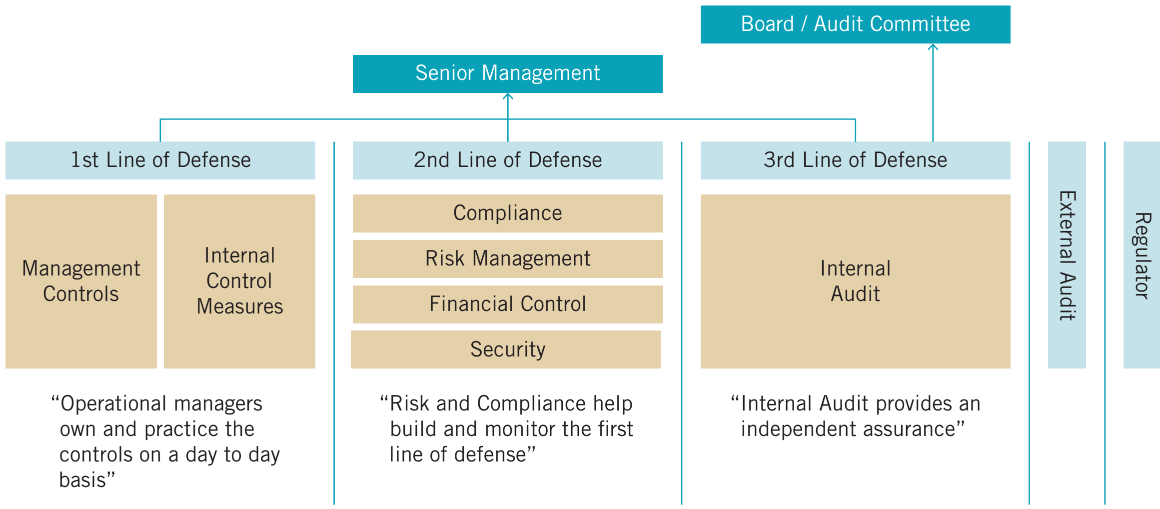
- The Group's risk management framework and system of internal control.
- Regular assessments on major risks.
- Risk control self-assessment update.
- Various internal audit reports issued during the year.
- Office relocation project.
- New business and new product approval process.
- Information risk management update.
- Investment, reputation and liquidity risk management.
- Regulatory updates.
- Items requiring risk acknowledgement to deal with risk identified but not fully mitigated.
- 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

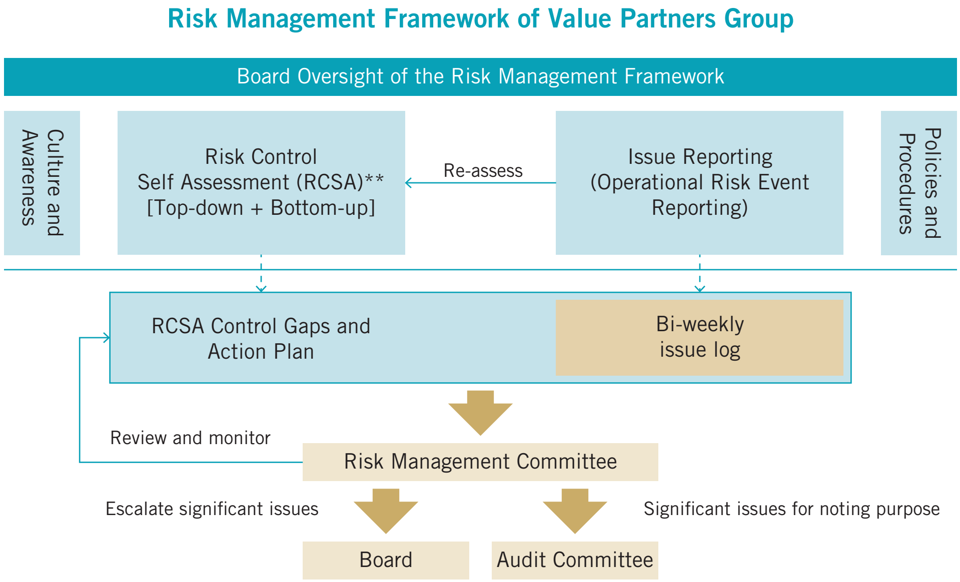


The Risk Management Committee which, via the Chief Operating Officer, co-ordinates enterprise risk management activities and reviews significant aspects of risk management for the Group, reports to the Audit Committee at each regularly scheduled meeting. Subjects covered, amongst other things, include 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:



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

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 Inside Information 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 2018, 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, implementing the additional requirements of the Fund Manager Code of Conduct introduced by the Securities and Futures Commission (the "SFC") with effect from 17 November 2018, introducing 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 2018, 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 security and data privacy protection. At the request of the Audit Committee, Group Internal Audit will expand the scope of their reviews further in 2019. 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, Group Risk Manager and Group Internal Audit and reported to the Audit Committee, which then reviewed and reported the same to the Board. During the year key areas of focus included controls within the rapidly expanding Fixed Income Unit, oversight of key third party service providers, best execution and transaction cost analysis, enhanced liquidity monitoring and the establishment of a more formalized sales support function. The review revealed no serious shortcomings in the Groups' internal control systems within the year. 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.

Emolument policy and Directors' remuneration

Remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contributions. In line with our emphasis on recognition of performance and human capital retention, we reward our employees with year-end discretionary bonus which is linked to our level of profits for that financial year. The Company has adopted share option schemes as long-term incentive schemes for Directors and eligible participants, details of which are set out in the section headed "Share options" of the Report of the directors.

The emoluments of the Directors are reviewed and approved by the Remuneration Committee, with reference to prevailing market conditions and their duties and responsibilities at the Company.

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 2018 was approximately HK$4.5 million. In addition, the auditor of the Company also provided tax services to the Group in 2018 and the fee was approximately HK$0.6 million.

Preparation of Financial Statements

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for the year ended 31 December 2018 (the "Financial Statements").

Dividend Policy

The Company has adopted the Dividend Policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and needs for future growth as well as its shareholder value in the long-run. The amount of dividends (if any) that may be declared and distributed to the shareholders of the Company is subject to the discretion of the Board, the Constitution of the Company and all applicable laws and regulations and other factors. The Board shall also take into account various factors of the Group when considering the declaration and payment of dividends. The Board will review the Dividend Policy as appropriate from time to time.

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 2018 are set out below:

	No. of AGM attended/held
Executive Directors	
Dato' Seri CHEAH Cheng Hye *(Chairman)*	1/1
Mr. SO Chun Ki Louis	1/1
Dr. AU King Lun	1/1
Ms. HUNG Yeuk Yan Renee	1/1
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	1/1
Mr. Nobuo OYAMA	1/1
Mr. WONG Poh Weng	–(Note 1)
Mr. LEE Siang Chin	0/1 (Note 2)

Notes:

1. Mr. WONG Poh Weng was appointed as Independent Non-executive Director on 14 August 2018.
2. Mr. LEE Siang Chin resigned as Independent Non-executive Director on 14 August 2018.

We had around 250 shareholders or their representatives participated in our annual general meeting for the year 2018 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 investor relations 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 Company Secretary, 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 Company Secretary 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 third Environmental, Social and Governance ("ESG") report issued by the Company. The report discloses the sustainability initiatives by the Group and was prepared in accordance with the 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 2018 to 31 December 2018.

The Group seeks to facilitate the long-term sustainable development of the environment and the society in which it operates in, and is therefore committed to minimizing any negative social and environmental impacts resulting from our operations. The Group values the importance of compliance with all relevant laws and regulations.

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

The asset management business of the Group primarily operates by our leased offices located in Hong Kong, Singapore, Shanghai, Shenzhen, London and Malaysia, and hence all Group policies and strategies reported hereafter are applicable to our offices. Relevant environmental indicators will be reported to our Hong Kong headquarters and to our offices in Singapore and Shanghai where applicable. Environmental data for our Shenzhen, London and Malaysia offices will be excluded due to their immaterial environmental footprint.

2. Operating Practices

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

As a demonstration of the Group'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 is handled with due care to avoid any data leakage or misuse. Disclosure of client trading information to outside parties without proper justification and consent is strictly prohibited. Disclosure of information is strictly limited on a "Need-to-Know" basis even among staff members. A client information privacy policy is in place to ensure the information from clients is handled in an appropriate way. Should service providers be required to work at our office during non-office hours, our employees are reminded to lock up all documents and switch off their monitors to minimize the risk of information leakage.

In compliance with all relevant laws and regulations including Personal Data (Privacy) Ordinance of Hong Kong, Cap. 486 and European Union General Data Protection Regulation 2016 came into force on 25 May 2018, we have incorporated the corresponding provision in the data protection notice, data protection policy, explanatory memorandum as well as service agreement.

Additionally, the Group has stringent controls over staff dealings as stipulated in the Code of Ethics, and we always have priority on the interest of our clients. The staff dealing rules within our Code of Ethics requires all staff dealings to be monitored and it is a requirement for staff to disclose their holdings and trading accounts for the Company to identify improper trades. Any breach of these rules will be treated seriously and may lead to disciplinary action. Internal policies have been updated to reflect the changes in Securities and Futures Commission's Fund Manager Code of Conduct, where staff are required to disclose their existing investment holdings at least semi-annually.

During the year, in-house compliance trainings were held in Hong Kong, Shanghai, Shenzhen, Singapore and London offices to ensure staff are well informed about the latest regulations and requirements. Topics covered include the code of practices, insider dealing, market manipulation, anti-money laundering, etc.

2.2. Anti-corruption

The Group considers business integrity and compliance with 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 enquiries or requests from regulators. As such, the Group has established a Policy on Prevention of Money Laundering and Terrorist Financing Policy and Procedures, which are specifically designed to ensure that our employees fully understand their obligations and responsibilities at work. These policies outline and require all employees to be in compliance with all relevant legislation and codes while making investment decisions. Applicable legislation 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"), Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. We have appointed Money Laundering Reporting Officer and its deputy as well as Anti-Money Laundering Compliance Officer for our investment funds in accordance with the new requirement of Cayman Islands Anti-Money Laundering Regulations.

Unethical or fraudulent behavior is 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 with the client's best interests and in line with market expectations on integrity. Conflict of interests will be avoided to the largest extent and potential conflicts with clients will be disclosed if unavoidable.

Through the group's whistle-blowing mechanism, staff are encouraged to report any suspected misconducts directly to the Chairman of the Audit Committee in confidential manner. The Group will endeavour to protect the identities of the staff and promptly investigate all complaints in a timely manner. Remedial actions are taken against the affirmative case. We are committed to protect our employees from any form of discrimination, intimidation, reprisal, retaliation or adverse reaction organizationally as a result of reporting their concerns.

2.3. Supply Chain Management

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

Our Policy on Procurement stipulates the requirement for a competitive bid for all goods and services which amount 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.

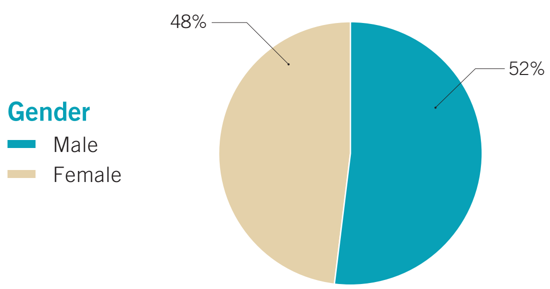
However, the selection consideration of suppliers is not confined to the quoted price alone. Other factors such as product quality, service quality, reliability and suitability are also viewed upon as important factors for consideration.

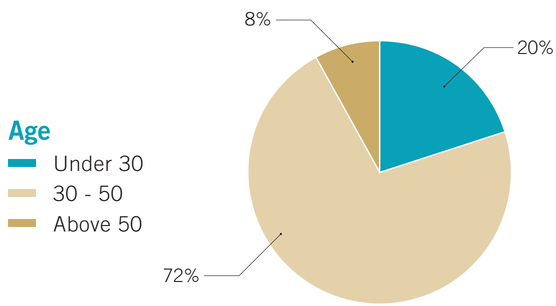
In addition, in order to maintain the quality of goods and services procured, the list of approved vendors is reviewed annually and will be placed against competitive bids if vendor performance or quality falls short of the requirements set out by the Group.

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 complies with relevant local laws and regulations on employment and labor. In addition, we also provide equal opportunities for promotion and dedicate resources to work-related training and the personal development of our employees.

Workforce Distribution





3.1. Welfare and Labor Standards

The Group provides basic welfare benefits to our employees, including 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.

To improve employee welfare and to increase employee involvement in recreational activities, the Group has established a Recreation Committee which is responsible for initiating and organizing networking activities, internal activities, voluntary services, sports events, recreational workshops and annual dinners for the Group. The Recreation Committee is composed of staff from various departments. Opinions and suggestions on employee activities are welcomed from our staff. This year, the Recreation Committee arranged a good mix of outdoor and indoor activities for our employees. For example, DIY Wood Pendant Workshop, World Cup 2018 x Value Partners and Interest Class – Cook to Gather!. To create a healthier and greener work environment, green lunches are held every other week and fresh fruits are provided to our employees every Monday.

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 with the Employment of Children Regulations under the Employment Ordinance, which govern the employment of children in all economic sectors.

3.2. Development and Training

The Group'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 can also obtain relevant professional qualifications which will keep them informed of the latest trends in the industry and provide them with necessary professional knowledge. Employees with tenure of over 6 months are eligible for company sponsorship for 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 have been well received by our employees.

In 2018, the Human Resources team organized a one-day team building workshop themed Synergy for Change to convey the Group's culture to our employees through an interactive approach. The workshop aimed to build team cohesion and promote one-team mindset across the Group for effective and silo-free collaborations.

3.3. Health and Safety

The Group is committed to providing a safe workplace to our employees and their health is 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 compliance with 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 Group's prohibition of any acts of violence or threats to 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 measures and report any cases of personal injury sustained at work or contraction of infectious diseases to the direct manager and 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.

The Group has been awarded as Caring Company since 2017 and introduced Employee Assistance Programme during the reporting year. Online newsletters are distributed to keep our staff abreast of popular health and green topics. Exclusive 24-hour counselling hotline is also available for all staff and their immediate family members.

3.4. Summary of Social Performances

	Unit	2018
Employment Practice		
Total permanent workforce	No. of people	238
Total contract workforce	No. of people	10
Total workforce by age group		
Under 30	No. of people	49
30 – 50	No. of people	180
Above 50	No. of people	19
Total workforce by gender		
Female	No. of people	118
Male	No. of people	130
Health and Safety		
Number of work-related fatalities	No. of people	0
Work-related fatalities rate	Per employee	0
Number of work-related injuries	No. of injuries	0
Lost days	Days	0

4. Community Involvement

The Group 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 adequate educational opportunities. Therefore, our employees are encouraged to serve as volunteers at organizations promoting child welfare, and to nurture young talents in society. Paid CSR leave is granted to colleagues who participate in such meaningful activities. The Group also sponsors community activities and donates to charitable organizations.

During the year, the Group worked closely with Heep Hong Society in various community involvement activities. Heep Hong Society is a registered charitable organization which provides professional training and education to children and youths of different abilities and their families, with the mission of helping them develop their potential and lead a fulfilling life. We have established a long-standing relationship with Heep Hong Society and regularly support the organizations through various activities, e.g. Farm Outing Activity, Family Day and Barbeque with Heep Hong Families. Our volunteers have devoted 178 service hours in these activities during the year.

On 14 January 2018, the Group has actively participated in Hong Kong and Kowloon walk for Millions organized by The Community Chest, an organization to raise funds for its member social welfare agencies in helping the hundreds of thousands of needy and disadvantaged people in our community. Funds raised during the event were donated to support family and child welfare services.

5. Environment

As a company with core reportable segment in asset management, the nature of the Group's business is office based and not energy intensive. Hence, the most material impact on the environment is confined to the premises in which our team operates. However, management considers it equally important to shoulder our part of the responsibility in the context of caring for the environment. Compliance with 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 of our initiatives on environmental conservation.

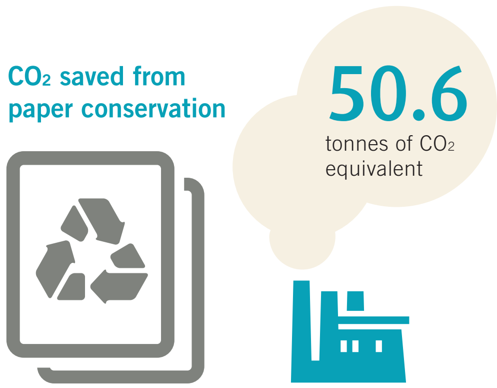
5.1. Environmental Energy and Resources Management

In 2018, the Group achieved the basic level of the Wastewi$e Certificate by Hong Kong Green Organisation. To continue improve our environmental performance, we have set up a range of environmental goals on issues such as waste paper and plastic recycling, material consumption, green procurement and special recycling activities during festive seasons.

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 offices. Office lighting, air conditioners, air purifiers and other electric appliances are switched off when they are not in use or automatically controlled with timers after office hours. Moreover, air conditioner filters and drainage conduits are maintained on a monthly basis to ensure that relevant appliances operate in an energy efficient manner. Water conservation initiatives have also been implemented in our daily operations.

To facilitate more efficient use of resources, the Group has utilized the Employee Self-service (ESS) platform and offers an online E-leave system for our employees. With the help of the E-leave system, paper applications are replaced by the online system, hence reducing our use of paper. In our offices, all printers are set to print on both sides by default to conserve 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 Certificate of CO_2 reduction by Confidential Materials Destruction Service Ltd., recognizing its efforts in waste paper recycling.



5.2 Summary of Environmental Performances

	Unit	2018
Greenhouse gas (GHG) emissions[1] and intensity within the Group		
Direct GHG emissions (Scope 1[2])	tonnes of CO_2 equivalent (tonnes CO_2e)	3.7
Direct GHG emissions (Scope 1) intensity	tonnes CO_2e/employee	0.02
Indirect GHG emissions (Scope 2[3])	tonnes CO_2e	310.2*
Indirect GHG emissions (Scope 2) intensity	tonnes CO_2e/employee	1.3*
Water consumption and intensity within the Group		
Water consumption	cubic metre	258.0
Water intensity	cubic metre/employee	1.0
Energy consumption and intensity within the Group		
Electricity consumption	MWh	453.6*
Electricity intensity	MWh/employee	1.8*
Fuel consumed within the Group		
Gasoline consumption	litre	1,585.1
Resources consumed within the Group		
Paper	tonnes	3.0*
Toner cartridges	pieces	268*
Waste disposed within the Group		
Non-hazardous waste	tonnes	5.2
Hazardous waste	tonnes	0
Resources recycled within the Group		
Paper	tonnes	10.5
Plastic	kg	111.1
Toner cartridges	pieces	117*

All environmental figures reported above indicate the environmental data of the Group's operation in Hong Kong, while data marked with * include our mid-size operations in Singapore and Shanghai. Environmental data for our Shenzhen, London and Malaysia offices were excluded due to their relatively small environmental footprint.

1 The Group's GHG inventory includes carbon dioxide, methane and nitrous oxide. GHG emissions data is presented in carbon dioxide equivalent.

2 Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by us, such as emissions from gasoline used by the corporate fleet.

3 Scope 2 emissions are indirect GHG emissions from the generation of purchased or acquired electricity consumed by us.

Appendix HKEx ESG Guide Content Index

Indicators		Chapter/Statement	Page
A. Environmental			
Aspect A1: Emissions			
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KPI A1.1	The types of emissions and respective emissions data	Not applicable – Emissions of NOx, SOx and other pollutants are immaterial to our business operations	Not applicable
KPI A1.2	Greenhouse gas emissions in total and intensity	Summary of Environmental Performances	61
KPI A1.3	Total hazardous waste produced	Summary of Environmental Performances	61
KPI A1.4	Total non-hazardous waste produced	Summary of Environmental Performances	61
KPI A1.5	Measures to mitigate emissions and results achieved	Environmental Energy and Resources Management	60
KPI A1.6	How hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environmental Energy and Resources Management	60
Aspect A2: Use of Resources			
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KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Summary of Environmental Performances	61
KPI A2.2	Water consumption in total and intensity	Summary of Environmental Performances	61
KPI A2.3	Energy use efficiency initiatives and results achieved	Environmental Energy and Resources Management	60
KPI A2.4	Water efficiency initiatives and results achieved	Environmental Energy and Resources Management	60
KPI A2.5	Total packaging material used for finished products	Not applicable – As an asset management firm, we do not consume significant amount of packaging materials for finished goods	Not applicable
Aspect A3: The Environment and Natural Resources			
General Disclosure	Disclosure statement	Environmental Energy and Resources Management	60
KPI A3.1	The significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environment	59

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KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Summary of Social Performances	58
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Not applicable	Not applicable
Aspect B2: Health and Safety			
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KPI B2.1	Number and rate of work-related fatalities	Summary of Social Performances	58
KPI B2.2	Lost days due to work injury	Summary of Social Performances	58
KPI B2.3	Occupational health and safety measures	Health and Safety	58
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KPI B3.2	The average training hours completed per employee by gender and employee category	Not applicable	Not applicable
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KPI B4.1	Measures to review employment practices to avoid child and forced labor	Welfare and Labor Standards	57
KPI B4.2	Steps taken to eliminate such practices when discovered	Not applicable	Not applicable
Aspect B5: Supply Chain Management			
General Disclosure	Disclosure statement	Supply Chain Management	56
KPI B5.1	Number of suppliers by geographical region	Not applicable	Not applicable
KPI B5.2	Practices relating to engaging suppliers and number of suppliers	Supply Chain Management	56

Indicators		Chapter/Statement	Page
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General Disclosure	Disclosure statement	Product Responsibility	55
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable	Not applicable
KPI B6.2	Number of product and service related complaints received and how they are dealt with	Not applicable	Not applicable
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Not applicable	Not applicable
KPI B6.4	Description of quality assurance process and recall procedures	Not applicable	Not applicable
KPI B6.5	Consumer data protection and privacy policies	Product Responsibility	55
Aspect B7: Anti-corruption			
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KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	There were no concluded legal cases regarding corrupt practices brought against the Group or our employees	Not applicable
KPI B7.2	Preventive measures and whistle-blowing procedures	Anti-corruption	56
Aspect B8: Community Investment			
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KPI B8.1	Focus areas of contribution	Community Involvement	59
KPI B8.2	Resources contributed to the focus area	Community Involvement	59

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

(incorporated in 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 71 to 138, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 2018, 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 judgement, 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 summarized as follows:

- Fee income recognition
- Valuation of investments in investment properties and loan note

Key Audit Matter	How our audit addressed the Key Audit Matter
Fee income recognition	
For the year ended 31 December 2018, the Group has recognized fee income of HK$1,641.4 million, which primarily includes management fees of HK$1,347.5 million and performance fees of HK$56.2 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 investments in investment properties and loan note The Group established a real estate private equity business in July 2017 through the set-up of its first closed-end private equity real estate fund, Value Partners Asia Pacific Real Estate Limited Partnership (the "Real Estate Fund"). As at 31 December 2018, the Real Estate Fund was wholly owned and consolidated within the Group. Through the Group's interest in the Real Estate Fund, the Group held: a) an investment property accounted for at fair value through profit or loss, amounting to HK$167.7 million; b) investments in two joint ventures, accounted for under the equity method amounting to HK$302.5 million, which included an assessment of the fair value of the joint ventures' underlying investment properties; and c) an investment in a loan note, which is related to an underlying investment property, accounted for at fair value through profit or loss amounting to HK$390.9 million. The determination of the fair value of the investment properties and the loan note requires significant management judgement. External valuations were obtained to support management's estimates of the investment properties. The valuations of the investment properties are dependent on certain key assumptions that require significant judgement, including the capitalization rates and market rent. The valuation of the loan note was determined using discounted cash flow analysis, which is dependent on certain key assumptions that require significant management judgement. We focused on the valuation of these investments due to the significance of the amounts and the significant management judgement involved in determining the values of these investments. The Group's disclosures of the investments in investment property, joint ventures and loan note are detailed in note 18, note 16 and note 4.3 to the consolidated financial statements, respectively.	Our work included an assessment of management's key controls over the valuation of the investments: 1. We obtained an understanding of the valuation methodologies and the process employed by management with respect to determining the fair values of the investments in investment properties and loan note. We also performed the following tests: 1. We evaluated the appropriateness of the valuation methodologies and the key assumptions used by management for the investments in investment properties and loan note; 2. We obtained the valuation reports for the investment properties and assessed the reasonableness of key assumptions used and checked, on a sample basis, the accuracy of key inputs used in the valuation process, agreeing the lease terms to tenancy agreements and other supporting documents and comparing the capitalization rates used with an estimated range of expected yields, determined by reference to published benchmarks and market information; and 3. We obtained the valuation for the loan note and assessed the reasonableness of key assumptions used and checked, on a sample basis, the accuracy of key inputs used by management in the valuation. 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 judgement 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.

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

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.

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, 12 March 2019

Consolidated statements of comprehensive income

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Income			
Fee income	6	**1,641,365**	4,105,950
Distribution fee expenses		**(810,936)**	(846,092)
Net fee income		**830,429**	3,259,858
Other income	7	**104,542**	39,271
Total net income		**934,971**	3,299,129
Expenses			
Compensation and benefit expenses	8	**(379,228)**	(953,971)
Operating lease rentals		**(43,541)**	(27,799)
Other expenses	9	**(112,277)**	(110,010)
Total expenses		**(535,046)**	(1,091,780)
Operating profit (before other gains/losses)		**399,925**	2,207,349
Net (losses)/gains on investments		**(189,721)**	198,808
Fair value gain of an investment property	18	**17,134**	–
Gains on disposal of a subsidiary	33.2	**–**	11,173
Others		**3,880**	17,729
Other (losses)/gains – net	10	**(168,707)**	227,710
Operating profit (after other gains/losses)		**231,218**	2,435,059
Share of gains of joint ventures		**68,475**	–
Profit before tax		**299,693**	2,435,059
Tax expense	11	**(70,240)**	(348,495)
Profit for the year from continuing operations		**229,453**	2,086,564
Discontinued operations			
Loss for the year from discontinued operations	33.1	**–**	(38,480)
Profit for the year		**229,453**	2,048,084
Profit/(loss) for the year attributable to			
Owners of the Company			
– Continuing operations		**229,453**	2,086,564
– Discontinued operations		**–**	(38,480)
Profit for the year		**229,453**	2,048,084

The notes on pages 76 to 138 are an integral part of these consolidated financial statements.

Consolidated statements of comprehensive income

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Other comprehensive (loss)/income for the year			
– Items that have been reclassified or may be subsequently reclassified to profit or loss			
Fair value losses on financial assets at fair value through other comprehensive income	26	**(281)**	–
Fair value gains on available-for-sale financial assets	21.1, 26	**–**	19,578
Foreign exchange translation	26	**(7,053)**	17,013
Foreign exchange losses reclassified to profit or loss on disposal of foreign operations		**–**	31,065
Other comprehensive (loss)/income for the year	12	**(7,334)**	67,656
Total comprehensive income for the year		**222,119**	2,115,740
Total comprehensive income/(loss) for the year attributable to			
Owners of the Company			
– Continuing operations		**222,119**	2,122,411
– Discontinued operations		**–**	(6,671)
Total comprehensive income for the year		**222,119**	2,115,740
Earnings/(loss) per share from continuing and discontinued operations attributable to owners of the Company (HK cents per share)			
Basic earnings/(loss) per share	13.1		
– Continuing operations		**12.4**	112.7
– Discontinued operations		**–**	(2.1)
		12.4	110.6
Diluted earnings/(loss) per share	13.2		
– Continuing operations		**12.4**	112.6
– Discontinued operations		**–**	(2.1)
		12.4	110.5

The notes on pages 76 to 138 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	17	**26,543**	7,710
Investment property	18	**167,663**	–
Intangible assets	19	**16,146**	17,529
Investment in joint ventures	16	**302,483**	190,867
Deferred tax assets	29	**–**	122
Investments	21	**1,311,333**	1,511,107
Other assets	24	**44,012**	44,471
		1,868,180	1,771,806
Current assets			
Investments	21	**516,661**	127,474
Fees receivable	22	**128,993**	2,611,076
Amounts receivable on sale of investments		**197,948**	41,974
Prepayments and other receivables		**54,888**	84,676
Deposits with brokers		**30**	36,331
Cash and cash equivalents	23	**1,629,166**	2,204,704
		2,527,686	5,106,235
Current liabilities			
Investments	21	**–**	11,800
Accrued bonus		**129,612**	662,926
Distribution fee expenses payable	27	**129,765**	154,955
Amounts payable on purchase of investments		**–**	15,435
Other payables and accrued expenses		**48,351**	49,005
Other financial liabilities	30	**–**	3,991
Current tax liabilities		**7,905**	320,614
		315,633	1,218,726
Net current assets		**2,212,053**	3,887,509
Non-current liabilities			
Accrued bonus		**18,175**	19,292
Borrowing	28	**83,168**	–
Deferred tax liabilities	29	**429**	–
		101,772	19,292
Net Assets		**3,978,461**	5,640,023
Equity			
Equity attributable to owners of the Company			
Issued equity	25	**1,410,107**	1,391,473
Other reserves	26	**231,912**	255,182
Retained earnings		**2,336,442**	3,993,368
Total equity		**3,978,461**	5,640,023

On behalf of the Board

SO Chun Ki Louis
Director

AU King Lun
Director

The notes on pages 76 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2018

	Note	Attributable to owners of the Company				Non-controlling interests HK$'000	Total equity HK$'000
		Issued equity HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000		
As at 1 January 2017		1,391,473	148,515	2,157,728	3,697,716	62,853	3,760,569
Profit for the year		–	–	2,048,084	2,048,084	–	2,048,084
Other comprehensive income							
Fair value gains on available-for-sale financial assets	26	–	19,578	–	19,578	–	19,578
Foreign exchange translation	26	–	17,013	–	17,013	–	17,013
Reclassification of foreign exchange reserve due to disposal of foreign operations	26	–	31,065	–	31,065	–	31,065
Total comprehensive income		–	67,656	2,048,084	2,115,740	–	2,115,740
Transactions with owners in their capacity as owners							
Share-based compensation	25, 26	–	48,773	–	48,773	–	48,773
Disposals of subsidiaries	26	–	1,727	(1,727)	–	(62,853)	(62,853)
Transfer of share-based compensation reserve upon exercise, forfeiture or expiring of share options	26	–	(11,489)	11,489	–	–	–
Dividends to owners of the Company		–	–	(222,206)	(222,206)	–	(222,206)
Total transactions with owners in their own capacity as owners		–	39,011	(212,444)	(173,433)	(62,853)	(236,286)
As at 31 December 2017		1,391,473	255,182	3,993,368	5,640,023	–	5,640,023
As at 1 January 2018		**1,391,473**	**255,182**	**3,993,368**	**5,640,023**	**–**	**5,640,023**
Adoption of new accounting standards		**–**	**(33,455)**	**34,433**	**978**	**–**	**978**
As at 1 January 2018 (Restated)		**1,391,473**	**221,727**	**4,027,801**	**5,641,001**	**–**	**5,641,001**
Profit for the year		**–**	**–**	**229,453**	**229,453**	**–**	**229,453**
Other comprehensive income							
Fair value losses on financial assets at fair value through other comprehensive income	26	**–**	**(281)**	**–**	**(281)**	**–**	**(281)**
Foreign exchange translation	26	**–**	**(7,053)**	**–**	**(7,053)**	**–**	**(7,053)**
Total comprehensive income		**–**	**(7,334)**	**229,453**	**222,119**	**–**	**222,119**
Transactions with owners in their capacity as owners							
Exercise of share options		**18,634**	**–**	**–**	**18,634**	**–**	**18,634**
Share-based compensation	25, 26	**–**	**26,668**	**–**	**26,668**	**–**	**26,668**
Transfer of share-based compensation reserve upon exercise, forfeiture or expiring of share options	26	**–**	**(9,149)**	**9,149**	**–**	**–**	**–**
Dividends to owners of the Company		**–**	**–**	**(1,929,961)**	**(1,929,961)**	**–**	**(1,929,961)**
Total transactions with owners in their own capacity as owners		**18,634**	**17,519**	**(1,920,812)**	**(1,884,659)**	**–**	**(1,884,659)**
As at 31 December 2018		**1,410,107**	**231,912**	**2,336,442**	**3,978,461**	**–**	**3,978,461**

The notes on pages 76 to 138 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Net cash generated from operations	32	**2,299,051**	602,366
Interest received from cash and cash equivalents, time deposits and restricted bank balances		**32,374**	26,204
Interest received from financial assets at fair value through profit or loss		**20,376**	–
Interest received from financial assets at fair value through other comprehensive income		**10,439**	–
Tax paid		**(382,398)**	(32,474)
Net cash generated from operating activities		**1,979,842**	596,096
Cash flows from investing activities			
Net cash outflows from disposal of subsidiaries			
– Continuing operations	33.2	**–**	(8,990)
– Discontinued operations	33.1	**–**	(35,893)
Purchase of property, plant and equipment and intangible assets		**(29,898)**	(19,470)
Disposal of property, plant and equipment and intangible assets		**–**	1,222
Purchase of investments		**(1,133,119)**	(1,165,866)
Purchase of an investment property		**(146,390)**	–
Prepayments for purchase of investments		**–**	(35,733)
Disposal of investments		**570,120**	410,158
Dividends received from investments		**10,463**	8,027
Net cash used in investing activities		**(728,824)**	(846,545)
Cash flows from financing activities			
Dividends paid		**(1,929,960)**	(222,206)
Proceeds from shares issued upon exercise of share options		**18,634**	–
Proceeds of borrowings		**83,168**	–
Interest expense on borrowing		**(703)**	–
Net cash used in financing activities		**(1,828,861)**	(222,206)
Net decrease in cash and cash equivalents		**(577,843)**	(472,655)
Net foreign exchange gains on cash and cash equivalents		**2,305**	48,228
Cash and cash equivalents at beginning of the year		**2,204,704**	2,629,131
Cash and cash equivalents at end of the year		**1,629,166**	2,204,704

The notes on pages 76 to 138 are an integral part of these consolidated financial statements.

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 43rd Floor, The Center, 99 Queen's Road Central, Hong Kong, respectively.

The Company acts as an investment holding company. The activities of its principal subsidiaries are disclosed in Note 15. The Company and its subsidiaries (together, the "Group") principally provides investment management services to investment funds and managed accounts. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 12 March 2019.

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 and investment property.

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 and amended standards adopted by the Group

The Group has adopted the following new and amended standards for the first time for its financial year beginning 1 January 2018.

- HKFRS 9 "Financial instruments"
- HKFRS 15 "Revenue from contracts with customers"

Except for those disclosed below, the adoption of these new and amended standards had no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New and amended standards adopted by the Group (continued)

The adoption has resulted in the restatement of the following line items. The restatements are explained in detail below.

Consolidated balance sheet (extract)	31 December 2017 As originally presented HK$'000	HKFRS 9 HK$'000	HKFRS 15 HK$'000	1 January 2018 Restated HK$'000
Non-current assets				
Investments	**1,511,107**	–	–	**1,511,107**
– Financial assets at fair value through profit or loss	***1,404,921***	*106,186*	–	***1,511,107***
– Available-for-sale financial assets	***106,186***	*(106,186)*	–	**–**
Current liabilities				
Other payables and accrued expenses	**49,005**	–	(978)	**48,027**
– Deferred front-end fees and rebates liabilities	***978***	–	*(978)*	**–**
Equity				
Equity attributable to owners of the Company				
Other reserves	**255,182**	(33,455)	–	**221,727**
Retained earnings	**3,993,368**	33,455	978	**4,027,801**

(a) HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Impact of adoption

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies for certain financial instruments held by the Group and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transition provisions in HKFRS 9, comparative figures have not been restated.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models applied to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The major effects resulting from this reclassification are as follows:

Reclassification from available-for-sale to fair value through profit or loss ("FVPL")

Equity investments of HK$106,186,000 were reclassified from available-for-sale to FVPL as at 1 January 2018. The Group elected to account for these equity investments at FVPL. Related fair value gains of HK$33,455,000 were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018. For the year ended 31 December 2018, net fair value losses of HK$13,331,000 relating to these investments were recognized in profit or loss.

Impairment of financial assets

The Group was required to revise its impairment methodology under HKFRS 9's new expected credit loss model for its financial assets, which include cash and cash equivalents, financial assets at fair value through profit and loss, debt investment carried at fair value through other comprehensive income ("FVOCI"), trade receivables and other receivables. The change in impairment requirements had no significant impact on the Group's results and financial position.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New standards adopted by the Group (continued)

(b) HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 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. HKFRS 15 replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations.

Impact of adoption

The adoption of HKFRS 15 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. The Group elected not to restate comparative figures in accordance with the transition provisions in HKFRS 15. The major effects resulting from the changes in accounting policies are as follows:

Accounting for front-end fees and rebates

In the previous reporting periods, the front-end fees and rebates from the fund distribution activities were recognized on a straight-line basis over the investors' estimated holding periods in the investment funds. Any unrecognized amounts were treated as deferred income and rebates.

Under HKFRS 15, 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 and service. In consideration of the fund distribution activities being a separate performance obligation from the asset management and the obligation being satisfied at a point in time upon the investors' subscription, front-end fees and rebates relating to the distribution services are recognized at a point in time when the services are performed and the amount is known.

On 1 January 2018 (the date of initial application of HKFRS 15), deferred front-end fees and rebates liabilities of HK$978,000 as previously reported under "other payables and accrued expenses" on the consolidated balance sheet was transferred to retained earnings. For the year ended 31 December 2018, front-end fees and rebates were decreased by HK$49,273,000 and HK$49,244,000 respectively.

New standards issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted

- 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 has assessed the impact of adoption of HKFRS 16 and expects to recognize right-of-use assets of approximately HK$67,801,000 and lease liabilities of approximately HK$68,476,000 on the consolidated balance sheet on 1 January 2019.

  The Group will apply HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases are expected to be measured on transition as if the new rules had always been applied. All other right-of-use assets are expected to be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint 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 (see (d) below).

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates.

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.

(c) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method (see (d) below), after initially being recognized at cost in the consolidated balance sheet.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

(d) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income of the investee in profit or loss and other comprehensive income, respectively. Dividends received or receivable from are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10 (a).

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes 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 or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

(f) 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".

2.3 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, the equity interests issued by the Group and the fair value of any pre-existing equity interest in the subsidiary. 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 noncontrolling 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.

2.4 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 Summary of significant accounting policies (continued)

2.5 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.

2.6 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.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, with finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis with other (losses)/gains – net.

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 fair value through other comprehensive income 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)

2.7 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, or in the case of leasehold improvements, the shorter lease terms as follows:

Leasehold improvements	Up to three years
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.

2.8 Intangible assets

(a) Goodwill

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

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

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

(b) 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).

2 Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(b) Computer software (continued)

Costs associated with 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).

(c) Others

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.9 Investment properties

Investment properties, principally comprising freehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of other gains or losses.

2.10 Impairment

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

Assets that have an indefinite useful life such as goodwill are not subject to amortization and are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. Other assets 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 investments and other financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has a significant increase in credit risk.

2 Summary of significant accounting policies (continued)

2.10 Impairment (continued)

(b) Impairment of investments and other financial assets (continued)

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Until 31 December 2017, the Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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 was evidence that the assets were impaired. If any such evidence existed 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 – was 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 were not reversed through the consolidated statement of comprehensive income.

2.11 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 funds for which controlling interest is held by the Group and are classified as held-for-sale when 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.

2.12 Discontinued operations

A discontinued operation is a component of the entity that has been disposed of and that represents a separate major line of business, is part of a single coordinated plan to dispose of such a line of business. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories: those to be measured subsequently at FVPL, at fair value through other comprehensive income ("FVOCI") and at amortized cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

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.

Measurement

At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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 maximizing the use of observable inputs in its valuation techniques.

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.

Equity instruments

- The Group subsequently measures all equity investments at FVPL.
- Changes in the fair value of the financial assets at FVPL are recognized in other gains/losses in the consolidated statement of comprehensive income.
- Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets (continued)

Debt instruments

- Subsequent measurement of debt instruments depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group classifies all its debt instruments as FVOCI.

- Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss.

- When the debt instrument at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other (losses)/gains – net.

- Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/losses and impairment expenses are presented as separate line item in the statement of profit or loss, if any.

Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017, the Group classified its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification was determined bases on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassification were made at fair value as of the reclassification date. Fair value became the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets (continued)

Subsequent measurement

The measurement at initial recognition did not change after adoption of HKFRS 9, see description above.

Loans and receivables were subsequently carried at amortized cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognized as follows: (a) for financial assets at FVPL – in profit or loss within net (losses)/gains on investments; (b) for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortized cost of the security were recognized in profit or loss and other changes in the carrying amount were recognized in other comprehensive income; and (c) for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

2.14 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.

2.15 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.

2.16 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.

2 Summary of significant accounting policies (continued)

2.17 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.

2.18 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.

2.19 Current and deferred tax

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.20 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 or as it satisfies a performance obligation by transferring promised services (assets) to the customers in an amount to which the Group expects to be entitled in exchange for those services. Assets are transferred when or as the customer obtains control of those assets. The Group includes variable consideration in revenue when it is no longer highly probable of significant reversal – when the associated uncertainty is resolved. For some contracts with customers, the Group has discretion to involve a third party in providing services to the customer. Generally, the Group is deemed to be the principal in these arrangements because the Group controls the promised services before they are transferred to customers, and accordingly presents the revenue gross of related costs.

(a) Fee income from investment management activities

Management fees are recognized as the services are performed over time and are primarily based on agreed upon percentage of the net asset values 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 and it is determined that they are no longer highly probable of significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

(b) Fee income from fund distribution services

From 1 January 2018, front-end fees and rebates relating to the distribution services are recognized when the services are performed and the amount is known.

Until 31 December 2017, front-end fees were recognized on a straight-line basis over the estimated holding periods of the investors in the investment funds. Any unrecognized amounts were treated as deferred income.

(c) Interest and dividend income

Interest income is recognized on a time-proportion basis using the effect interest method. Dividend income is recognized when the right to receive payment is established.

2.21 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 or as the Group satisfies a performance obligation by transferring promised services (assets) to the customers in an amount of corresponding management fees, performance fees and front-end fees the Group expected to be entitled in exchange for those services.

2 Summary of significant accounting policies (continued)

2.22 Compensation and benefits

(a) Bonus

The Group recognizes a liability and an expense for bonuses on a formula that takes into consideration the profit attributable to owners of the Company after certain adjustments. The Group has a deferred bonus plan for certain eligible employees that allows such employees to receive bonus amounts in cash or in shares of nominated company funds managed by the Group with the fluctuations in share value earned/borne by the relevant employees. Amounts to be distributed under the bonus plans are expensed over the vesting period based on the estimated payout amount. The Group recognizes a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Share-based compensation

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

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

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

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

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

(c) Pension obligations

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

(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 Summary of significant accounting policies (continued)

2.23 Borrowing

Borrowing is initially recognized at fair value, net of transaction costs incurred. Borrowing is subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowing using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowing is removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

2.24 Borrowing costs

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

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

2.25 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.

2.26 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.

2.27 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 Valuation of investment properties held directly or through Group's investments

The Group holds investment properties through Value Partners Asia Pacific Real Estate Limited Partnership (the "Real Estate Fund"). With the assistance of relevant external valuation specialists, the Group estimates fair values primarily by adopting the recent transacted price or the market approach. If information on current or recent comparable market transactions of investment property is not available, the fair values of investment properties are determined by using income approach and residual valuation techniques. The Group uses assumptions that are mainly based on current market conditions or proposed development plan for the highest and best use of the property at the year end. The valuations are carried out by considering market information or data from a variety of sources including:

(i) Recently transacted prices of similar properties in the market. Valuation adjustments will be made to comparable transactions to reflect factors such as differences in time, location, building condition, age, size and view from the building. This is commonly known as the direct comparison method; and

(ii) Market yields of similar properties, which will be adjusted and adopted as capitalization rates for deriving the capital values of income producing properties. This is commonly known as the income approach. The capital values of income producing properties can also be derived from discounted cash flow projections (based on estimates of future cash flows derived from the terms of any existing lease and other contracts, and from external evidence such as current market rentals for similar properties in the comparable location) with appropriate discount rates (which reflect current market risks of the uncertainty in the amount and timing of the cash flows).

The significant assumptions used in the estimation of fair values are those related to receipt of contractual rentals, expected future market rentals, vacancy periods and discount rates. The valuations are regularly reviewed and compared to actual market yield data, and actual transactions reported and known from the market. Relevant taxes are considered as part of valuation assumptions for estimation of fair values of the investment properties and reflected as part of the valuation of the investment properties.

When the Group has sought assistance from external valuers, the Group verifies major inputs in the external valuation reports, assesses property valuation movements and holds discussions with the external valuers. Although best estimate is used in estimating fair values, there are inherent limitations in any valuation technique. Estimated fair values may differ from the values that would have been used if a readily available market existed.

3.2 Valuation of investments classified as level 3 in the fair value hierarchy

The Group holds financial instruments that are not traded or quoted in active markets. The Group uses its judgement to select the appropriate methods and make assumptions based on market conditions existing at the end of each reporting period to estimate the fair value of such financial instruments classified as level 3 in the fair value hierarchy. Valuation techniques include the market approach using prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities such as net asset values as provided by fund administrators or the discounted last transacted price; and discounted cash flow approach which utilizes inputs such as projected cash flows and discount rate. Although best estimate is used in estimating fair values, there are inherent limitations in any valuation technique. Estimated fair values may differ from the values that would have been used if a readily available market existed.

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, bank deposits and investments denominated in foreign currencies. 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**	
	2018	2017	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Australian dollar	**+/– 5%**	+/– 5%	**+/– 22,857**	+/– 22,554	**–**	–
Renminbi	**+/– 5%**	+/– 5%	**+/– 998**	+/– 11,556	**+/– 12,503**	+/– 11,550
Japanese yen	**+/– 5%**	+/– 5%	**+/– 14,165**	+/– 9,548	**–**	–
New Zealand dollar	**+/– 5%**	–	**+/– 4,339**	–	**–**	–

Refer to Notes 21, 22, 23, 27 and 28 below for additional disclosures on foreign exchange exposure.

(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.

Cash flow and fair value interest rate risk

As at 31 December 2018, if interest rates had been 50 basis points (2017: 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$659,000 higher or HK$659,000 lower respectively (2017: HK$722,000 higher or HK$722,000 lower). The sensitivity analysis for the year ended 31 December 2018 was primarily arising from the increase/decrease in interest income on cash and cash equivalents and debt securities, and interest expense on borrowings.

The sensitivity analysis for the year ended 31 December 2017 was primarily arising from increase/decrease in interest income on cash and cash equivalents.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Interest rate risk (continued)

Fair value interest rate risk

The Group considered that the interest rate risk in relation to debt securities is insignificant as at 31 December 2018. Therefore, no sensitivity analysis has been performed.

(c) Price risk

The Group is exposed to equity securities price risk in respect of investments held by the Group, which comprises investments in certain investment funds that it manages as seed capital and other investments in listed and unlisted equity securities and investment funds.

The 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.

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	
	2018	2017	**2018** **HK$'000**	2017 HK$'000
MSCI China Index	**+/– 10%**	+/– 10%	**+/– 32,541**	+/– 39,010

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

As the Group also invests in debt securities, the financial risk analysis is covered under interest rate risk in Note 4.1(b).

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, related interest receivable placed with banks and financial institutions 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.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(d) Credit risk (continued)

Cash

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

	2018 HK$'000	2017 HK$'000
AA–	**17,328**	14,585
A+	**15,750**	7,288
A	**983,627**	942,086
A–	**156,230**	147,343
BBB+	**213,664**	575,784
BBB	**276,536**	588,576
Unrated	**2,250**	552
	1,665,385	2,276,214

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.

Debt securities

The table below summarizes the credit quality (as illustrated by credit rating) of debt securities and related interest receivables.

	2018 HK$'000	2017 HK$'000
AA+	**39,315**	–
AA	**25,234**	–
AA–	**9,443**	–
A+	**85,323**	–
A	**52,989**	–
A–	**56,318**	–
BBB+	**57,271**	–
BBB	**52,774**	–
BBB–	**16,207**	–
BB	**30,350**	–
B+	**42,630**	–
	467,854	–

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 the default of debt investments.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(d) Credit risk (continued)

Amount receivable on sale of investments

The table below summarizes the credit quality (as illustrated by credit rating) of amount receivable on sale of investments.

	2018 HK$'000	2017 HK$'000
A	**197,948**	41,974

The reference independent credit rating used is Standard & Poor's long-term local issuer credit rating. The amount receivable as at 31 December 2018 represents the receivable on sale of an investment fund (2017: sale of an investment fund and listed securities) and it has been subsequently settled in January 2019 (2017: January 2018).

Fees receivable

As at 31 December 2018, fees receivable including management fee, performance fee and front-end fee from the five major investment funds and managed accounts amounted to HK$100,750,000 (2017: HK$2,345,313,000), which accounted for 78% (2017: 90%) of the total outstanding balance. Refer to Note 22 below for additional disclosures on credit risk.

Impairment of financial assets

The group has two types of financial assets that are subject to the expected credit loss model:

- Fee receivables and other receivables
- Debt investments carried at FVOCI.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(i) Fee receivables and other receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all fee receivables and other receivables.

To measure the expected credit losses, fee receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of fee receivables over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(d) Credit risk (continued)

(i) Fee receivables and other receivables (continued)

Based on the Group's past experience in collecting the outstanding fee receivables, the chance of unsuccessful collection of fee receivables and other receivables were minimal. The Group considered that the expected loss rates for fee receivables are minimal, and no loss allowance is recognized.

Fee receivables and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on fee receivables and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. No impairment losses on fee receivables and other receivables are recognized as at 31 December 2018 and 2017.

Previous accounting policy for impairment of fee receivables

In the prior year, the impairment of fee receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognized in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganization; and
- Default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognized were written off against the provision when there was no expectation of recovering additional cash.

(ii) Debt investments

All of the entity's debt investments at FVOCI are considered to have low credit risk, and the loss allowance to be recognized during the period was therefore limited to 12 months expected losses. The Group considers low credit risk' for listed or quoted debt securities to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be of low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The Group considers that expected loss from debt portfolio is minimal and no impairment is required.

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 2018, the Group held liquid assets of HK$1,629,166,000 (2017: HK$2,204,704,000), 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.

	2018				2017			
	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	**972,860**	**464,278**	**390,856**	**–**	1,172,068	–	413,208	–
Derivative financial instruments	**–**	**–**	**–**	**–**	–	53,305	–	–
Fees receivable	**–**	**128,993**	**–**	**–**	–	2,611,076	–	–
Amounts receivable on sale of investments	**–**	**197,948**	**–**	**–**	–	41,974	–	–
Prepayment and other receivables	**–**	**38,671**	**–**	**–**	–	63,184	–	–
Deposits with brokers	**–**	**30**	**–**	**–**	–	36,331	–	–
Cash and cash equivalents	**169,554**	**1,459,612**	**–**	**–**	220,920	1,983,784	–	–
	1,142,414	**2,289,532**	**390,856**	**–**	1,392,988	4,789,654	413,208	–
Liabilities								
Investments								
Non-derivative financial instruments	**–**	**–**	**–**	**–**	(11,176)	–	–	–
Derivative financial instruments	**–**	**–**	**–**	**–**	–	(624)	–	–
Accrued bonus	**–**	**(129,612)**	**(18,175)**	**–**	–	(662,926)	(19,292)	–
Distribution fee expenses payable	**–**	**(129,765)**	**–**	**–**	–	(154,955)	–	–
Amounts payable on purchase of investments	**–**	**–**	**–**	**–**	–	(15,435)	–	–
Other payables and accrued expenses	**(2,040)**	**(46,311)**	**–**	**–**	(2,167)	(46,838)	–	–
Borrowing	**–**	**–**	**(83,168)**	**–**	–	–	–	–
Other financial liabilities	**–**	**–**	**–**	**–**	(3,991)	–	–	–
	(2,040)	**(305,688)**	**(101,343)**	**–**	(17,334)	(880,778)	(19,292)	–
Cumulative gap	**1,140,374**	**1,983,844**	**289,513**	**–**	1,375,654	3,908,876	393,916	–

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.

Under the term of the borrowing, the Group is required to comply with certain financial covenants. The Group has complied with the covenants of the borrowing throughout the year.

During the year ended 31 December 2018, Sensible Asset Management Hong Kong Limited, Sensible Asset Management Limited, Value Partners Hong Kong Limited, Value Partners Limited, Value Partners Private Equity Limited and Value Partners Technology Systems Limited, wholly-owned subsidiaries of the Group, are licensed to carry out regulated activities under the Hong Kong Securities and Futures Ordinance ("SFO"). Value Partners Technology Systems Limited ceased its regulated entity status on 12 September 2018. These regulated entities are subject to and complied with the paid-up capital and liquid capital requirements under the SFO during the year ended 31 December 2018 and 2017.

4 Financial risk management (continued)

4.2 Capital risk management (continued)

Value Partners Asset Management Singapore Pte. Ltd, a 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 2018 and 2017.

Value Partners Investment Management (Shanghai) Limited, a wholly owned subsidiary of the Group, has been registered with the Asset Management Association of China ("AMAC") as a private fund management firm on 9 November 2017. The company is subject to and complied with the paid-up capital requirements under the AMAC during the year ended 31 December 2018 and 2017.

Value Partners (UK) limited, a wholly owned subsidiary of the Group, has been given permission by Financial Conduct Authority ("FCA") to provide regulated products and services since 1 March 2018. The company is subject to and complied with the paid-up capital and liquid capital requirements under the FCA during the year ended 31 December 2018.

Value Partners Asset Management Malaysia Sdn. Bhd., a wholly owned subsidiary of the Group, has been given permission by Securities Commission Malaysia to provide regulated products and services since 28 December 2018. The company is subject to and complied with the paid-up capital and liquid capital requirements under the Securities Commission Malaysia during the year ended 31 December 2018.

	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 (a)	Types 1, 2, 4, 5 and 9
Value Partners Limited (a)	Types 1, 2, 4, 5 and 9
Value Partners Private Equity Limited (a)	Types 4 and 9
Value Partners Technology Systems Limited (a), (c)	Types 1, 4 and 9
Value Partners Asset Management Singapore Pte. Ltd	Capital Market Services for Fund Management
Value Partners Investment Management (Shanghai) Limited	Private Fund Management
Value Partners (UK) Limited (d)	Providing Regulated Products and Services
Value Partners Asset Management Malaysia Sdn. Bhd. (e)	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 2: Dealing in futures contracts
Type 4: Advising on securities
Type 5: Advising on futures contracts
Type 9: Asset management

(c) The company became a regulated entity on 5 April 2017 and subsequently ceased its regulated entity status on 12 September 2018.

(d) The company became a regulated entity on 1 March 2018.

(e) The company became a regulated entity on 28 December 2018.

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	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Investments (Note 21)								
Listed securities	**244,786**	329,103	**–**	–	**178**	–	**244,964**	329,103
Unlisted securities								
Investment funds – Cayman Islands	**–**	–	**144,090**	401,300	**6,968**	5,055	**151,058**	406,355
Loan note – Australia	**–**	–	**–**	–	**390,856**	413,208	**390,856**	413,208
Debt securities	**–**	–	**464,278**	–	**–**	–	**464,278**	–
Others	**–**	–	**576,838**	425,434	**–**	–	**576,838**	425,434
Derivative financial instruments	**–**	(475)	**–**	(149)	**–**	53,305	**–**	52,681
Sub-total	**244,786**	328,628	**1,185,206**	826,585	**398,002**	471,568	**1,827,994**	1,626,781

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for the financial assets held by the Group is the current last traded price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- 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 recent arm's length transactions, discounted cash flow analysis or reference to other instruments that are substantially the same, for the remaining financial instruments.

4 Financial risk management (continued)

4.3 Fair value estimation (continued)

The following table presents the movement of level 3 instruments.

	Year ended 31 December 2018					Year ended 31 December 2017			
	Listed securities HK$'000	Unlisted securities – investment funds HK$'000	Unlisted securities – loan note HK$'000	Derivative financial instruments HK$'000	Total HK$'000	Unlisted securities – investment funds HK$'000	Unlisted securities – loan note HK$'000	Derivative financial instruments HK$'000	Total HK$'000
As at 1 January	–	5,055	413,208	53,305	471,568	4,341	–	33,655	37,996
Addition	178	557	–	827	1,562	621	405,432	781	406,834
Disposal	–	–	–	(41,780)	(41,780)	–	–	–	–
Gains/(losses) recognized in profit or loss	–	1,356	(22,352)	(12,352)	(33,348)	–	7,776	18,869	26,645
Gains/(losses) recognized in other comprehensive income	–	–	–	–	–	93	–	–	93
As at 31 December	178	6,968	390,856	–	398,002	5,055	413,208	53,305	471,568
Total gains/(losses) for the year included in the consolidated statement of comprehensive income for level 3 instruments for the year	–	1,356	(22,352)	(12,352)	(33,348)	93	7,776	18,869	26,738
Change in unrealized gains or losses for level 3 instruments held at year end and included in profit or loss	–	1,356	(22,352)	(12,352)	(33,348)	–	7,776	18,869	26,645

As at 31 December 2018, the level 3 instruments include a suspended listed security, an investment fund, and a loan note with a related call option (Note 21).

As at 31 December 2017, the level 3 instruments include an investment fund, a derivative financial instrument and a loan note with a related call option (Note 21).

As at 31 December 2018 and 31 December 2017, the investment fund was stated with reference to the net asset value provided by the respective administrator of the investment fund.

As at 31 December 2018, the suspended listed security was valued with reference to its last transacted price, subject to further illiquidity adjustment.

As at 31 December 2017, the investment in a derivative financial instrument, which relates to an over-the-counter equity swap, was valued with reference to the broker quote obtained from the market maker.

4 Financial risk management (continued)

4.3 Fair value estimation (continued)

For the investment fund and derivative financial instrument, no significant quantitative unobservable inputs are used to determine their fair value. No quantitative analysis would has been presented.

For the suspended listed security, the Group considers that the change in the input to the valuation model would not have a significant effect on the consolidated financial statements. No quantitative analysis has been presented.

As at 31 December 2018, the loan note with a related call option was valued using discounted cash flow analysis with expected market yield of 5.25% (the discount rate) as the unobservable input. Sensitivity analysis is not presented as a reasonable possible shift in the discount rate would not result in significant change in the fair value of the loan note with a related call option. As at 31 December 2017, the loan note was valued with reference to its subscription price on 15 December 2017. No significant quantitative unobservable inputs are used to determine their fair value and no quantitative analysis would be presented.

The Group uses its judgement to select appropriate methods and make assumptions based on market conditions existing at the end of each reporting period.

There were no transfers between levels of the fair value measurement hierarchy for the year ended 31 December 2018 (2017: Nil).

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

The carrying amount of borrowing recorded at amortized cost in the consolidated financial statements approximate its 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.

In 2018 the Group identified one reportable segments – asset management business (2017: two reportable segments – asset management business and small loan business). 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 had a small loan business in Chengdu. Major income of this small loan business includes interest income and administrative fee income. In 2017, the Group disposed of its small loan business, and disclosed its results as a discontinued operation. Refer to Note 33.1 for details.

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

Profit or loss

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

	Year ended 31 December 2018			Year ended 31 December 2017		
	Asset management business HK$'000	**Small loan business (discontinued operations) HK$'000**	**Total HK$'000**	Asset management business HK$'000	Small loan business HK$'000	Total HK$'000
Income from external customers	**1,641,365**	**–**	**1,641,365**	4,105,950	1,384	4,107,334
Distribution fee expenses	**(810,936)**	**–**	**(810,936)**	(846,092)	–	(846,092)
Net fee income	**830,429**	**–**	**830,429**	3,259,858	1,384	3,261,242
Other income	**104,542**	**–**	**104,542**	39,271	1,530	40,801
Total net income	**934,971**	**–**	**934,971**	3,299,129	2,914	3,302,043
Depreciation and amortization	**(12,337)**	**–**	**(12,337)**	(16,252)	(149)	(16,401)
Operating expenses	**(522,709)**	**–**	**(522,709)**	(1,075,528)	(1,307)	(1,076,835)
Operating profit/(loss) (before other gains/losses)	**399,925**	**–**	**399,925**	2,207,349	1,458	2,208,807
Other gains/(losses) – net	**(168,707)**	**–**	**(168,707)**	227,710	(40,128)	187,582
Operating profit/(loss) (after other gains/losses) and profit/(loss) before tax	**231,218**	**–**	**231,218**	2,435,059	(38,670)	2,396,389
Share of gains of joint ventures	**68,475**	**–**	**68,475**	–	–	–
Profit/(loss) before tax	**299,693**	**–**	**299,693**	2,435,059	(38,670)	2,396,389
Tax (expense)/credit	**(70,240)**	**–**	**(70,240)**	(348,495)	190	(348,305)
Profit/(loss) for the year	**229,453**	**–**	**229,453**	2,086,564	(38,480)	2,048,084

During the year ended 31 December 2018, income from external customers consists of fee income from asset management business of HK$1,641,365,000 (2017: fee income from asset management business of HK$4,105,950,000, interest income from small loan business of HK$1,314,000 and fee income from small loan business of HK$70,000).

5 Segment information (continued)

Assets

	As at 31 December 2018			As at 31 December 2017		
	Asset management business HK$'000	Small loan business (discontinued operations) HK$'000	Total HK$'000	Asset management business HK$'000	Small loan business HK$'000	Total HK$'000
Property, plant and equipment	26,543	–	26,543	7,710	–	7,710
Investment property	167,663	–	167,663	–	–	–
Intangible assets	16,146	–	16,146	17,529	–	17,529
Investment in joint ventures	302,483	–	302,483	190,867	–	190,867
Deferred tax assets	–	–	–	122	–	122
Investments	1,827,994	–	1,827,994	1,638,581	–	1,638,581
Fees receivable	128,993	–	128,993	2,611,076	–	2,611,076
Amounts receivable on sale of investments	197,948	–	197,948	41,974	–	41,974
Prepayments and other receivables	40,168	14,720	54,888	69,956	14,720	84,676
Deposits with brokers	30	–	30	36,331	–	36,331
Cash and cash equivalents	1,629,166	–	1,629,166	2,204,704	–	2,204,704
Other assets	12,326	31,686	44,012	12,789	31,682	44,471
	4,349,460	46,406	4,395,866	6,831,639	46,402	6,878,041

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$84,520,000 (2017: HK$92,918,000) are derived from a single external customer of the asset management business segment.

6 Revenue

Revenue consists of fees from investment management activities and fund distribution activities.

	2018 HK$'000	2017 HK$'000
Management fees	1,347,477	1,196,044
Performance fees	56,171	2,570,921
Front-end fees	237,717	338,985
Total fee income	1,641,365	4,105,950

7 Other income

	2018 HK$'000	2017 HK$'000
Interest income on cash and cash equivalents	**31,298**	27,125
Interest income from financial assets at fair value through profit or loss	**22,106**	–
Interest income from financial assets at fair value through other comprehensive income	**14,015**	–
Dividend income on financial assets at fair value through profit or loss	**30,259**	4,509
Dividend income on available-for-sale financial assets	**–**	7,223
Rental income from an investment property	**2,488**	–
Others	**4,376**	414
Total other income	**104,542**	39,271

8 Compensation and benefit expenses

	2018 HK$'000	2017 HK$'000
Salaries, wages and other benefits	**235,955**	217,967
Management bonus	**110,466**	682,089
Share-based compensation (Notes 25 and 26)	**26,668**	48,773
Pension costs	**6,139**	5,142
Total compensation and benefit expenses	**379,228**	953,971

8.1 Pension costs – mandatory provident fund scheme

There were no forfeited contributions utilized during the year ended 31 December 2018 (2017: Nil) and as at 31 December 2018 (2017: Nil) to reduce future contributions.

As at 31 December 2018, no contributions were payable to the mandatory provident fund scheme (2017: Nil).

8.2 Five highest-paid individuals

The five highest-paid individuals in the Group during the year ended 31 December 2018 included three (2017: three) 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:

	2018 HK$'000	2017 HK$'000
Salaries, wages and other benefits	**7,358**	8,125
Management bonus	**23,208**	93,245
Share-based compensation	**3,286**	9,032
Pension costs – mandatory provident fund scheme	**36**	36
	33,888	110,438

8 Compensation and benefit expenses (continued)

8.2 Five highest-paid individuals (continued)

The remaining two (2017: two) individuals emoluments were within the following bands:

	Number of individuals	
	2018	2017
HK$13,000,001 to HK$13,500,000	**1**	0
HK$20,500,001 to HK$21,000,000	**1**	0
HK$36,500,001 to HK$37,000,000	**0**	1
HK$73,500,001 to HK$74,000,000	**0**	1

8.3 Senior management remuneration by band

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

	Number of individuals	
	2018	2017
Below HK$5,000,000	**5**	0
HK$5,000,001 to HK$10,000,000	**0**	4
HK$10,000,001 to HK$15,000,000	**2**	1
HK$20,000,001 to HK$25,000,000	**1**	0
HK$35,000,001 to HK$40,000,000	**0**	1
HK$70,000,001 to HK$75,000,000	**0**	1

8.4 Deferred Bonus

During the year ended 31 December 2018, a portion of the management bonus granted to the employees and directors of the Group was deferred and payable to the employees and directors if they remain employed with the Group throughout the vesting period between 12 to 36 months. These deferred bonuses are recognized as an expense over the relevant vesting period.

In 2018, the Group offered employees eligible to deferred bonus the ability to elect settlement of such deferred bonus in shares of nominated company funds managed by the Group. As at 31 December 2018, no such election has been made. No such arrangement was offered in 2017. The table below summarizes the deferred bonuses as at 31 December.

	2018 **HK$'000**	2017 HK$'000
Deferred bonus	**9,129**	–

9 Other expenses

	2018 HK$'000	2017 HK$'000
Legal and professional fees	**15,452**	21,021
Research expenses	**13,659**	13,068
Marketing expenses	**13,193**	10,002
Depreciation, amortization and impairment charges	**12,337**	16,252
Travelling expenses	**10,993**	7,421
Office expenses	**6,819**	6,465
Insurance expenses	**5,427**	4,480
Recruitment expenses	**4,686**	5,799
Auditor's remuneration	**4,470**	4,197
Entertainment expenses	**3,431**	2,987
Registration and licensing fees	**1,452**	1,329
Donations	**130**	22
Others	**20,228**	16,967
Total other expenses	**112,277**	110,010

10 Other (losses)/gains – net

	2018 HK$'000	2017 HK$'000
Net (losses)/gains on investments		
Net (losses)/gains on financial assets at fair value through profit or loss	**(189,721)**	199,796
Net losses on disposal of available-for-sale financial assets	–	(988)
Net fair value gain of an investment property	**17,134**	–
Gains on disposal of a subsidiary (Note 33.2)	–	11,173
Others		
Net foreign exchange gains	**3,880**	19,825
Foreign exchange losses reclassified to profit or loss on disposal of a foreign operation (Note 33.2)	–	(2,117)
Gains on disposal of property, plant and equipment	–	21
Total other (losses)/gains – net	**(168,707)**	227,710

11 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 Cayman Islands income and capital gains taxes has been made in the consolidated financial statements.

11 Tax expense (continued)

Hong Kong profits tax has been provided on the estimated assessable profit for the year ended 31 December 2018 at the rate of 16.5% (2017: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	2018 HK$'000	2017 HK$'000
Current tax		
Hong Kong profits tax	**50,424**	332,951
Overseas tax	**20,556**	18,790
Adjustments in respect of prior years	**(1,291)**	(2,098)
Total current tax	**69,689**	349,643
Deferred tax		
Origination and reversal of temporary differences (Note 29)	**551**	(1,148)
Total tax expense	**70,240**	348,495

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:

	2018 HK$'000	2017 HK$'000
Profit before tax	**299,693**	2,435,059
Tax calculated at domestic tax rates applicable to profits in the respective countries	**48,528**	406,149
Tax effects of:		
Non-taxable income and gains on investments	**(58,131)**	(108,802)
Non-deductible expenses and losses on investments	**81,134**	53,246
Adjustments in respect of prior years	**(1,291)**	(2,098)
Tax expense	**70,240**	348,495

The weighted average applicable tax rate was 16.2% (2017: 16.7%). The decrease is caused by a change in the profitability of the Group's subsidiaries in respective regions.

12 Other comprehensive (loss)/income

	2018 HK$'000	2017 HK$'000
Items that have been reclassified or may be subsequently reclassified to profit or loss:		
Fair value losses on financial assets at fair value through other comprehensive income (Note 26)	**(281)**	–
Fair value gains on available-for-sale financial assets (Note 21.1 and 26)	**–**	19,578
Foreign exchange translation	**(7,053)**	17,013
Foreign exchange losses reclassified to profit or loss on disposal of foreign operations	**–**	31,065
Total other comprehensive (loss)/income	**(7,334)**	67,656

13 Earnings per share

13.1 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.

	2018	2017
Profit for the year attributable to owners of the Company (HK$'000)	**229,453**	2,048,084
Weighted average number of ordinary shares in issue (thousands)	**1,855,528**	1,851,715
Basic earnings per share (HK cents per share)	**12.4**	110.6

13.2 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.

	2018	2017
Profit for the year attributable to owners of the Company (HK$'000)	**229,453**	2,048,084
Weighted average number of ordinary shares in issue (thousands)	**1,855,528**	1,851,715
Adjustments for share options (thousands)	**986**	1,808
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,856,514**	1,853,523
Diluted earnings per share (HK cents per share)	**12.4**	110.5

14 Dividends

	2018 HK$'000	2017 HK$'000
Declared special dividend of nil (2017: HK86.0 cents) per ordinary share	**–**	1,595,915
Proposed final dividend of HK6.0 cents (2017: HK18.0 cents) per ordinary share	**111,349**	334,028
Total dividends	**111,349**	1,929,943

For the year ended 31 December 2018, the directors recommended a final dividend of HK6.0 cents per share. The estimated total final dividend is HK$111,349,000. The final dividend is to be approved by shareholders at the Annual General Meeting of the Company on 26 April 2019 and have not been recognized as a liability at the balance sheet date.

15 Investments in subsidiaries

15.1 Corporate structure

As at 31 December 2018, 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
Chief Union Investments Limited	Hong Kong	Money lending in Hong Kong	1 ordinary share	100%	–
First Bravo Management Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1	100%	–
Fortune Access Industries Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1	–	100%
Gold One Industries Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1	100%	–
Hong Kong Asset Management Group Limited	Hong Kong	Investment holding	10,000 ordinary share	100%	–
Hong Kong Fund Management Group Limited	Hong Kong	Dormant	1 ordinary share	100%	–
Rough Seas Capital Holdings Limited	Hong Kong	Investment holding	1,000,000 ordinary shares	100%	–
Sensible Asset Management Hong Kong Limited	Hong Kong	Investment management in Hong Kong	86,000,000 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	Investment holding	1 ordinary share	100%	–
Value Funds Limited	Hong Kong	Investment holding	1 ordinary share	100%	–
Value Partners Asset Management Malaysia Sdn. Bhd.	Malaysia	Assets Management	4,000,000 ordinary share of RM4,000,000	100%	–
Value Partners (Cayman GP) II Ltd	Cayman Islands	Managing member of two investment funds managed by Value Partners Limited	1 ordinary share of US$1	100%	–
Value Partners (UK) Limited	United Kingdom	Investment Management in United Kingdom	GBP1,050,000	100%	–
Value Partners Asset Management Singapore Pte. Ltd.	Singapore	Investment management in Singapore	250,000 ordinary shares of S$1 each	100%	–
Value Partners Corporate Consulting Limited	Hong Kong	Investment holding	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	Dormant	1 ordinary share	100%	–
Value Partners Technology Systems Limited	Hong Kong	Dormant	20,000,000 ordinary shares	100%	–

15 Investments in subsidiaries (continued)

15.1 Corporate structure (continued)

Name	Place of incorporation	Principal activities and place of operation	Issued share capital	Effective interest held Directly	Effective interest held Indirectly
Value Partners (USA) LLC	USA	Assets Management	USD1,000	–	100%
Valuegate Holdings Limited	British Virgin Islands	Trademark holding in Hong Kong	2 ordinary shares of US$1 each	100%	–
Wisdom Resources Development Corporation	British Virgin Islands	Investment holding	1 ordinary share of US$1	–	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%
惠理投資管理(上海)有限公司	PRC	Investment management and advisory in China	Registered capital of RMB50,000,000	–	100%
惠理股權投資管理(深圳)有限公司	PRC	Equity investment in China	Registered capital of RMB13,000,000	–	100%
惠理企業管理(深圳)有限公司	PRC	Investment	Registered capital RMB200,000,000	–	100%
惠理企業管理咨詢(上海)有限公司	PRC	Investment	Registered capital RMB200,000,000	–	100%

15 Investments in subsidiaries (continued)

15.2 Interests in structured entities

As at 31 December 2018 and 2017, the Group is deemed to hold controlling interest in the following investment funds. All assets and liabilities of these funds are consolidated within the Group's balance sheet.

		Effective interest held by the company			
		2018		2017	
	Place of incorporation	**Directly**	**Indirectly**	Directly	Indirectly
Value Partners Asia Pacific Real Estate Limited Partnership	Cayman Islands	–	**100%**	–	100%
Value Partners Big Data Fund	Cayman Islands	–	–	–	96%

In 2017, the Group has set up Value Partners Asia Pacific Real Estate Limited Partnership (the "Real Estate Fund") to engage in real estate private equity business. The Group has committed US$100 million capital to the Real Estate Fund, and the undrawn commitment amounted to US$7 million (2017: US$21 million) as at 31 December 2018. The Real Estate Fund will focus on the acquisition of stabilized income assets in the Asia Pacific. As at 31 December 2018, the Real Estate Fund held four investments (2017: two) include:

- As at 31 December 2018 and 2017, the Real Estate Fund has 50% equity interest in Value Investing Group Company Limited (the "Value Investing"), a company incorporated in Hong Kong. As at 31 December 2018, Value Investing owned the trust beneficial interests in three (2017: two) Japanese properties. Value Investing is presented as "investment in a joint venture" on the consolidated balance sheet. Refer to Note 16 for details.

- As at 31 December 2018 and 2017, the Real Estate Fund held a loan note issued by the AM 9 Hunter Street Finance Unit Trust (the "Finance Trust"). The proceeds from the loan note were used solely by the Finance Trust to invest in the units of another trust which holds a property in Australia. The loan note is presented as "investments" on the consolidated balance sheet.

- As at 31 December 2018, the Real Estate Fund has 50% equity interest in Clear Miles Hong Kong Limited, a company incorporated in Hong Kong. On 13 August 2018, Clear Miles Hong Kong Limited's subsidiary acquired an Australian industrial property. Clear Miles Hong Kong Limited is presented as "investment in a joint venture" on the consolidated balance sheet. Refer to Note 16 for details.

- On 21 September 2018, the Real Estate Fund purchased a New Zealand property through its fellow subsidiary. The property is presented as "investment property" on the consolidated balance sheet.

The Value Partners Big Data Fund ceased to trade on 30 November 2018, and compulsorily redeemed all of the outstanding shares with effect on the same day.

16 Investment in joint ventures

On 24 November 2017, the Group entered into a sale and purchase agreement with a third party to sell 50% of its interest in one of its wholly owned subsidiaries, Value Investing, to a third party at the consideration of HK$1, reducing its beneficiary interest and voting right in Value Investing from 100% to 50%. The purchaser provided an interest free shareholder's loan to Value Investing to repay the corresponding amount of shareholder's loan owing by Value Investing to the Group. No gain or loss was recognized from this transaction. As a result of disposal, the interest in Value Investing becomes a joint venture.

On 12 July 2018, the Group acquired 50% of the interest of Clear Miles Hong Kong Limited with consideration of HK$17,134,000. The Group provided interest free shareholder's loan to Clear Miles Hong Kong Limited for the purchase of the interest in an Australian industrial property.

	2018 **HK$'000**	2017 HK$'000
Beginning of the year	**190,867**	–
Acquisition/deemed acquisition of a joint venture	**43,141**	190,867
Share of gains of joint ventures	**68,475**	–
End of the year	**302,483**	190,867

Details of the joint ventures of the Group which were directly held are as follows:

			Interest held	
Name	**Place of incorporation**	**Principal activities**	**2018**	2017
Value Investing Group Company Limited	Hong Kong	Investment holding	**50%**	50%
Clear Miles Hong Kong Limited	Hong Kong	Investment holding	**50%**	–

The Group's share of assets, liabilities and results of the joint venture are summarized below:

	Value Investing Group Company Limited		**Clear Miles Hong Kong Limited**	
	2018 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000
Asset – current assets	**283,514**	190,990	**35,331**	–
Liabilities – current liabilities	**(248)**	(123)	**(16,114)**	–
Net assets	**283,266**	190,867	**19,217**	–
Other gains – net	**71,873**	309	**872**	–
Expenses	**(2,526)**	(277)	**(1,336)**	–
Tax expense	**(254)**	(32)	**(154)**	–
Profit after tax	**69,093**	–	**(618)**	–

There are no commitments and contingent liabilities relating to the Group's interest in the joint ventures, and no commitments and contingent liabilities of the joint ventures themselves.

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 2017					
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
Year ended 31 December 2017					
Opening net book amount	3,887	775	5,343	598	10,603
Additions	6,340	428	1,967	–	8,735
Disposals	(16,543)	(3,526)	(6,994)	–	(27,063)
Disposal of subsidiaries	(1,436)	(99)	(1,866)	–	(3,401)
Exchange differences	38	9	88	14	149
Depreciation (Note 9)	(6,505)	(292)	(3,244)	(488)	(10,529)
Write back of depreciation on disposals	16,543	3,526	6,994	–	27,063
Write back of depreciation on disposal of subsidiaries	1,147	47	959	–	2,153
Closing net book amount	3,471	868	3,247	124	7,710
As at 31 December 2017					
Cost	13,219	1,924	12,551	2,355	30,049
Accumulated depreciation	(9,748)	(1,056)	(9,304)	(2,231)	(22,339)
Net book amount	3,471	868	3,247	124	7,710
Year ended 31 December 2018					
Opening net book amount	**3,471**	**868**	**3,247**	**124**	**7,710**
Additions	**20,871**	**444**	**5,283**	**545**	**27,143**
Exchange differences	**(46)**	**(18)**	**(49)**	**4**	**(109)**
Depreciation (Note 9)	**(4,763)**	**(393)**	**(2,887)**	**(158)**	**(8,201)**
Closing net book amount	**19,533**	**901**	**5,594**	**515**	**26,543**
As at 31 December 2018					
Cost	**34,090**	**2,368**	**17,834**	**2,900**	**57,192**
Accumulated depreciation	**(14,557)**	**(1,467)**	**(12,240)**	**(2,385)**	**(30,649)**
Net book amount	**19,533**	**901**	**5,594**	**515**	**26,543**

18 Investment property

	2018 HK$'000	2017 HK$'000
Beginning of the year	**–**	–
Additions	**146,390**	–
Fair value gain	**17,134**	–
Foreign exchange translation	**4,139**	–
End of the year	**167,663**	–

On 21 September 2018, the Group acquired the entire interest in a student accommodation investment property located in New Zealand with a consideration of HK$146,390,000, which was subsequently revalued by the Group as at 31 December 2018.

The Group measures its investment property at fair value, with the help of an independent qualified valuer, Colliers International (Wellington Valuation) Limited. The fair value assessment is derived using the income approach and by making reference to recent transacted price or comparable sales transaction available in the relevant property market. The income approach applies a capitalization rate on market rent for deriving the capital value.

Amounts recognized in profit or loss for investment property

	2018 HK$'000	2017 HK$'000
Rental income	**2,488**	–
Direct operating expenses from property that generated rental income	**(189)**	–
Fair value gain recognized in other (losses)/gains-net	**17,134**	–

Fair value measurements using significant unobservable inputs

Information about fair value measurements using significant unobservable inputs is as follows:

Unobservable inputs	Retail	Student accommodation	Parking	Relationship of increase in unobservable inputs to fair value
Capitalization rate	6.75%	6.75%	6.75%	Decrease in the fair value.
Market rent	NZD280 per square meter	NZD175 per room per week	NZD40 per space per week	Increase in the fair value.

19 Intangible assets

	Goodwill HK$'000	Computer software HK$'000	Others HK$'000	Total HK$'000
As at 1 January 2017				
Cost	54,435	30,669	–	85,104
Accumulated amortization	–	(16,622)	–	(16,622)
Accumulated impairment	(54,435)	–	–	(54,435)
Net book amount	–	14,047	–	14,047
Year ended 31 December 2017				
Opening net book amount	–	14,047	–	14,047
Additions	–	3,235	7,500	10,735
Disposals	–	(5,567)	–	(5,567)
Disposal of subsidiaries	–	(2,607)	–	(2,607)
Exchange differences	–	136	–	136
Amortization (Note 9)	–	(4,479)	–	(4,479)
Impairment (Note 9)	–	(1,244)	–	(1,244)
Write back of amortization on disposals	–	4,367	–	4,367
Write back of amortization on disposal of subsidiaries	–	2,141	–	2,141
Closing net book amount	–	10,029	7,500	17,529
As at 31 December 2017				
Cost	54,435	25,730	7,500	87,665
Accumulated amortization	–	(14,457)	–	(14,457)
Accumulated impairment	(54,435)	(1,244)	–	(55,679)
Net book amount	–	10,029	7,500	17,529
Year ended 31 December 2018				
Opening net book amount	**–**	**10,029**	**7,500**	**17,529**
Additions	**–**	**2,755**	**–**	**2,755**
Exchange differences	**–**	**(2)**	**–**	**(2)**
Amortization (Note 9)	**–**	**(4,136)**	**–**	**(4,136)**
Closing net book amount	**–**	**8,646**	**7,500**	**16,146**
As at 31 December 2018				
Cost	**–**	**28,485**	**7,500**	**35,985**
Accumulated amortization	**–**	**(18,595)**	**–**	**(18,595)**
Accumulated impairment	**–**	**(1,244)**	**–**	**(1,244)**
Net book amount	**–**	**8,646**	**7,500**	**16,146**

20 Investments in associates

20.1 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	
		2018	2017
Value Partners Fixed Income SPC – Value Partners Credit Opportunities Fund SP [(a)]	Cayman Islands	**–**	25%
Value Partners Ireland Fund Plc – Value Partners Global Emerging Market Bond Fund [(b)]	Ireland	**20%**	–
Value Partners Ireland Fund Plc – Value Partners Health Care Fund [(a)]	Ireland	**–**	22%

	Net asset value 31 December		Profit for the period/year and total comprehensive income 31 December	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Value Partners Fixed Income SPC – Value Partners Credit Opportunities Fund SP [(a)]	**–**	796,727	**–**	13,941
Value Partners Ireland Fund Plc – Value Partners Global Emerging Market Bond Fund [(b)]	**389,372**	–	**(17,925)**	–
Value Partners Ireland Fund Plc – Value Partners Health Care Fund [(a)]	**–**	209,207	**–**	38,143

(a) As at 31 December 2018, Value Partners Ireland Fund Plc – Value Partners Health Care Fund and Value Partners Ireland Fund Plc – Value Partners Credit Opportunities Fund SP were derecognized from "investment in associates".

(b) As at 31 December 2018, Value Partners Ireland Fund Plc – Value Partners Global Emerging Market Bond Fund was recognized as "investment in associates".

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

21 Investments

Investments include the following:

	Financial assets and liabilities at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Available-for-sale financial assets[(a)]		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Listed securities (by place of listing)								
Equity securities – Long – China	**–**	2,745	**–**	–	**–**	–	**–**	2,745
Equity securities – Long – Hong Kong	**52,348**	118,552	**–**	–	**–**	–	**52,348**	118,552
Equity securities – Short – Hong Kong	**–**	(11,176)	**–**	–	**–**	–	**–**	(11,176)
Equity securities – Long – South Korea	**–**	3,162	**–**	–	**–**	–	**–**	3,162
Equity securities – Long – Singapore	**–**	2,299	**–**	–	**–**	–	**–**	2,299
Equity securities – Long – Taiwan	**–**	4,133	**–**	–	**–**	–	**–**	4,133
Equity securities – Long – United States	**213**	8,263	**–**	–	**–**	–	**213**	8,263
Investment funds – Hong Kong	**192,403**	201,125	**–**	–	**–**	–	**192,403**	201,125
Market value of listed securities	**244,964**	329,103	**–**	–	**–**	–	**244,964**	329,103
Quoted debt securities								
Debt securities – China	**–**	–	**345,357**	–	**–**	–	**345,357**	–
Debt securities – Hong Kong	**–**	–	**62,557**	–	**–**	–	**62,557**	–
Debt securities – Singapore	**–**	–	**19,932**	–	**–**	–	**19,932**	–
Debt securities – South Korea	**–**	–	**36,432**	–	**–**	–	**36,432**	–
Fair value of quoted debt securities	**–**	–	**464,278**	–	**–**	–	**464,278**	–
Unlisted securities (by place of incorporation/establishment)								
Equity securities – Singapore	**1,354**	–	**–**	–	**–**	8,014	**1,354**	8,014
Investment funds – Australia	**19,222**	21,023	**–**	–	**–**	–	**19,222**	21,023
Investment funds – Cayman Islands	**151,058**	401,300	**–**	–	**–**	5,055	**151,058**	406,355
Investment funds – China	**85,589**	51,550	**–**	–	**–**	–	**85,589**	51,550
Investment funds – Hong Kong	**237,845**	44,995	**–**	–	**–**	–	**237,845**	44,995
Investment funds – Ireland	**123,029**	129,060	**–**	–	**–**	–	**123,029**	129,060
Investment funds – Luxembourg	**–**	–	**–**	–	**–**	51,889	**–**	51,889
Investment funds – United States	**109,799**	77,675	**–**	–	**–**	41,228	**109,799**	118,903
Loan note – Australia	**390,856**	413,208	**–**	–	**–**	–	**390,856**	413,208
Fair value of unlisted securities	**1,118,752**	1,138,811	**–**	–	**–**	106,186	**1,118,752**	1,244,997
Derivative financial instruments								
Equity swap – China	**–**	53,305	**–**	–	**–**	–	**–**	53,305
Equity swap – Taiwan	**–**	(50)	**–**	–	**–**	–	**–**	(50)
Equity swap – South Korea	**–**	(99)	**–**	–	**–**	–	**–**	(99)
Index futures – Hong Kong	**–**	(475)	**–**	–	**–**	–	**–**	(475)
Fair value of derivative financial instruments	**–**	52,681	**–**	–	**–**	–	**–**	52,681
Total investments	**1,363,716**	1,520,595	**464,278**	–	**–**	106,186	**1,827,994**	1,626,781
Representing:								
Non-current	**1,311,333**	1,404,921	**–**	–	**–**	106,186	**1,311,333**	1,511,107
Current	**52,383**	115,674	**464,278**	–	**–**	–	**516,661**	115,674
Total investments	**1,363,716**	1,520,595	**464,278**	–	**–**	106,186	**1,827,994**	1,626,781

(a) The adoption of HKFRS 9 "Financial instruments" on 1 January 2018 resulted in reclassification of the Group's available-for-sale financial assets to financial assets at fair value through profit or loss. Refer to Note 2.1 for details.

21 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 2018 and 2017, except for the consolidated investment funds disclosed in Note 15.2, 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 36.3) and fees receivable as shown in the consolidated balance sheet. The size of the investment funds ranges from US$3.1 million to US$5 billion (2017: US$6 million to US$4.5 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:

	2018 **HK$'000**	2017 HK$'000
Australian dollar	**410,317**	434,403
Hong Kong dollar	**245,058**	361,526
Renminbi	**82,915**	54,464
Singapore dollar	**1,354**	10,313
Taiwan dollar	**–**	4,133
United States dollar	**1,087,879**	758,284
Others	**471**	3,658
Total investments	**1,827,994**	1,626,781

21.1 Available-for-sale financial assets

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

	2018 **HK$'000**	2017 HK$'000
Beginning of the year	**106,186**	108,696
Additions	**–**	2,352
Disposals	**–**	(24,440)
Fair value gains (Notes 12 and 26)	**–**	19,578
Reclassify investments from available-for-sale to fair value through profit or loss	**(106,186)**	–
End of the year	**–**	106,186

There was no impairment provision on available-for-sale financial assets as at 31 December 2017.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the available-for-sale financial assets by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. These investment funds and unlisted equity securities were reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss.

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 2018 (2017: 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:

	2018	2017
	HK$'000	HK$'000
Fees receivable that were past due but not impaired		
1 – 30 days	**577**	715
31 – 60 days	**231**	396
61 – 90 days	**1,094**	246
Over 90 days	**1,072**	770
	2,974	2,127
Fees receivable that were within credit period	**126,019**	2,608,949
Total fees receivable	**128,993**	2,611,076

Fees receivable are denominated in the following currencies:

	2018	2017
	HK$'000	HK$'000
Australian dollar	**768**	916
Hong Kong dollar	**21,611**	128,493
Renminbi	**9,159**	29,133
United States dollar	**97,455**	2,452,509
Others	**–**	25
Total fees receivable	**128,993**	2,611,076

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 2018 (2017: Nil).

23 Cash and cash equivalents

	2018 HK$'000	2017 HK$'000
Cash at banks and in hand	**128,477**	214,364
Short-term bank deposits	**1,459,612**	1,983,784
Deposits with brokers	**41,077**	6,556
Total cash and cash equivalents	**1,629,166**	2,204,704

Cash and cash equivalents are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
Australian dollar	**25,609**	8,933
Hong Kong dollar	**714,271**	1,277,331
Pound sterling	**4,258**	–
Renminbi	**151,841**	295,175
Singapore dollar	**3,743**	8,257
Taiwan dollar	**–**	10,852
United States dollar	**724,230**	600,076
Others	**5,214**	4,080
Total cash and cash equivalents	**1,629,166**	2,204,704

24 Other assets

	2018 HK$'000	2017 HK$'000
Restricted bank balances	**31,686**	31,682
Others	**12,326**	12,789
Total other assets	**44,012**	44,471

In accordance with the sale and purchase agreement for the disposal of the BSC Group (Note 33.1), part of the consideration of the transaction amounted to HK$31,682,000 was paid in cash into an escrow account set up by both the Group and buyer and to be released to the Group in the twenty-fifth month following the date of completion.

As at 31 December 2018 and 2017, no bank deposits were placed as a minimum reserve for the Group's investment in equity securities in China.

25 Issued equity

	Number of shares	Issued equity HK$'000
As at 1 January 2018	1,851,714,831	1,391,473
Shares issued upon exercise of share options	4,100,000	18,634
As at 31 December 2018	1,855,814,831	1,410,107
As at 1 January 2017 and 31 December 2017	1,851,714,831	1,391,473

As at 31 December 2018, the total authorized number of ordinary shares of the Company was 5,000,000,000 shares (2017: 5,000,000,000 shares) with a par value of HK$0.1 (2017: 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.

25 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. 27,500,000 options were granted under the share option scheme for the year ended 31 December 2018 (2017: Nil).

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 2018 was HK$26,668,000 (2017: HK$48,773,000) which has no impact to the Group's cash flow. The weighted average fair value of options granted during the year 2018 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, 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 2017	13.63	135,600
Forfeited	13.60	(10,870)
Forfeited	14.09	(5,010)
As at 31 December 2017	13.61	119,720
As at 1 January 2018	**13.61**	**119,720**
Exercised	**3.94**	**(100)**
Exercised	**4.56**	**(4,000)**
Forfeited	**13.60**	**(1,740)**
Forfeited	**14.09**	**(260)**
Granted	**5.87**	**27,500**
As at 31 December 2018	**12.37**	**141,120**

Out of the 141,120,000 (2017: 119,720,000) outstanding share options, 97,080,000 (2017: 93,170,000) options were exercisable as at 31 December 2018 with weighted average exercise price of HK$14.00 (2017: HK$13.62) per share. 4,100,000 options were exercised during the year ended 31 December 2018 (2017: Nil).

25 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) 2018	2017
11 November 2021	13.60	**24,810**	26,550
16 December 2021	14.09	**88,310**	88,570
30 May 2022	3.94	**500**	600
6 December 2022	4.56	**–**	4,000
14 April 2025	5.87	**27,500**	–

The measurement dates of the share options were 15 October 2018, 17 June 2015, 12 May 2015, 7 December 2012, 31 May 2012, 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.

26 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 2017	192,942	13,359	240	(2,182)	(56,299)	455	148,515
Share-based compensation (Note 8)	48,773	–	–	–	–	–	48,773
Transfer of share-based compensation reserve upon exercise, forfeiture or expiry of share options	(11,489)	–	–	–	–	–	(11,489)
Fair value gains on available-for-sale financial assets (Notes 12 and 21.1)	–	19,578	–	–	–	–	19,578
Foreign exchange translation reserve	–	–	–	–	17,013	–	17,013
Reclassification of foreign exchange reserve due to disposal of foreign operations	–	–	–	–	31,065	–	31,065
Disposal of subsidiaries	–	–	–	2,182	–	(455)	1,727
As at 31 December 2017	230,226	32,937	240	–	(8,221)	–	255,182
As at 1 January 2018	**230,226**	**32,937**	**240**	**–**	**(8,221)**	**–**	**255,182**
Adoption of new accounting standards	**–**	**(33,455)**	**–**	**–**	**–**	**–**	**(33,455)**
As at 1 January 2018 (Restated)	**230,226**	**(518)**	**240**	**–**	**(8,221)**	**–**	**221,727**
Share-based compensation (Note 8)	**26,668**	**–**	**–**	**–**	**–**	**–**	**26,668**
Transfer of share-based compensation reserve upon exercise, forfeiture or expiry of share options	**(9,149)**	**–**	**–**	**–**	**–**	**–**	**(9,149)**
Fair value losses on financial assets at fair value through other comprehensive income (Notes 12 and 21.1)	**–**	**(281)**	**–**	**–**	**–**	**–**	**(281)**
Foreign exchange translation reserve	**–**	**–**	**–**	**–**	**(7,053)**	**–**	**(7,053)**
As at 31 December 2018	**247,745**	**(799)**	**240**	**–**	**(15,274)**	**–**	**231,912**

(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.

27 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:

	2018 HK$'000	2017 HK$'000
0 – 30 days	**127,214**	154,144
31 – 60 days	**1,390**	61
61 – 90 days	**618**	76
Over 90 days	**543**	674
Total distribution fee expenses payable	**129,765**	154,955

Distribution fee expenses payable are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
United States dollar	**129,315**	152,202
Others	**450**	2,753
Total distribution fee expenses payable	**129,765**	154,955

28 Borrowing

	2018 HK$'000	2017 HK$'000
Non-current		
Bank loan	**83,168**	–

The borrowing is secured by the investment property located in New Zealand shown in Note 18.

The maturity of borrowing is as follows:

	2018 HK$'000	2017 HK$'000
Between 1 and 5 years	**83,168**	–

The effective interest rate of the Group's borrowing at the balance sheet date are as follows:

	2018 NZD	2017 NZD
Bank and other loans	**4.08%**	–

28 Borrowing (continued)

Saved as disclosed above, carrying value of borrowing approximate its fair value as the balance either at variable rate or the impact of discounting is not significant.

The carrying amount of the borrowing is denominated in the following currency:

	2018 HK$'000	2017 HK$'000
New Zealand dollar	83,168	–

29 Deferred tax

The movement of deferred tax assets/(liabilities) is as follows:

Deferred tax assets/(liabilities)	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
As at 1 January 2017	(1,026)	16,410	15,384
Credited to the consolidated statement of comprehensive income (Note 11)	1,148	–	1,148
Disposal of a subsidiary	–	(16,410)	(16,410)
As at 31 December 2017	122	–	122
As at 1 January 2018	122	–	122
Debited to the consolidated statement of comprehensive income (Note 11)	(551)	–	(551)
As at 31 December 2018	(429)	–	(429)

The analysis of deferred tax assets is as follows:

	2018 HK$'000	2017 HK$'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	–	122
– Deferred tax asset to be recovered within 12 months	–	–
	–	122

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.

30 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.

31 Financial instruments by category

	2018 HK$'000	2017 HK$'000
Category of financial assets		
Financial assets at amortized cost/loans and receivables		
Restricted bank balances (Note 24)	**31,686**	31,682
Fees receivable (Note 22)	**128,993**	2,611,076
Amounts receivable on sale of investments	**197,948**	41,974
Prepayment and other receivables	**38,671**	63,184
Deposits with brokers	**30**	36,331
Cash and cash equivalents (Note 23)	**1,629,166**	2,204,704
	2,026,494	4,988,951
Financial assets at fair value through profit or loss		
Investments (Note 21)	**1,363,716**	1,532,395
Financial assets at fair value through other comprehensive income		
Investments (Note 21)	**464,278**	–
Available-for-sale financial assets		
Investments (Note 21)	**–**	106,186
Category of financial liabilities		
Financial liabilities at fair value through profit or loss		
Investments (Note 21)	**–**	11,800
Other financial liabilities at amortized cost		
Accrued bonus	**147,787**	682,218
Distribution fee expenses payable (Note 27)	**129,765**	154,955
Amounts payable on purchase of investments	**–**	15,435
Other payables and accrued expenses	**48,351**	49,005
Other financial liabilities (Note 30)	**–**	3,991
Borrowing	**83,168**	–
	409,071	905,604

32 Notes to the consolidated cash flow statement

	Note	2018 HK$'000	2017 HK$'000
Profit before tax			
– Continuing operations		**299,693**	2,435,059
– Discontinued operations	33.1	**–**	(38,670)
Adjustments for			
Interest income on cash and cash equivalents, time deposits and restricted bank balances		**(31,298)**	(27,125)
Interest income from financial assets at fair value through profit or loss		**(22,106)**	–
Interest income from financial assets at fair value through other comprehensive income		**(14,015)**	–
Interest expenses		**703**	–
Dividend income		**(30,259)**	(11,732)
Share-based compensation		**26,669**	48,773
Depreciation and amortization		**12,337**	16,252
(Gains)/losses on disposal of subsidiaries			
– Continuing operations	33.2	**–**	(11,173)
– Discontinued operations	33.1	**–**	10,542
Foreign exchange losses reclassified to profit or loss on disposal of foreign operations			
– Continuing operations	33.2	**–**	2,117
– Discontinued operations	33.1	**–**	28,948
Share of gains of joint ventures		**(68,475)**	–
Other losses/(gains) – net		**172,587**	(198,829)
Changes in working capital			
Other assets		**459**	(10,588)
Fees receivable		**2,482,083**	(2,498,647)
Loan portfolio, net		**–**	14,573
Deposits with brokers		**36,301**	138,979
Time deposits		**–**	4,735
Prepayments and other receivables		**(1,362)**	(18,874)
Accrued bonus		**(534,431)**	628,717
Distribution fee expenses payable		**(25,190)**	48,988
Other payables and accrued expenses		**(654)**	40,857
Other financial liabilities		**(3,991)**	(536)
Net cash generated from operations		**2,299,051**	602,366

33 Disposal of subsidiaries

33.1 Under discontinued operations

On 25 April 2017, the Group entered into a sale and purchase agreement with a third party to sell its entire issue share capital of Brilliant Star Capital (Cayman) Limited, which indirectly holds 90% of Chengdu Vision Credit Limited, the Group's small loan business in Chengdu (collectively, the "BSC Group"). The transaction was completed in October 2017. The net consideration was HK$303 million, and a loss on disposal of HK$10.5 million was recognized. Upon the disposal of this foreign operation, previously recognized foreign exchange losses of HK$28.9 million was reclassified from foreign exchange translation reserve to the profit or loss. This disposal group's results are presented in the consolidated financial statement as a discontinued operation.

Financial information relating to the discontinued operations is as follows:

	2017 HK$'000
Income	1,384
Other income	1,530
Expenses	(1,456)
Other (losses)/gains – net	(638)
Loss on disposal of BSC Group	(10,542)
Reclassification of foreign exchange translation reserve to the profit or loss	(28,948)
Operating loss (after other gains/losses) and loss before tax from discontinued operations	(38,670)
Tax expense	190
Loss for the year from discontinued operations	(38,480)
Loss for the year from discontinued operations attributable to	
Owners of the Company	(38,480)
Non-controlling interests	–
	(38,480)

The net cash flows attributable to the discontinued operations are as follows:

	2017 HK$'000
Net cash (used in)/generated from operating activities	(164,614)
Net cash used in financing activities	–
Net foreign exchange gains/(losses) on cash and cash equivalents	3,230
Total net cash flows	(161,384)

33 Disposal of subsidiaries (continued)

33.1 Under discontinued operations (continued)

Details of the disposal of BSC Group:

	2017 HK$'000
Consideration	
Consideration settled in cash	205,715
Consideration paid in cash into an escrow account (Note 24)	31,682
Consideration in ordinary shares issued by the holding company of the purchaser of the transaction	68,645
Net consideration receivables	4,925
Disposal related costs	(8,111)
Net consideration	302,856

The assets and liabilities of BSC Group disposed of at the completion date comprise:

	HK$'000
Property, plant and equipment	365
Intangible assets	195
Deferred tax assets	16,674
Loan portfolio, net	109,208
Prepayments and other receivables	3,987
Time deposits and cash and cash equivalents	233,497
Other payables and accrued expenses	(15,715)
Net assets disposed of	348,211
Non-controlling interests	(34,813)
Share of net assets disposed of	313,398
Net consideration	302,856
Loss on disposal	(10,542)
Reclassification of foreign exchange translation reserve to the profit or loss	(28,948)
Net cash flows on disposal of subsidiaries	
Consideration settled in cash	205,715
Disposal related costs	(8,111)
Time deposits and cash and cash equivalents disposed of	(233,497)
Net cash outflows in respect of the disposal	(35,893)

33 Disposal of subsidiaries (continued)

33.2 Under continuing operations

On 29 June 2017, the Group entered into another sale and purchase agreement with a third party to sell its 62.05% equity interest in Value Partners Concord Asset Management Co., Ltd. (the "VP Concord"), an investment management business in Taiwan, for a consideration of HK$35 million (representing the Group' s 62.05% ownership). The transaction was completed in August 2017. A gain on disposal of HK$11.2 million was recognized. Upon the disposal of this foreign operation, previously recognized foreign exchange losses of HK$2.1 million was reclassified from foreign exchange translation reserve to the profit or loss.

Details of the disposal of VP Concord:

	2017 HK$'000
Consideration	
Cash consideration	34,852
Disposal related costs	(967)
Net consideration	33,885

The assets and liabilities of VP Concord disposed of at the completion date comprise:

	HK$'000
Property, plant and equipment	698
Intangible assets	52
Other assets	6,415
Investments	1,463
Fee receivables, prepayments and other receivables	678
Time deposits and cash and cash equivalents	42,875
Other payables and accrued expenses	(897)
Net assets disposed of	51,284
Non-controlling interests	(28,572)
Share of net assets disposed of	22,712
Net consideration	33,885
Gain on disposal	11,173
Reclassification of foreign exchange translation reserve to the profit or loss	(2,117)
Net cash flows on disposal of subsidiaries	
Consideration settled in cash	34,852
Disposal related costs	(967)
Time deposits and cash and cash equivalents disposed of	(42,875)
Net cash outflows in respect of the disposal	(8,990)

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 one year 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:

	2018 **HK$'000**	2017 HK$'000
Not later than one year	**33,976**	42,923
Later than one year and not later than five years	**39,795**	60,545
Total operating lease commitments	**73,771**	103,468

34.2 Capital commitments

As at 31 December 2018, the Group has unfunded capital commitment in a private equity fund amounted to US$224,000 (equivalent to HK$1,752,000) (2017: US$295,000 (equivalent to HK$2,307,000)). As at the end of the year, the capital commitment contracted to purchase licensed software but not yet incurred amounted to HK$450,000 (2017: HK$1,256,000).

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 2018 and 2017, 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 Contingencies (continued)

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 2018 and 2017, 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

	2018 **HK$'000**	2017 HK$'000
Corporate capital note issued by a company of which a close family member of key management personnel is a member	**–**	2,500
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:

	2018 **HK$'000**	2017 HK$'000
Management bonus, salaries and other short-term employee benefits	**56,445**	334,794
Share-based compensation	**11,696**	23,819
Pension costs	**72**	72
Total key management compensation	**68,213**	358,685

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	
	2018 HK$'000	2017 HK$'000
Consolidated structured entities		
Value Partners Big Data Fund (Note 15.2)	**–**	94,309
Value Partners Asia Pacific Real Estate Limited Partnership (Note 15.2)	**797,571**	620,577
Unconsolidated structured entities		
AMG Managers Value Partners Asia Dividend Fund	**71,520**	77,311
Premium Asia Income Fund	**19,222**	21,023
Value China ETF	**5,085**	6,003
Value ETFs Trust – Value Japan ETF	**8,876**	10,864
Value ETFs Trust – Value Korea ETF	**8,070**	10,395
Value ETFs Trust – Value Taiwan ETF	**11,985**	12,150
Value Gold ETF	**158,387**	161,713
Value Partners Asia Fund, LLC	**289**	364
Value Partners Classic Fund [a]	**248**	330
Value Partners Fixed Income SPC		
– Value Partners Credit Opportunities Fund SP [b] (Note 20)	**4,047**	198,448
Value Partners Fund Series – Value Partners Asian Total Return Bond Fund [c]	**197,048**	–
Value Partners Fund Series – Value Partners China A-Share Select Fund [d]	**75**	100
Value Partners Global Contrarian Fund [e]	**–**	17,263
Value Partners Greater China High Yield Income Fund [f]	**1**	1
Value Partners Hedge Fund Limited [f]	**2**	2
Value Partners High-Dividend Stocks Fund [g]	**300**	365
Value Partners Intelligent Funds – China Convergence Fund [d]	**40,660**	46,850
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	**99,380**	138,636
Value Partners Ireland Fund Plc		
– Value Partners Global Emerging Market Bond Fund [h] (Note 20)	**79,198**	82,726
Value Partners Ireland Fund Plc – Value Partners Health Care Fund (Note 20)	**43,831**	46,334
Value Partners Multi-Asset Fund [d]	**39,565**	44,300
Value Partners Venture Capital Investment (Shen Zhen) Limited Partnership	**2,874**	–
金海九號證券投資集合資金信託計劃	**51,963**	50,327
興業信託·興易惠理1號	**1,146**	1,223
惠理中國新時代優選1號私募投資基金	**28,507**	–
惠理中國中璧1號私募投資基金	**1,098**	–
Total investments in investment funds which are managed/advised by the Group	**1,670,948**	1,641,614

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

(b) The units held were Class A Acc units (2017: Class A Acc, Class V Acc and Class Z Acc units).

(c) The units held was Class A and Class X units.

(d) The units held were Class A units.

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

(f) The shares held were management shares.

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

(h) The units held were Class A Acc and Class X Acc units.

36 Related-party transactions (continued)

36.4 Investments in an investment fund managed by a related company

As at 31 December 2018, the Group had investments in Malabar India Fund, LP amounted to HK$37,416,000 (2017: HK$41,207,000) which is managed by Malabar Investment LLC in which the Group had an interest of 6.6% (2017: 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 2018 and 2017 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	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Investment in subsidiaries		**1,455,056**	1,419,820
Amounts due from subsidiaries		**846,851**	612,321
Other assets		**31,686**	31,682
		2,333,593	2,063,823
Current assets			
Dividends receivable	36.6	**100,000**	2,230,000
Prepayments and other receivables		**16,315**	15,594
Cash and cash equivalents		**473,870**	500,608
		590,185	2,746,202
Current liabilities			
Other payables and accrued expenses		**8,947**	11,906
Net current assets		**581,238**	2,734,296
Non-current liabilities			
Amounts due to subsidiaries		**66,190**	156,372
Net assets		**2,848,641**	4,641,747
Equity			
Issued equity		**2,276,920**	2,258,286
Other reserves	(a)	**247,985**	230,466
Retained earnings	(a)	**323,736**	2,152,995
Total equity		**2,848,641**	4,641,747

On behalf of the Board

SO Chun Ki Louis
Director

AU King Lun
Director

37 Balance sheet and reserve movement of the Company (continued)

(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 2017	192,942	240	158,820
Share-based compensation	48,773	–	–
Transfer of share-based compensation reserve upon exercise, forfeiture or expiring of share options (Note 26)	(11,489)	–	11,489
Profit for the year	–	–	2,204,892
Dividends	–	–	(222,206)
As at 31 December 2017	230,226	240	2,152,995
As at 1 January 2018	**230,226**	**240**	**2,152,995**
Share-based compensation	**26,668**	**–**	**–**
Transfer of share-based compensation reserve upon exercise, forfeiture or expiring of share options (Note 26)	**(9,149)**	**–**	**9,149**
Profit for the year	**–**	**–**	**91,553**
Dividends	**–**	**–**	**(1,929,961)**
As at 31 December 2018	**247,745**	**240**	**323,736**

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 2018						
Executive directors						
Dato' Seri Cheah, Cheng Hye	–	6,552	16,144	2,727	18	25,441
Mr. So, Chun Ki Louis	–	4,347	9,416	9,033	18	22,814
Ms. Hung, Yeuk Yan Renee	–	2,819	7,940	2,502	18	13,279
Dr. Au, King Lun [b]	–	3,580	2,589	492	18	6,679
Independent non-executive directors						
Dr. Chen, Shih Ta Michael	360	–	–	–	–	360
Mr. Lee, Siang Chin [c]	223	–	–	76	–	299
Mr. Oyama, Nobuo	360	–	–	–	–	360
Mr. Wong Poh Weng [d]	138	–	–	–	–	138
	1,081	17,298	36,089	14,830	72	69,370
Year ended 31 December 2017						
Executive directors						
Dato' Seri Cheah, Cheng Hye	–	6,726	126,013	10,310	18	143,067
Mr. So, Chun Ki Louis	–	3,873	98,153	11,282	18	113,326
Ms. Hung, Yeuk Yan Renee	–	2,610	60,528	8,042	18	71,198
Dr. Au, King Lun [b]	–	3,510	27,500	66	18	31,094
Independent non-executive directors						
Dr. Chen, Shih Ta Michael	306	–	300	206	–	812
Mr. Lee, Siang Chin	306	–	300	435	–	1,041
Mr. Oyama, Nobuo	306	–	300	206	–	812
	918	16,719	313,094	30,547	72	361,350

(a) Other benefits mainly 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) Appointed as chief executive officer on 12 December 2016, and as executive director on 7 March 2017.

(c) Resigned on 14 August 2018.

(d) Appointed on 14 August 2018.

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 2018 (2017: Nil). No directors waived or agreed to waive any emoluments for the year ended 31 December 2018 (2017: 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 2018, 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
Chief Union Investments Limited	Hong Kong	Money lending in Hong Kong	HK$1
First Bravo Management Limited	British Virgin Islands	Investment holding	US$1
Fortune Access Industries Limited	British Virgin Islands	Investment holding	US$1
Gold One Industries Limited	British Virgin Islands	Investment holding	US$1
Hong Kong Asset Management Group Limited	Hong Kong	Investment holding	HK$1
Hong Kong Fund Management Group Limited	Hong Kong	Dormant	HK$1
Rough Seas Capital Holdings Limited	Hong Kong	Investment holding	HK$1,000,000
Sensible Asset Management Hong Kong Limited	Hong Kong	Investment management in Hong Kong	HK$108,314,734
Sensible Asset Management Limited	British Virgin Islands	Investment management in Hong Kong	US$200,000
Value Executive Solutions Co. Limited	Hong Kong	Investment holding	HK$1
Value Funds Limited	Hong Kong	Investment holding	HK$1
Value Partners (Cayman GP) II Ltd	Cayman Islands	Managing member of two investment funds managed by Value Partners Limited	US$1
Value Partners (UK) Limited	United Kingdom	Investment management in United Kingdom	GBP1,050,000
Value Partners Asset Management Singapore Pte. Ltd.	Singapore	Investment management in Singapore	S$1,000,000
Value Partners Corporate Consulting Limited	Hong Kong	Investment holding	HK$5,000,000

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 Asset Management Malaysia Sdn. Bhd.	Malaysia	Investment management in Malaysia	RM4,000,000
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	Dormant	HK$1
Value Partners Technology Systems Limited	Hong Kong	Dormant	HK$20,000,000
Value Partners (USA) LLC	United States	Sales office in United States	US$1,000
Valuegate Holdings Limited	British Virgin Islands	Trademark holding in Hong Kong	US$2
Wisdom Resources Development Corporation	British Virgin Islands	Investment holding	US$1
惠理海外投資基金管理(上海)有限公司	PRC	Investment advisory in PRC	Registered capital of RMB20,000,000 有限責任公司(獨資)
惠理投資管理(上海)有限公司	PRC	Investment management and advisory in PRC	Registered capital of RMB50,000,000 有限責任公司(台港澳法人獨資)
惠理企業管理咨詢(上海)有限公司	PRC	Investment holding	Registered capital of RMB200,000,000 有限責任公司(獨資)
惠理股權投資管理(深圳)有限公司	PRC	Equity investment in PRC	Registered capital of RMB13,000,000 有限責任公司(獨資)
惠理企業管理(深圳)有限公司	PRC	Investment holding	Registered capital of RMB200,000,000 有限責任公司(獨資)