惠理集團
Value Partners Group

Pioneer in value investing since 1993

An award-winning asset manager,
with **220 performance awards** won since inception.
This testifies to what we do best – *investing through discipline*.

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

2019 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 operates in Shanghai, Shenzhen, Kuala Lumpur, Singapore and London, and maintains representative offices in Beijing 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 billion of assets under management as of 31 December 2019.

Contents

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

Key facts **about Value Partners**

One of Asia's most established asset managers with **assets under management of US$15 billion**[1] across equities, fixed income, alternatives, multi-asset portfolios and quantitative investment solutions

Temple of Value Investing, where the "ideals of value investing are implemented and transmitted to future generations"

We provide an award-winning menu of funds. For example, our flagship **Value Partners Classic Fund** offers about 27 years of outstanding returns

Fundamental investment approach with about 70 investment professionals focusing on Greater China and Asia ex-Japan investments **conducting over 6,500 due diligence meetings every year**

220 coveted performance awards and prizes won since 1993

Headquartered in Hong Kong, with offices in Shanghai, Shenzhen, Kuala Lumpur, Singapore and London providing localized research and client servicing

Dedicated client services and commits to resolving clients' queries in an effective and timely manner

Footnote:
1. As of 31 December 2019 (unaudited).

Corporate information

Board of Directors

Co-Chairmen and Co-Chief Investment Officers

Dato' Seri CHEAH Cheng Hye
Mr. SO Chun Ki Louis

Executive Directors

Ms. HUNG Yeuk Yan Renee
(Deputy Chief Investment Officer)
Mr. HO Man Kei, Norman
(Senior Investment Director)

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

Mr. CHEUNG Kwong Chi, Aaron
Mr. HO Man Kei, Norman

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. CHEN Shih-Ta Michael
Mr. HO Man Kei, Norman
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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

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

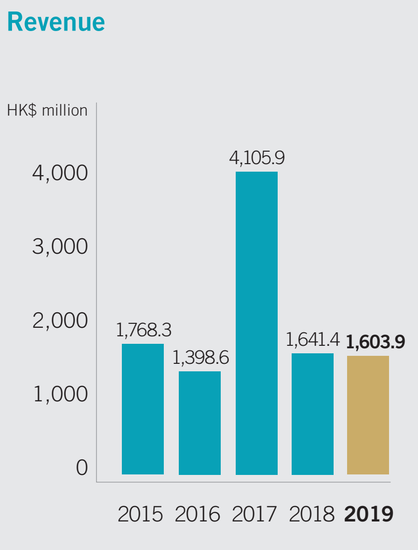
Website

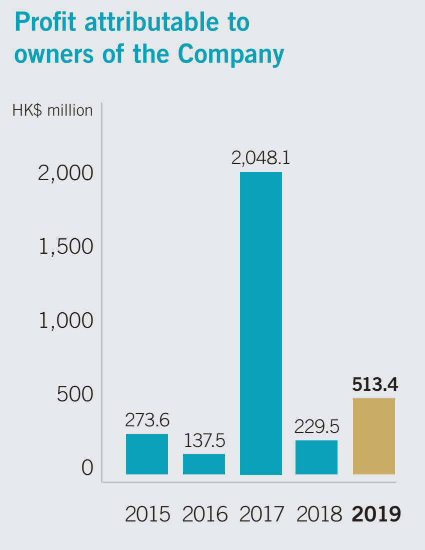
www.valuepartners-group.com

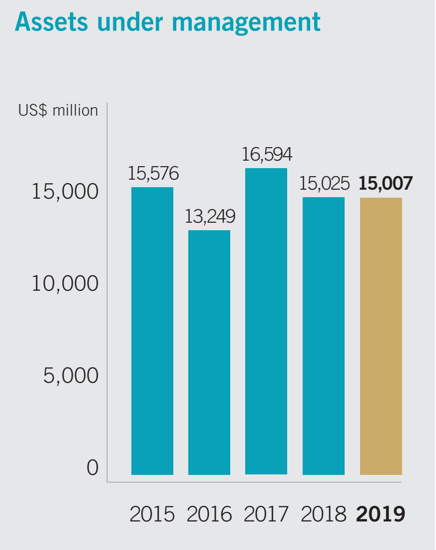
Stock Code

Stock Exchange of Hong Kong: 806

Financial highlights







			Results for the year ended 31 December			
(In HK$ million)	**2019**	**2018**	**% Change**	**2017**	**2016**	**2015**
Revenue	**1,603.9**	1,641.4	-2.3%	4,105.9	1,398.6	1,768.3
Operating profit (before other gains/losses)	**343.7**	399.9	-14.1%	2,207.3	197.8	514.0
Profit attributable to owners of the Company	**513.4**	229.5	+123.7%	2,048.1	137.5	273.6
Earnings per share (HK cents)						
– Basic	**27.7**	12.4	+123.4%	110.6	7.4	14.8
– Diluted	**27.7**	12.4	+123.4%	110.5	7.4	14.8

			Assets and liabilities as at 31 December			
(In HK$ million)	**2019**	**2018**	**% Change**	**2017**	**2016**	**2015**
Total assets	**4,912.7**	4,395.9	+11.8%	6,878.0	3,957.0	4,265.8
Less: Total liabilities	**523.3**	417.4	+25.4%	1,238.0	196.4	405.3
Total net assets	**4,389.4**	3,978.5	+10.3%	5,640.0	3,760.6	3,860.5

			Assets under management ("AUM") as at 31 December			
(In US$ million)	**2019**	**2018**	**% Change**	**2017**	**2016**	**2015**
AUM	**15,007**	15,025	-0.1%	16,594	13,249	15,576

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

經濟日報

謝清海估美股再跌1成 中港股跑贏

內地疫情最嚴峻時刻已過 經濟望V彈

新冠肺炎 內地新確診首跌破50 遏受控期新階段

5因素極看好金價 有望挑戰新高

港冰火兩重天 經濟黯淡金融蕭條

惠理謝清海：熊市已臨 油價非禍源

各國財策須合作 避免金融危機

A股近期跑贏歐美「估值致勝」

港須推社會經濟政治改革

習近平現身武漢打氣 恒指反彈352點

折息續跌 大行存息跌穿2厘

Hong Kong Economic Times devoted its front page (9 March, 2020) and *Ming Pao* devoted the front of its Business Section (11 March, 2020) to interviews with Dato' Seri CHEAH Cheng Hye to discuss the investment outlook in view of the coronavirus outbreak. Both are leading newspapers in Hong Kong.

Highlights of the year

Mr. YU Xiaobo, Investment Director and Head of China Business (1st image; 2nd image – 2nd from the right)

Dr. King AU, President (left)

Value Partners' success has been driven primarily by its investment excellence. Over the last 27 years, the Value Partners team and products have consistently been recognized by the industry for their investment performance and approach to investing. Here are the performance and capabilities awards we won in 2019:

We were among the first foreign fund managers to enter the mainland China market. Our Shanghai operation became a wholly foreign-owned enterprise ("WFOE") since 2011, and registered as a private fund management firm in 2017. We are committed to offer Chinese investors a vast pool of onshore and overseas investment opportunities. **Value Partners Shanghai received 5 major awards from government-backed media and leading publications.** These are votes of confidence from our clients, business partners and the peers.

Most Attractive Foreign Private Fund Award
By Securities Times & Changjiang Securities – 2019 Golden Changjiang Private Fund Award

Ying Hua's New-sharp Foreign Private Fund Company Award 2019
By China Fund

Most Promising WFOE Private Fund House
By Shanghai Securities News - 10th Golden Sunshine Award & 2019 China Private Equity Fund Summit

Top 10 WFOE Houses
By Howbuy Wealth - Best Private Funds Firm in China

China: Best WFOE House
By Asia Asset Management's 2019 Best of the Best Awards

In addition, **our Group**, the newly established **China Education Fund** as well as the **Value Gold ETF** also received highest honors under their respective categories.

Value Partners Group
Outstanding Listed Company (Main Board category)
By Hong Kong Economic Journal – Listed Company Awards of Excellence 2019

Best Financial Stock
By Zhitong Caijing – The 4th Golden Hong Kong Stocks Award

Value Partners China Education Fund
China: Most Innovative Product
By Asia Asset Management's 2019 Best of the Best Awards

Value Gold ETF
Quantitative Top Fund – Precious Metals Commodity Category (Best-in-Class)
By Benchmark's Fund of the Year Awards 2019, Hong Kong

Ms. Lili HAO (right),
Senior Analyst for Fixed Income

Mr. Gordon IP, Chief Investment Officer
for Fixed Income

Major recognitions for the year

Our fixed income investment professionals are dedicated on producing consistent yield income and creating long-term value for our investors. In light of the success of our flagship Greater China High Yield Income Fund, now amongst the largest funds of its category in the region, the Group has ramped up a range of fixed income products to help investors generate a steady source of income. **We are heartened to have won awards under the fund manager and at the fund category.**

Fund Manager of the Year
– Fixed Income High Yield (Greater China)
Winner:
Mr. Gordon IP *(Chief Investment Officer for Fixed Income)*
By The Asset Triple A Asset Servicing, Institutional Investor and Insurance Awards 2019

The Most Astute Investors in Asian G3 Bonds for Hong Kong
Ranked the 5th:
Mr. Jason YAN *(our Senior Fund Manager)*

Highly Commended titles:
Mr. Gordon IP, Ms. Elaine HU and
Mr. Edwin KAM *(our Senior Fund Managers)*
By The Asset Benchmark Research Awards 2019

Top Investment House in Asian G3 Bonds (Hedge Fund category)

Top Investment House in Asian Local Currency Bond (Hedge Fund category)
By The Asset Benchmark Research Awards 2019

Best US Dollar Bond Fund: High Yield
– for both 3 Years and 5 Years periods
By Refinitiv, Lipper Fund Awards 2019 - Hong Kong

High Yield Fund – Platinum Winner
By Fund Selector Asia Awards Hong Kong 2019

Best Total Return – Greater China Fixed Income
– for both 3-Year and 5-Year periods
By 2019 HKCAMA-Bloomberg Offshore China Fund Awards

Public speeches and industry contributions

Our Co-Chairman and Co-Chief Investment Officer Dato' Seri CHEAH Cheng Hye, together with other panelists from mainland China and ASEAN countries, participated in a main session of The 4th Belt and Road Summit, jointly organized by the Government of the Hong Kong Special Administrative Region (HKSAR) and the Hong Kong Trade Development Council ("HKTDC"). The panelists shared their experience in successfully exploring Belt and Road investment projects using Hong Kong as a financing and business platform.

In October 2019, **Dato' Seri CHEAH** was appointed the committee member of HKTDC's Belt and Road & Greater Bay Area Committee.

Speaking at the Malaysia-China Outlook Forum 2019, organized by *The Star* Media Group in Kuala Lumpur, **Dato' Seri CHEAH Cheng Hye** said the level of foreign ownership of China A-shares is expected to rise rapidly to between 15% and 20% in the next 10 to 15 years.

Mr. Michael W. GREENALL, the Group's Managing Director, South East Asia Business (*pictured first from the right*), spoke in a panel in the Value Investing Summit in Kuala Lumpur. He shared ideals and aspirations on Chinese A-shares. The Summit is one of Asia's largest summit with over 1,500 delegates attended.

Dato' Seri CHEAH Cheng Hye is the 2019 special honoree of the HKUST Business School's Beta Gamma Sigma (BGS) Chapter. He shared his success story with the members at the ceremony. The BGS HKUST Chapter looks to recognize individuals who have not only made a significant contribution to the world of business but who also stand out for their services to the broader community.

Dr. King AU, the Group's President, was invited by Treasury Markets Association to discuss his experience and thoughts on possible challenges and opportunities for the Hong Kong asset management industry.

At the 5th China Golden Changjiang Private Fund Development Summit, **our Deputy Head of Sales (China Business) Mr. ZHAI Ning** *(right)* together with senior representatives from other foreign private fund managers spoke at a panel.

Institutional Investor Institute's Nordic Summit brings together Asset Owners such as pension funds, insurance companies and foundations from the Nordic region to examine investment issues of common concern. **Our Investment Director Mr. CHUNG Man Wing** *(right)* took part in a panel discussion about the risks and opportunities of investing in China.

The publication of **Value Partners' whitepaper entitled 'Investing in China: Dancing with the Dragon, 2019'**, produced alongside Oxford Metrica, was published in May 2019. It argued that the economic impact of the continued stalemate was unlikely to be significant for the Chinese economy.

Meanwhile, **Dato' Seri CHEAH Cheng Hye**'s keynote speech at the Foundation Financial Officers Group conference in Philadelphia was attended by over 100+ CIOs/key decision makers of large US endowment funds.

Speaking with McKinsey Greater China managing partners, **Dato' Seri CHEAH Cheng Hye** assesses the depth of opportunity in China, explains why active investing will pay a leading role as the market matures.

At the Asian Private Banker's Summit 2019, **our Senior Fund Manager Ms. Glenda HSIA** discussed opportunities related to innovation themes in China. This annual summit attracted over 1,000 senior leaders from the Asian wealth management industry.

At the Bank of America Merill Lynch's 2019 APAC Financial Conference, **Dr. King AU** *(middle)* together with other market leaders, discussed trends for the asset management industry in Hong Kong/China.

Major marketing campaigns and client events

Our organised Value Partners Investment Forum series connected our investors and distribution partners from Hong Kong, Shanghai, Taiwan, United Kingdom and other cities. Our Co-Chief Investment Officers and senior investment members discussed the markets outlook, asset allocation, opportunities and challenges surrounding the macro environment, equities and the bond markets in Asia and Greater China markets.

Hong Kong

Shanghai

Taiwan

We also rolled out a series of digital marketing campaigns promoting existing funds as well as newly launched products.

Value Partners Classic Fund

Value Partners Asian Total Return Bond Fund

Our multi-asset strategy and insights

Value Partners Asian Fixed Maturity Bond Fund 2022

Value investing approach

Highlights of the Group's key community involvements and employee 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 youth, 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

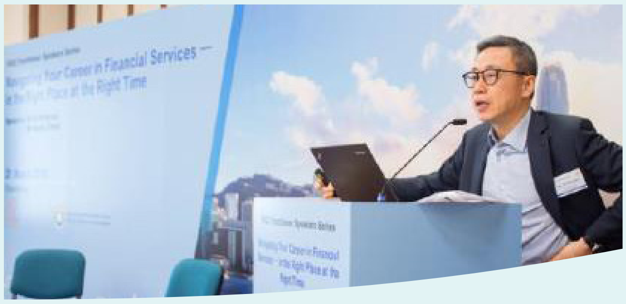
Launched in September 2017, **Value Partners Young Fellowship Program** is a "scholarship bundled with an internship" program that is exclusively offered by Value Partners for penultimate or final-year undergraduate students and dual-degree program students from The Hong Kong University of Science and Technology. Upon completion of the six-month full-time internship with remuneration, the students will be awarded the scholarship and the opportunity to become full-time employees at Value Partners.

Mr. Gordon IP, our Chief Investment Officer for Fixed Income, *shared investment knowledge and career tips at an information session for the HKUST university students.*

The **2019 Value Partners China campus recruitment campaign** was launched in October. We invited 3 universities, including Fudan University, Shanghai University of Finance and Economics, and Shanghai Jiaotong University, to roll out the campaign. Students who are interested in joining the asset management industry are welcome to apply!

Value Partners' Campus Recruitment Seminar – Shanghai

The Financial Services Development Council ("FSDC") and the Faculty of Business and Economic of the University of Hong Kong jointly hosted a forum in March 2019 to offer university students the opportunity to learn more about the current landscape and future trends of the financial services sector. **Dr. King AU, our President**, who is also a board member of FSDC, was invited as one of keynote speakers, explained how financial technology and innovation have dramatically transformed the financial services landscape.



商界展關懷 caringcompany® 2016-19
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Value Partners has been named a "Caring Company" in Hong Kong the 4th consecutive year since 2016, recognizing the firm's commitment to the community, our employees and the environment.

Heep Hong Society

Value Partners is a proud supporter of Heep Hong Society, which helps children and youths from underprivileged backgrounds. During the year, we organized outdoor activities and invited kids and family members from the Society.

Barbeque at Sai Kung

Bus tour – discover our incredible of Hong Kong city together

Work-life balance

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

Learn to cook – we are already on our way to becoming a better cook

Essential oil DIY workshop – learn about using essential oils and smell

Annual dinner – gatherings in Hong Kong and Shanghai

Chairman's Statement

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

Value Partners advanced strongly in 2019, achieving HK$513.4 million (per share earnings of 27.7 HK cents) in net profit, 123.7% higher than the previous year. As foreseen (see our previous-year Chairman's Statement), a recovery occurred in regional markets in 2019, while our funds performed well, and so we benefitted.

We're also encouraged by long-term trends that are proving very helpful, particularly the golden opportunities arising from the rapid development of financial services in China.

But huge challenges remain. Most immediately, the world faces a spread of coronavirus, which has triggered a panic reaction that in some ways is worse than the disease itself. Because the U.S. stockmarket, the world's largest, had reached an extreme valuation, it was particularly vulnerable to bad news, and it plunged, adding a financial shock to the supply and the demand shock that had emerged already.

For Value Partners as a business, there are other, longer term challenges as well. In the fund management industry today, size matters. So Value Partners needs size to stay competitive, in an environment characterized by high costs, declining margins and a corresponding need for economies of scale. While giving priority to our fund performance, we cannot neglect the need to raise more funds for management.

Overall, however, we are optimistic.

Like all such shocks, the impact of coronavirus will subside, and governments and central banks are committed to using powerful monetary and fiscal tools to fight back. Indeed China, currently a core focus for us, may come out of this crisis looking better than was expected. Although the damage inflicted on the economy is painful, with 2020 growth projected to drop to 5% or less after last year's 6.1%, the country remains among the world's fastest developing, with a massive domestic-consumer market of its own providing a solid foundation. Robust measures taken by Chinese authorities in early 2020 to contain coronavirus tells the story of a China that can stay on top of crises, while avoiding the breakdown in social stability that troubles so many parts of the world today.

Currently China's domestic "A" share market, with more than 3,800 companies listed in Shanghai and Shenzhen, is the world's second largest stockmarket after the U.S. Foreign ownership of "A" shares, at less than 4%, remains low but as entry barriers ease, we anticipate major foreign inflows. China-related stocks, currently trading at around 10 to 12 times earnings, are cheap compared to the U.S. multiple of 17 and the global average of 15[1].

For Value Partners, China is a core focus not only because it is a source of attractive investments but also because it is the area where our business is expanding fastest. As can be seen in the accompanying "Management Discussion and Analysis" report, Value Partners, as a Hong Kong company, just celebrated 10 years on the Chinese mainland, and it is considered a pioneer and market leader in its sector. Funds raised directly from mainland clients account for 11% of the Group's funds under management, and are rising quickly.

We are well-recognized in mainland China, having received a steady stream of business licences, awards and citations. We are aware that the Beijing government likes the kind of investing that we do, as it seeks to encourage an institutional culture and a value-investing style to remake its capital market into a more efficient and rational capital allocation mechanism.

Potential to expand

Currently, despite the strains imposed by the coronavirus outbreak, Value Partners is profitable. Funds under management remained stable at US$15.0 billion at the end of 2019, the same level as 2018. The total number of staff was 238. Worth noting is that with our well-developed infrastructure, including full-sized front, middle and back office teams, our platform can accommodate a much larger fund size than what we have today, giving us the potential to expand without undue stress.

Performance remains excellent. Taking our flagship Value Partners Classic Fund as an example (fund size: US$1.2 billion), the fund climbed by 32.4%[2] net in 2019 compared to the Hang Seng Index's 13.6% increase. Since launch in 1993, this fund has recorded a profit in 19 and a loss in eight of its 27 years in existence.

For 2019, we are proposing a final dividend of 9.0 HK cents per share and a special dividend of 13.0 HK cents per share. Total dividends per share are significantly higher than the 6.0 HK cents paid out in 2018.

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.

Hong Kong currently faces the stress of social unrest and disruptions caused by the coronavirus outbreak, but all throughout, our head office in Hong Kong remained calm and professional. The same is true of all other offices in the group, including those on the mainland and in Southeast Asia. With integrity and pride, our staff remain dedicated to looking after our clients, who have entrusted their savings to us.

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

1. *Sources: Shanghai and Shenzhen Stock exchanges, Bloomberg, Wind, as at end of February 2020.*

2. *Annual calendar returns of Value Partners Classic Fund (A Units) over the past five years: 2015: -1.5%; 2016: -3.2%; 2017: +44.9%; 2018: -23.1%; 2019: +32.4%; 2020 (Year to date as at 29 February): -8.5%. Source for performance figures: HSBC Institutional Trust Services (Asia) Limited and Bloomberg. Past performance is not indicative of future performance. Performance in USD, NAV to NAV, with dividend reinvested and net of fees.*

Management discussion and analysis

2019 saw challenging market headwinds abating toward the end of the year as geopolitical risks receded, lifting overall investor sentiment. In spite of the external environment, we drove the business forward with new products and initiatives across channels. Noteworthy are developments in mainland China where we procured more business licenses to provide a broader range of investment services to Chinese investors. We obtained four more China onshore funds under the private fund management ("PFM") scheme, bringing our total PFM funds to eight. Our business in mainland China continues to grow as our assets under management ("AUM") raised from the mainland rose significantly in 2019. On the alternative space, we successfully closed our first private debt fund.

Though the new year entered into a cautionary mode, we are positioned and prepared. This is likely to be an uncertain time at least in the first half of 2020 and for stabilization or recovery thereafter. So while it is understandable to experience anxiety as a result of the coronavirus outbreak, it is more important for us as investors to keep calm and stay objective. We will optimize this period to husband our resources, that is, to invest prudently and adhere to cost targets with discipline. This will also enable us to better plan for future growth and deliver performance for investors.

Staying ahead of the competition

The Group continued to record steady inflows into our funds through intermediary channels. We successfully further penetrated different channels with new products across a wider risk spectrum to cater to varying investor appetite. This included the Value Partners Multi-Asset Fund for investors seeking diversification in climates of uncertainty, and the Value Partners Asian Total Return Bond Fund to capture the investment grade segment, which comprises a chunk of the market where we have yet to gain a foothold. We anticipate further AUM growth for the Value Partners Asian Total Return Bond Fund as it approaches a 2-year track record.

While we had earlier laid the groundwork for equities and fixed income offerings, our efforts have been extended to alternatives, a new frontier of expansion in the asset management industry as demand grows. Investors often look to alternatives as an asset class for absolute return and potentially could have a big role to play in any event of a downturn.

Even as the competition among peers intensified, our sustainable track record and solid relationship with different major distributors continued to propel our business growth.

Financial highlights

As we witnessed challenging and surprising market conditions in 2019, net profit came in at HK$513.4 million. The ending AUM remained stable at US$15.0 billion. Much redemption outflows were offset by AUM raised from strong net flows into the Value Partners Greater China High Yield Income Fund and our China business segment – this rose 60% year-on-year from US$1.1 billion to US$1.7 billion.

The net management fees dropped by 4% mainly driven by the decrease in the Group's average AUM and increase in funds distributed through channels. Gross performance fees remained stable at HK$55.3 million as multiple funds surpassed their high-water mark levels.

The Group continued to scale down costs, with fixed cost coverage ratio at 2.1 times for 2019. This ratio measures the number of times that fixed operating expenses (excluding discretionary and non-recurring expenses) are covered by net management fee income. We continue to maintain a strong cash position. Overall, earnings per share increased to 27.7 HK cents, a 123.4% jump from the year earlier.

Mainland business – Our 10th anniversary in China

2019 ushered a new chapter for China's capital markets as policymakers announced further measures to broaden the financial sector. Incidentally, it also marked the 10th anniversary of the establishment of our Shanghai office. During the past decade, we made significant inroads of opportunity in China, making them a crucial part of our success story. We are also heartened to be ranked by Z-Ben Advisors as one of the top 10 (Value Partners is at number eight) wholly foreign-owned enterprises ("WFOE") operating in mainland China for 2019, rising from number 14 in 2018. It gives us tremendous honor to be the only Asia-based asset manager on the list serving the Chinese market amidst a landscape which is increasingly competitive.

Value Partners was also named by *Shanghai Securities News* as one of the "Most Promising WFOE Private Fund House" at the 10th Golden Sunshine Award and "2019 Ying Hua New-Sharp Foreign Private Fund Company Award" by *China Fund*. Value Partners was also conferred the "China – 2019 Best WFOE House" by *Asia Asset Management*.

Taking our role as a pioneer foreign investor in stride, we further consolidated our leading position – expanding our footprint and building up a seasoned and localized team of investment and business professionals. We increased four more China onshore funds under the private fund management ("PFM") scheme, bringing our total PFM funds to eight. Our flagship Value Partners Classic Fund and Value Partners High-Dividend Stocks Fund were approved by the China Securities Regulatory Commission under the Mainland-Hong Kong Mutual Recognition of Fund ("MRF") program with Tianhong Asset Management as the master agent of the funds on the mainland.

Our business in China continues to grow significantly – assets under management raised from China and related business rose 60% in 2019. With mainland clients growing to comprise 11% of our client base, up from 7% a year ago, we decided to curate our expertise and investment strategy outlook with our first Value Partners China Investment Forum in October 2019, held in Shanghai.

China's asset management industry holds enormous potential and we believe we will benefit from the continuous reform and opening up of China's financial industry. This has been evidenced by continued rapid accumulation of mainland household assets and the increasing proportion of foreign investors' investment in the Chinese market. We take a long term perspective on China's long term prospects, and continue to remain invested across market cycles.

Extending our footprint

In Europe, we have made significant progress in restructuring our UCITS fund platform and continuing to roll out our schedule for country registration. As such, our UCITS range is set to become available for cross-border distribution to a broad investor audience.

In addition, our accelerated marketing activities on the ground have greatly enhanced local recognition of Value Partners as a leading regional Asia and China specialist.

In Taiwan, we have further broadened our intermediary channels and received inflows from institutional investors.

As Southeast Asia is an important component of China's Belt and Road initiative, we have been proactively preparing for business expansion in Malaysia, where we will be launching new innovative products, including Shariah-compliant funds and Southeast Asia-focused smart ETFs.

In Singapore, the business has experienced significant inflows via private banking and intermediary channels throughout 2019. We increased client engagement efforts and further on-boarded funds through various client platform.

Achievement and growth

For 2019, multiple funds including our flagship Value Partners Classic Fund, achieved their high-water mark, or a historical peak net asset value above which we charge performance fees. The Value Partners Classic Fund rose 32.4%[1] during the year, while another fund that also hit its high-water mark, the Value Partners High-Dividend Stocks Fund, gained 14.9%[2] during the year.

Over in fixed income, Value Partners Greater China High Yield Income Fund won “Best Total Return – Greater China Fixed Income (for both 3 years and 5 years)” from the Fifth Annual Offshore China Fund Awards organized by the Chinese Asset Management Association of Hong Kong and *Bloomberg*. In addition, the Fund also received the coveted “High Yield Fund – Platinum Winner” award from the Fund Selector Asia Awards Hong Kong 2019. For 2019, the Fund, which is now the largest fund in the China high yield segment in terms of AUM, generated a solid return of 9.4%[3].

Fixed income has grown significantly as an asset class for Value Partners, accounting for 44% of the Group’s total assets under management, which has leapfrogged from 5% since 2012 when the first fixed income fund was launched.

2019 was also a good year for real estate private equity. Our existing core real estate private equity fund posted positive returns as at the end of 2019, achieving an internal rate of return above both the initial target and the hurdle rate. Driving investor interest in real estate were low global bond yields underpinned by low interest rates as a result of accommodative monetary policy.

As an asset class, core real estate remains one of the few investment opportunities currently offering solid income returns with low volatility. In view of the favourable backdrop, we plan to launch another new core fund within this year. Separately, the team will launch a Malaysia Shariah Fund in the second half of 2020. The fund had already been registered under Malaysia’s Securities Commission in February 2020 and was met by robust investor interest when the team began marketing efforts in 2019.

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 and alternatives. Over the period, we made great inroads with our alternative investment capabilities, which cover private equity and private debt.

We launched a total of six products in 2019 including an Asian innovation fund in February and a China equity fund for European investors in October. We also initiated a credit fund that covers the Asia market under our alternative investment capabilities. We rolled out three new fixed income products, including a fixed maturity bond fund in July, Value Partners Asian Fixed Maturity Bond Fund 2022 in November, and a Greater China high yield bond fund under the UCITS scheme in December.

2020 outlook

Financial markets are set to weather risks for 2020, which could stem from geopolitical tussles, trade or diseases. The efforts made by central banks around the world to continue injecting liquidity into the system will reduce the likelihood of a global recession in 2020. For Asia, indicators suggest that the regional economies are about to, if not already, hit a trough and rebound. Forecasters are more widely anticipating economic and corporate earnings recovery. Alongside concerns of a virus outbreak, we believe a distressed scenario has been priced into several countries, including China, which lays the ground for recovery and a buying opportunity.

Appreciation

Last but not least, we would like to thank all our stakeholders – colleagues, shareholders, clients and business partners for their support. We believe that regardless of the external market environment, we can steward our capabilities and navigate the opportunities and challenges that surface.

1. *Annual calendar returns of Value Partners Classic Fund (A Units) over the past five years: 2015: -1.5%; 2016: -3.2%; 2017: +44.9%; 2018: -23.1%; 2019: +32.4%; 2020 (Year to date as at 29 February): -8.5%.*

2. *Annual calendar returns of Value Partners High-Dividend Stocks Fund (Class A1) over the past five years: 2015: -3.7%; 2016: -0.2%; 2017: +32.9%; 2018: -14.2%; 2019: +14.9%; 2020 (Year to date as at 29 February): -8.9%.*

3. *Annual calendar returns of Value Partners Greater China High Yield Income Fund (Class P Acc USD) over the past five years: 2015: +6.1%; 2016: +15.9%; 2017: +10.1%; 2018: -4.9%; 2019: +9.4%; 2020 (Year to date as at 29 February): +1.0%.*

Source for performance figures: HSBC Institutional Trust Services (Asia) Limited and Bloomberg. Past performance is not indicative of future performance. Performance in USD, NAV to NAV, with dividend reinvested and net of fees.

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.

Financial review

Assets Under Management

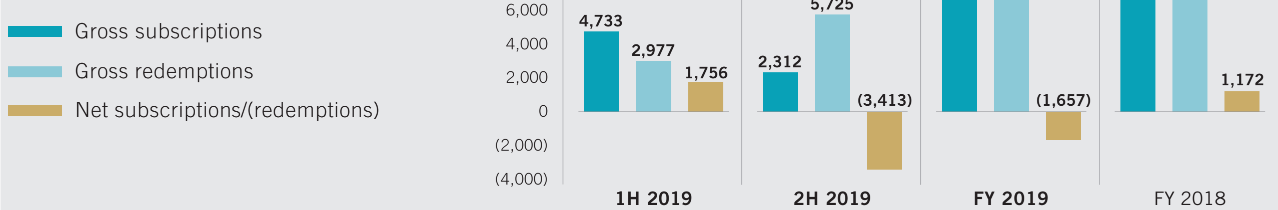
AUM and return

The Group's assets under management ("AUM") stood at US$15,007 million at the end of December 2019 (31 December 2018: US$15,025 million). The movement was mainly attributable to the positive fund returns of US$2,260 million offset by net redemptions of US$1,657 million in 2019.

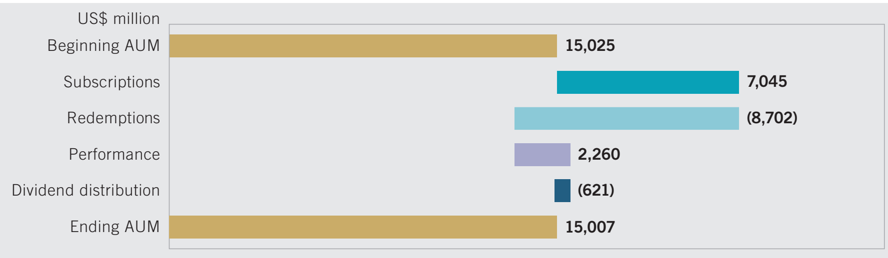
Overall fund performance[1], calculated as the asset-weighted average return of funds under management, rose 15.6% in 2019. Among our funds, the Value Partners Greater China High Yield Income Fund[2], the Group's largest public fund[3] in Hong Kong, generated a solid return of 9.4% during the year. The Value Partners Classic Fund[4], our flagship equity fund, jumped 32.4% during the year, while the Value Partners High-Dividend Stocks Fund[5] gained 14.9% during the year.

As a result of major redemptions amounting to approximately US$2 billion from a white label client during the second half of the year, we recorded a net outflow of US$1,657 million in 2019, reversing a net inflow of US$1,172 million in 2018. The net outflow in 2019 was accounted for by gross subscriptions of US$7,045 million (2018: US$8,108 million) and gross redemptions of US$8,702 million (2018: US$6,936 million).

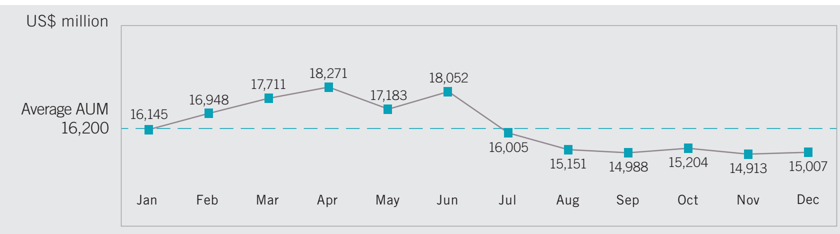
Subscriptions and Redemptions



AUM change in the year 2019



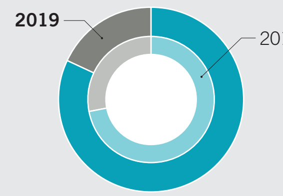
Monthly AUM in the past twelve months



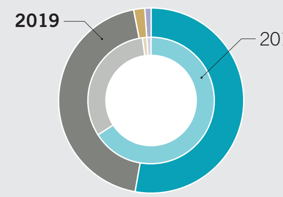
AUM by category

The charts below show the breakdown of the Group's AUM as at 31 December 2019 using two classifiers: brand and strategy. Own Branded Funds (82%) remained the biggest contributor to the Group's AUM. By strategy, Absolute Return Long-biased Funds (53%) continued to represent the largest share of the Group's AUM, followed by Fixed Income Funds (44%), where Value Partners Greater China High Yield Income Fund was the largest contributor. The share of Group's AUM accounted for by the Value Partners Greater China High Yield Income Fund increased steadily during the year.

Classification by brand	2019	2018
Own Branded Funds	**82%**	72%
White Label & Co-branded Funds	**18%**	28%



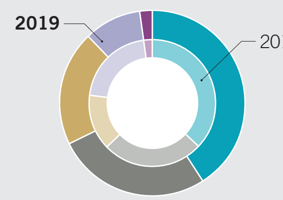
Classification by strategy	2019	2018
Absolute Return Long-biased Funds	**53%**	62%
Fixed Income Funds	**44%**	36%
Alternative Funds	**2%**	1%
Quantitative Funds & ETF	**1%**	1%



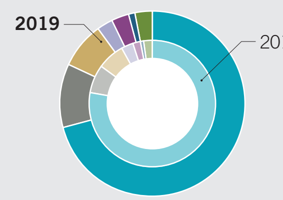
Client base

During the year, clients in the institutional segment – 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 59% of total AUM (31 December 2018: 63%). Meanwhile, retail clients contributed 41% of total AUM (31 December 2018: 37%). In terms of geography, Hong Kong clients continued as the largest segment, contributing 71% of the Group's AUM (31 December 2018: 78%). There was a notable rise in the share of AUM attributable to clients in Mainland China, which increased to 11% (31 December 2018: 7%) as the Group's China business witnessed solid growth in 2019. The share of AUM contributed by clients in Singapore remained stable at 8% (31 December 2018: 7%), while clients from the United States and Europe took up a combined 6% (31 December 2018: 5%).

Client analysis by type	2019	2018
Retail	**41%**	37%
High-net-worth individuals	**27%**	26%
Institutions	**20%**	14%
Pension funds	**10%**	21%
Others	**2%**	2%



Client analysis by geographical region	2019	2018
Hong Kong	**71%**	78%
China	**11%**	7%
Singapore	**8%**	7%
United States	**3%**	3%
Europe	**3%**	2%
Australia	**1%**	1%
Others	**3%**	2%



Summary of results

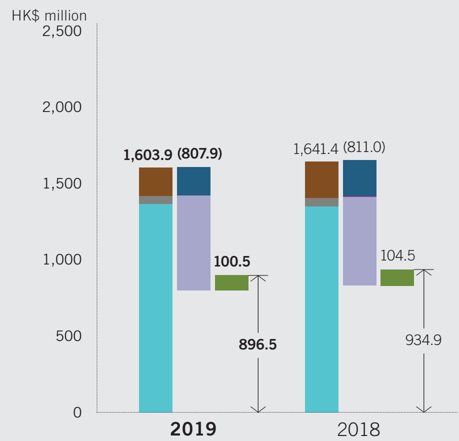
Key financial highlights for the reporting period are as follows:

(In HK$ million)	2019	2018	% Change
Total revenue	**1,603.9**	1,641.4	-2.3%
Gross management fees	**1,362.4**	1,347.5	+1.1%
Gross performance fees	**55.3**	56.2	-1.6%
Operating profit (before other gains/losses)	**343.7**	399.9	-14.1%
Profit attributable to owners of the Company	**513.4**	229.5	+123.7%
Basic earnings per share (HK cents)	**27.7**	12.4	+123.4%
Diluted earnings per share (HK cents)	**27.7**	12.4	+123.4%
Interim dividend per share	**Nil**	Nil	
Final dividend per share (HK cents)	**9.0**	6.0	+50.0%
Special dividend per share (HK cents)	**13.0**	Nil	
Total dividends per share (HK cents)	**22.0**	6.0	+266.7%

Revenue and fee margin

Breakdown of total net income

(In HK$ million)	2019	2018
Revenue		
Management fees	**1,362.4**	1,347.5
Performance fees	**55.3**	56.2
Front-end fees	**186.2**	237.7
Distribution fee expenses		
Management fee rebate	**(621.4)**	(578.8)
Performance fee rebate	**(0.4)**	5.0
Other revenue rebate	**(186.1)**	(237.2)
Other income		
Other income	**100.5**	104.5



The Group's profit attributable to owners of the Company increased to HK$513.4 million in 2019 (2018: HK$229.5 million). Gross management fees, the Group's largest revenue contributor, increased 1.1% to HK$1,362.4 million (2018: HK$1,347.5 million). This was a result of an increase in our annualized gross management fee margin to 108 basis points (2018: 103 basis points) on the back of strong net flows into the Value Partners Greater China High Yield Income Fund, which has relatively higher margins, which was offset by a 3.9% decrease in the Group's average AUM to US$16,200 million (2018: US$16,855 million).

With the increase in funds distributed through channels, the management fees rebates increased by 7.4% to HK$621.4 million (2018: HK$578.8 million). Meanwhile, our annualized net management fee margin remained stable at 60 basis points (2018: 59 basis points).

Gross performance fees, another source of revenue, remained stable at HK$55.3 million (2018: HK$56.2 million), as most of the Group's funds which netted performance fees finished the year below or slightly above their high-water marks. Performance fees are generated when eligible funds, at their performance fee crystallization dates, report returns exceeding their high-water marks for the respective period up to the crystallization date.

Other revenue mainly included a 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, dividend income and rental and other income from an investment property, totaled HK$100.5 million (2018: HK$104.5 million). The change was mainly due to a drop in dividend income to HK$15.0 million (2018: HK$30.3 million) and interest income to HK$65.8 million (2018: HK$67.4 million), net with a rise in the rental and other income to HK$12.7 million (2018: HK$2.5 million).

Other gains and losses

Breakdown of other gains/(losses) – net	(In HK$ million)	2019	2018
	Net gains/(losses) on investments		
	Net realized gains/(losses) on financial assets at fair value through profit or loss	**124.0**	(27.5)
	Net unrealized gains/(losses) on financial assets at fair value through profit or loss	**67.0**	(162.2)
	Unrealized gain on an investment held-for-sale	**5.8**	–
	Fair value gain of an investment property	**5.1**	17.1
	Gains on disposal of property, plant and equipment	**0.5**	–
	Net foreign (losses)/exchange gains	**(8.6)**	3.9
	Other gains/(losses) – net	**193.8**	(168.7)

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 gains on a net basis totaled HK$193.8 million in the period including the unrealized gain of HK$50.4 million on the loan note held by the Real Estate Partnership, swinging from losses of HK$168.7 million in 2018 as some of our seed capital investments booked mark-to-market gains as a result of an improved market sentiment.

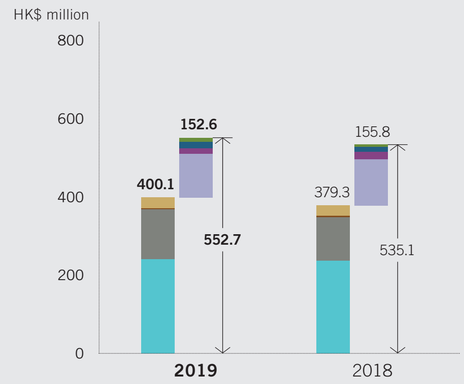
Investment in joint ventures

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 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$32.6 million (2018: HK$68.5 million), which consisted of revaluation gains on properties that totaled HK$14.7 million (2018: HK$46.5 million) and rental income of HK$17.9 million (2018: HK$22.0 million).

Cost management

Breakdown of total expenses

(In HK$ million)	2019	2018
Compensation and benefit expenses		
Fixed salaries and staff benefits	**241.5**	238.2
Management bonus	**127.1**	110.5
Staff rebates	**3.7**	3.9
Share-based compensation expenses	**27.8**	26.7
Other expenses		
Other fixed operating costs	**111.3**	118.7
Sales and marketing	**14.3**	19.2
Depreciation, excluding depreciation of right-of-use assets – properties	**17.5**	12.3
Non-recurring expenses	**9.5**	5.6



In terms of cost management, the Group continued to exercise stringent cost discipline and kept fixed operating expenses 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 2019, the Group reported a fixed cost coverage ratio of 2.1 times (2018: 2.2 times).

Compensation and benefit expenses

During the year, fixed salaries and staff benefits rose by HK$3.3 million to HK$241.5 million (2018: HK$238.2 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 2019 totaled HK$127.1 million (2018: HK$110.5 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$3.7 million (2018: HK$3.9 million).

During the year, the Group recorded expenses of HK$27.8 million (2018: HK$26.7 million), which were related to stock options granted to employees. This expense item had no impact on cash flow and was recognized in accordance with Hong Kong Financial Reporting Standards.

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$111.3 million for the period (2018: HK$118.7 million), while sales and marketing expenses decreased to HK$14.3 million (2018: HK$19.2 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 2019, the Board of Directors recommended a final dividend of HK9.0 cents per share and a special dividend of HK13.0 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 2019, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK$2,200.8 million. Net cash inflows from operating activities amounted to HK$351.5 million, while the Group had no corporate bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities. The Group's debt-to-equity ratio, measured by 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 6.8 times.

Capital structure

As at 31 December 2019, the Group's shareholders' equity and total number of shares issued were HK$4,389.4 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: 2015: +6.1%; 2016: +15.9%; 2017: +10.1%; 2018: -4.9%; 2019: +9.4%; 2020 (Year to date as at 29 February): +1.0%.*

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: 2015: -1.5%; 2016: -3.2%; 2017: +44.9%; 2018: -23.1%; 2019: +32.4%; 2020 (Year to date as at 29 February): -8.5%.*

5. *Annual calendar returns of Value Partners High-Dividend Stocks Fund (Class A1) over the past five years: 2015: -3.7%; 2016: -0.2%; 2017: +32.9%; 2018: -14.2%; 2019: +14.9%; 2020 (Year to date as at 29 February): -8.9%.*

Source for performance figures: HSBC Institutional Trust Services (Asia) Limited and Bloomberg. Past performance is not indicative of future performance. Performance in USD, NAV to NAV, with dividend reinvested and net of fees.

Biographies of directors and senior management

Chairman

CHEAH Cheng Hye

Co-Chairman and Co-Chief Investment Officer

Dato' Seri CHEAH Cheng Hye, aged 66, is Co-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 220 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, Convenor of Advisory Council for the Malaysian Chamber of Commerce (Hong Kong and Macau), a member of the Hong Kong Trade Development Council Belt and Road & Greater Bay Area Committee, as well as a Fellow of the Hong Kong Management Association. 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).

SO Chun Ki Louis

Co-Chairman and Co-Chief Investment Officer

Mr. Louis SO, aged 44, is Co-Chairman and Co-Chief Investment Officer ("Co-CIO") of Value Partners Group. He works closely with Dato' Seri CHEAH Cheng Hye on all aspects of providing leadership to Value Partners, including overseeing all group affairs and activities, daily operations and management of the firm's investment management team. Mr. SO holds a leadership role in the Group's investment process, including a high degree of responsibility over 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. He was appointed Co-Chairman of the Group with effect from 26 April 2019. His extensive management capabilities and on-the-ground experience helped the Group establish an unparalleled research and investment team.

Mr. SO 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 the "CIO of the Year in Asia" award alongside 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.

HUNG Yeuk Yan Renee

Deputy Chief Investment Officer

Ms. Renee HUNG, aged 45, 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 is a member of the Board of Directors of Value Partners Group.

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.

HO Man Kei, Norman CFA

Senior Investment Director

Mr. Norman HO, aged 53, is a Senior Investment Director of Value Partners, where he is a leader in the Group's investment process, with a high degree of responsibility over portfolio management. Mr. HO is a member of the Board of Directors of Value Partners Group, and is also a director of certain subsidiaries of the Group.

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.

Independent Non-executive Directors

CHEN Shih-Ta Michael

Dr. Michael Shih-Ta CHEN, aged 74, 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 in addition to senior positions at Citibank. 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 66, 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. From 2019, he takes charge of start-up financing at AIBS Business School, Tokyo.

In 2014, Mr. OYAMA was conferred the title of "Pingat Kelakuan Terpuji" (PKT) by the government of Penang, Malaysia. During 2013 to 2019, appointed by Invest-in-Penang Berhad, the state government agency, he acted 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 67, 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 has been 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

IP Ho Wah Gordon CFA

Chief Investment Officer, Fixed Income

Mr. Gordon IP, aged 49, 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 investing across fixed income sectors. 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.

In 2019, Mr. IP was named Fund Manager of the Year – Fixed Income High Yield (Greater China) by The Asset Triple A Awards, and was selected as one of the highly commended Astute Investors in Asian G3 bonds in Hong Kong, awarded by The Asset Benchmark Research Awards 2019. He was ranked among The Top Astute Investors in the same category since 2014. In addition, he was crowned CIO of the Year (Fixed Income) by *Insights and Mandates* in their 2018 I&M Professional Investment Awards, 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.

Prior to joining the Value Partners, 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 36, is responsible for research and portfolio management on China's onshore equity market, an area he has about 13 years of experience. He was promoted to Head of China Business in 2017, where he oversees the Group's mainland China business and to lead the onshore investments.

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. He was appointed an Investment Director in October 2016. Currently, he is involved in the management of the Group's flagship Classic Fund and is managing few funds and mandates with a focus on Chinese equites. In addition, he is the sole manager responsible for the management of the firm's A-share mandates and a health care fund.

Prior to joining Value Partners, Mr. YU was with China International Capital Corporation as an Analyst. He also worked at PricewaterhouseCoopers. He 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.

TENG An Chi, Angel
Managing Director and Chief Strategy Officer

Ms. Angel TENG, aged 29, is Managing Director and Chief Strategy Officer of Value Partners, where she is responsible for designing, planning and leading execution on strategic growth initiatives and building strategic partnerships of the Group.

Ms. TENG joined Value Partners in September 2019. Prior to joining Value Partners, Ms. TENG worked at McKinsey & Company as an Engagement Manager and HSBC as a Management Trainee. She has broad experience in strategy planning, particularly for financial institutions including asset managers, multi-national banks, regional banks and other non-bank financial institutions in Hong Kong, Taiwan and China. She has led strategy and transformation projects in core functions of businesses, such as sales and distribution, business development, marketing and operations.

Ms. TENG graduated with a Bachelor's degree in Economics from the National Taiwan University and a Master's degree in Business Administration from the University of Cambridge.

TSUI Fook Wang, Frank
Senior Fund Manager

Mr. Frank TSUI, aged 39, is a Senior Fund Manager of Value Partners, where he is responsible for the firm's investment process and strategies, as well as investment team's communications.

Mr. TSUI joined Value Partners in September 2015. He was promoted from Fund Manager to Senior Fund Manager in August 2019. He has over 17 years of experience in the financial industry. Prior to joining Value Partners, he was a Director at UBS Wealth Management responsible for portfolio management for ultra-high-net-worth investors. Before joining UBS, he was a Vice President with Merrill Lynch Global Wealth Management where he was responsible for managed products and equities advisory for North Asia business. Earlier, he was Head of Investment Centre, Direct Business at J.P. Morgan Asset Management.

Mr. TSUI graduated from the Max M. Fisher College of Business, The Ohio State University in the United States with a Bachelor's degree in Finance and Economics.

Business Management Team

AU King Lun MH, PhD
President

Dr. AU King Lun, aged 60, is President of Value Partners Group, responsible for the Group's corporate affairs. He joined the Group 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 a member of the Board of Directors of the Financial Services Development Council, a lay member of the Council of the Hong Kong Institute of Certified Public Accountants, an Index Advisory Committee Member of the Shanghai Stock Exchange and the China Securities Index Co., Ltd. In addition, he sits on the board of the Urban Renewal Fund. Furthermore, 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.

WONG Ngai Sze, Icy
Chief Financial Officer

Ms. Icy WONG, aged 42, 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 Hor Yee Patricia

Co-Chief Operating Officer

Ms. Patricia CHEUNG, aged 41, is Co-Chief Operating Officer of Value Partners, where she oversees the firm's operations and portfolio analytics. She joined Value Partners in August 2018.

Ms. CHEUNG has nearly 20 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. Before that, she was Managing Director and Chief Operating Officer for 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 has held include Managing Director and Asia Treasurer for Morgan Stanley Asia Limited, Head of Treasury, Asia Pacific for Newedge Group, and Executive Director, 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.

Roger Anthony HEPPER

Co-Chief Operating Officer

Mr. Roger HEPPER, aged 59, is Co-Chief Operating Officer of Value Partners. He oversees the overall infrastructure of the Group, covering product development, information technology and operations, legal and risk management, as well as middle-office coordination across the Group's Hong Kong headquarters and overseas offices.

Mr. HEPPER joined Value Partners in August 2016. He has a distinguished career in asset management with over 30 years of experience. He is a veteran of JPMorgan Group having held a number of 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 becoming the Regional Chief Operating Officer 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.

CHEUNG Wan May Wimmie
Head of Legal

Ms. Wimmie CHEUNG, aged 44, 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 46, 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.

TSANG Tak Ming, Wallace CFA
Regional Head, Intermediary Business, Asia Pacific

Mr. Wallace TSANG, aged 43, is Regional Head of Intermediary Business of Asia Pacific at Value Partners, where he is responsible for overseeing the management and development of fund distribution business in the Asia Pacific region.

Mr. TSANG has tremendous years of experience in the financial services industry. He joined Value Partners in July 2008 as a Senior Sales Manager and was appointed as Managing Director, Intermediary Business, in 2012. In December 2019, he was promoted to his current position. Under his leadership, the company's intermediary business delivered prominent growth.

Prior to joining Value Partners, Mr. TSANG worked at Pioneer Investment Management covering North Asia region's fund distribution business. He also gained valuable experience at Citibank Hong Kong as an Investment Consultant of Citigold and various wealth management companies.

Mr. TSANG has been a member on the Executive Committee of the Hong Kong Investment Funds Association ("HKIFA") since September 2018. He holds a Bachelor's Degree in Environment Science from the Chinese University of Hong Kong. He is a CFA charterholder.

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 2019.

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 76.

Dividend

No interim dividend was paid during the year. The Directors recommend the payment of a final dividend of HK9.0 cents per share and a special dividend of HK13.0 cents per share for the year ended 31 December 2019 to the shareholders whose names are registered on the register of members of the Company on 7 May 2020. Subject to the approval of shareholders of the Company at the Annual General Meeting for the year 2020, the final and special dividends will be payable on or about 21 May 2020. 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 2015 to 2019 are set out on page 4 of this report.

Share issued in the year

Details of the shares issued in the year ended 31 December 2019 are set out in Note 27 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 38 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 2019, the Company's distributable reserve was HK$2,969,146,000.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$39,000.

Board of Directors

During the year ended 31 December 2019 and up to the date of this report the Board comprised:

Executive Directors

Dato' Seri CHEAH Cheng Hye *(Co-Chairman)*
Mr. SO Chun Ki Louis *(Co-Chairman)*
Dr. AU King Lun (retired from the Board as Executive Director on 26 July 2019)
Ms. HUNG Yeuk Yan Renee
Mr. HO Man Kei, Norman (appointed on 26 July 2019)

Independent Non-executive Directors

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

In accordance with articles 86 and 87 of the Company's articles of association, Mr. SO Chun Ki Louis, Mr. HO Man Kei, Norman and Dr. CHEN Shih-Ta Michael will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

Biographical details of the Directors as at the date of this annual report are set out on pages 26 to 33.

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 and Mr. HO Man Kei, Norman whose notice period are three months).

Each of the Independent Non-executive Directors has entered into a service contract with the Company for one year commencing on 22 November 2019 and 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 2019, 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	Approximate percentage of issued Shares (For number of Shares only)	Number of underlying Shares in which the Directors hold under the share option schemes[3]	Approximate percentage of issued Shares (For the aggregate number of Shares and the underlying Shares under the share option schemes)
Dato' Seri CHEAH Cheng Hye	Founder of trust/beneficial[1]	403,730,484	21.76%	–	21.76%
	Beneficial	60,733,516	3.27%	56,620,000	6.32%
Mr. SO Chun Ki Louis	Beneficial	15,765,723	0.84%	33,390,000	2.64%
Ms. HUNG Yeuk Yan Renee	Founder of trust[2]	16,870,583	0.90%	–	0.90%
	Beneficial	1,200,000	0.06%	10,170,000	0.61%
Mr. HO Man Kei, Norman[4]	Beneficial	10,621,132	0.57%	10,190,000	1.12%
Dr. CHEN Shih-Ta Michael	Beneficial	–	–	500,000	0.02%
Mr. Nobuo OYAMA	Beneficial	500,000	0.02%	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 schemes are detailed in "Share options" section below.

(4) Mr. HO Man Kei, Norman was appointed as Executive Director of the Company with effect from 26 July 2019.

(b) Interest in associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares	Approximate percentage of issued shares of the relevant associated corporation
Dato' Seri CHEAH Cheng Hye	Value Partners Strategic Equity Fund	Beneficial	74,000 non-voting shares	0.49% of the total issued non-voting shares
Ms. HUNG Yeuk Yan Renee	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Mr. HO Man Kei, Norman	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 2019 is as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2019	Number of Share Options Granted	Exercised	Lapsed	As at 31/12/2019
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	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
Ms. HUNG Yeuk Yan Renee	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

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2019	Number of Share Options Granted	Exercised	Lapsed	As at 31/12/2019
Mr. HO Man Kei, Norman[(4)]	12/05/2015	12/05/2018-11/11/2021	13.60	776,666	–	–	–	776,666
		12/05/2019-11/11/2021	13.60	776,666	–	–	–	776,666
		12/05/2020-11/11/2021	13.60	776,668	–	–	–	776,668
	17/06/2015	17/12/2015-16/12/2021	14.092	2,620,000	–	–	–	2,620,000
		17/12/2016-16/12/2021	14.092	2,620,000	–	–	–	2,620,000
		17/12/2017-16/12/2021	14.092	2,620,000	–	–	–	2,620,000
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
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	100,000	–	–	–	100,000
	12/05/2015	12/05/2018-11/11/2021	13.60	4,759,994	–	–	(899,999)	3,859,995
		12/05/2019-11/11/2021	13.60	4,759,994	–	–	(899,999)	3,859,995
		12/05/2020-11/11/2021	13.60	4,760,012	–	–	(900,002)	3,860,010
	17/06/2015	17/12/2015-16/12/2021	14.092	1,856,659	–	–	(199,999)	1,656,660
		17/12/2016-16/12/2021	14.092	1,856,659	–	–	(199,999)	1,656,660
		17/12/2017-16/12/2021	14.092	1,856,682	–	–	(200,002)	1,656,680
	15/10/2018	15/04/2019-14/04/2025	5.87	3,166,666	–	–	–	3,166,666
		15/04/2020-14/04/2025	5.87	3,166,666	–	–	–	3,166,666
		15/04/2021-14/04/2025	5.87	3,166,668	–	–	–	3,166,668
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				141,120,000	–	–	(3,300,000)	137,820,000

Notes:

1. The closing prices of the Shares immediately before the share options granted on 31 May 2012, 12 May 2015, 17 June 2015 and 15 October 2018 were HK$3.90, 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. Mr. HO Man Kei, Norman was appointed as Executive Director of the Company with effect from 26 July 2019.

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 2019, 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 (For number of Shares only)	Number of underlying Shares under the share option schemes	Approximate percentage of issued Shares (For the aggregate number of Shares and the underlying Shares under the share option schemes)
Ms. TO Hau Yin[1]	Spouse	464,464,000	25.03%	56,620,000	28.08%
Mr. YEH V-Nee	Beneficial	298,805,324	16.10%	–	16.10%
Mrs. YEH Mira[2]	Spouse	298,805,324	16.10%	–	16.10%
Cheah Capital Management Limited[3]	Beneficial	403,730,484	21.76%	–	21.76%
Cheah Company Limited[3]	Corporate	403,730,484	21.76%	–	21.76%
BNP Paribas Jersey Nominee Company Limited[3]	Nominee	403,730,484	21.76%	–	21.76%
BNP Paribas Jersey Trust Corporation Limited[3]	Trustee	403,730,484	21.76%	–	21.76%

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 37 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 Mr. SO Chun Ki Louis was revised from HK$415,805 to HK$426,200 with effect from 1 January 2020.

- The monthly salary of Ms. HUNG Yeuk Yan Renee was revised from HK$221,200 to HK$235,000 with effect from 1 January 2020.

- The monthly salary of Mr. HO Man Kei, Norman was revised from HK$221,200 to HK$235,000 with effect from 1 January 2020.

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 39 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

The Company has purchased a total of 732,000 Shares on the Stock Exchange during the year ended 31 December 2019 and the aggregate consideration paid was HK$3,001,854. As at 31 December 2019, the total number of Shares in issue was 1,855,082,831. All the repurchased Shares were cancelled.

Save as disclosed above, 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 2019) accounted for 31% of the Group's total fee income, and the Group's five largest suppliers accounted for 43% of the Group's distribution fee expenses for the year ended 31 December 2019.

The Group's largest customer (in terms of AUM as at the end of year) accounted for approximately 4% of the Group's total fee income whereas the Group's largest supplier accounted for approximately 12% of total distribution fee expenses for the year ended 31 December 2019.

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 2019 is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "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 2019 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
Co-Chairman and Co-Chief Investment Officer

Hong Kong, 12 March 2020

Corporate governance report

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

In the Directors' opinion, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (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 2019. 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 of 2019. 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 2019, the Board reviewed the following corporate governance matters:

- 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 4 meetings in 2019 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 *(Co-Chairman)*	4/4 (Note 1)
Mr. SO Chun Ki Louis *(Co-Chairman)*	4/4 (Note 2)
Ms. HUNG Yeuk Yan Renee	4/4
Mr. HO Man Kei, Norman	2/2 (Note 3)
Dr. AU King Lun	2/2 (Note 4)
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	4/4
Mr. Nobuo OYAMA	4/4
Mr. WONG Poh Weng	4/4

Notes:

1. Dato' Seri CHEAH Cheng Hye has been re-designated as the Co-Chairman of the Board with effect from 26 April 2019.

2. Mr. SO Chun Ki Louis was appointed as the Co-Chairman of the Board with effect from 26 April 2019.

3. Mr. HO Man Kei, Norman was appointed as Executive Director on 26 July 2019.

4. Dr. AU King Lun retired from the Board as Executive Director and Chief Executive Officer of the Company but has been serving as a President in the Group's senior management team with effect from 26 July 2019.

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.

Both Co-Chairmen had meetings with the Independent Non-executive Directors without the presence of Executive Directors in 2019. The Chief Executive Officer/President also had several private discussion sessions 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 2019 is as follows:

	Type of continuous professional development programmes (Note 1)
Executive Directors	
Dato' Seri CHEAH Cheng Hye *(Co-Chairman)*	A, B (Note 2)
Mr. SO Chun Ki Louis *(Co-Chairman)*	A, B (Note 3)
Ms. HUNG Yeuk Yan Renee	A, B
Mr. HO Man Kei, Norman	A, B (Note 4)
Dr. AU King Lun	A, B (Note 5)
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	B
Mr. Nobuo OYAMA	B
Mr. WONG Poh Weng	B

Notes:

1. 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
2. Dato' Seri CHEAH Cheng Hye has been re-designated as the Co-Chairman of the Board with effect from 26 April 2019.
3. Mr. SO Chun Ki Louis was appointed as the Co-Chairman of the Board with effect from 26 April 2019.
4. Mr. HO Man Kei, Norman was appointed as Executive Director on 26 July 2019.
5. Dr. AU King Lun retired from the Board as Executive Director and Chief Executive Officer of the Company with effect from 26 July 2019.

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.

Co-Chairmen and the Leadership Committee

The Co-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. Mr. SO Chun Ki Louis, the Co-Chairman of the Board, who is mainly responsible for managing the Group's investment research and portfolio management functions, continues working closely with Dato' Seri CHEAH to oversee the overall business strategies of the Group. The function of the chief executive after the resignation of Dr. AU King Lun on 26 July 2019 will in the meantime be taken up by the Leadership Committee, currently comprising Dato' Seri CHEAH, Mr. SO and Dr. AU King Lun, which is responsible for overall business development of the Group and takes up the 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, 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 2019. The President, the Co-Chief Operating Officers, 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)*	4/4
Dr. CHEN Shih-Ta Michael	4/4
Mr. Nobuo OYAMA	4/4

In 2019, 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 2020 external and internal audit plans.
- The reports prepared by risk management, compliance and corporate audit departments.
- The risk control self-assessment summary of the Group.

In order to further enhance independent reporting, the members met in separate private sessions with the Auditor once a year without the presence of management.

2. Remuneration Committee

The Company established the Remuneration Committee on 24 October 2007 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include determining the policy and structure for the remuneration of Executive Directors and senior management, reviewing incentive schemes and 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, 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 2019. 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	3/3

In 2019, the Remuneration Committee reviewed, discussed and/or approved the issues related to:

- The remuneration level for Directors and senior management for the year 2020 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 remuneration package of Mr. HO Man Kei, Norman.

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, Mr. HO Man Kei, Norman (Note 1), Dr. CHEN Shih-Ta Michael, Mr. Nobuo OYAMA and Mr. WONG Poh Weng, 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 held two meetings in 2019. 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
Mr. HO Man Kei, Norman	1/1 (Note 1)
Dr. CHEN Shih-Ta Michael	2/2
Mr. Nobuo OYAMA	2/2
Mr. WONG Poh Weng	2/2
Dr. AU King Lun	1/1 (Note 2)

Notes:

1. Mr. HO Man Kei, Norman was appointed as a member of the Nomination Committee on 26 July 2019.

2. Dr. AU King Lun ceased as a member of the Nomination Committee on 26 July 2019.

In 2019, the Nomination Committee reviewed, discussed and/or approved the issues related to:

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

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 2019, the Nomination Committee nominated and recommended Mr. HO Man Kei, Norman to the Board as an Executive Director and his appointment was approved by the Board on 26 July 2019. Apart from such nomination and recommendation, no new Director has been selected or recommended for directorship during 2019.

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 2019, the Risk Management Committee comprises Dr. AU King Lun, Mr. CHENG Tsz Chung, Ms. CHEUNG Hor Yee Patricia, 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.

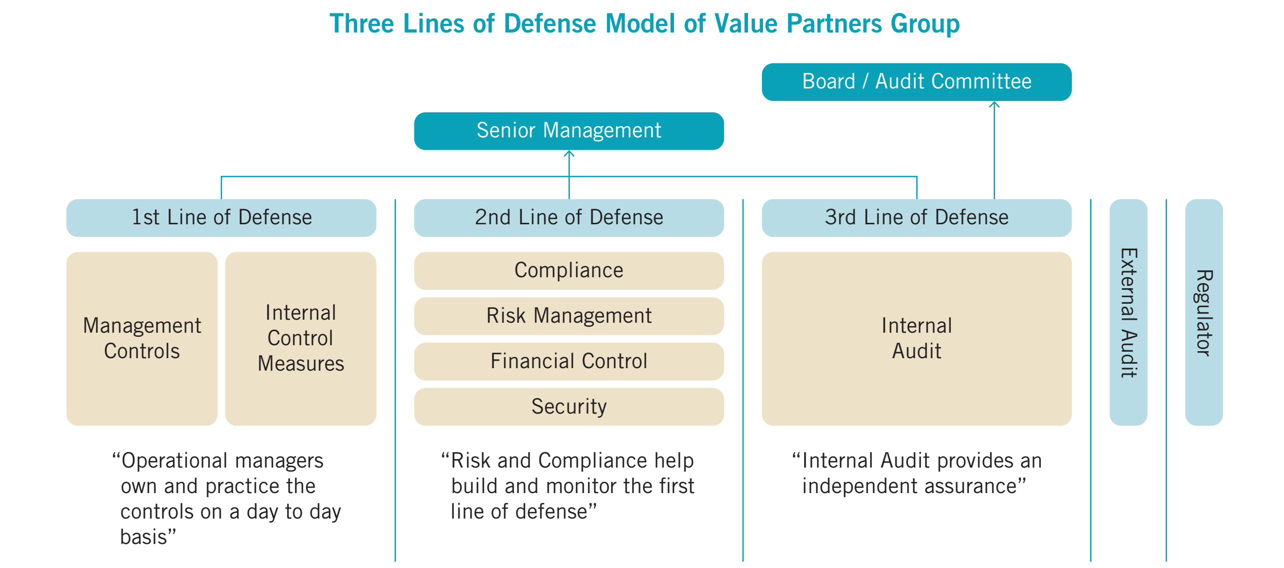
The Risk Management Committee held five meetings in 2019. In the meetings, the members reviewed, discussed and/or approved the issues related to:

- 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.
- 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:

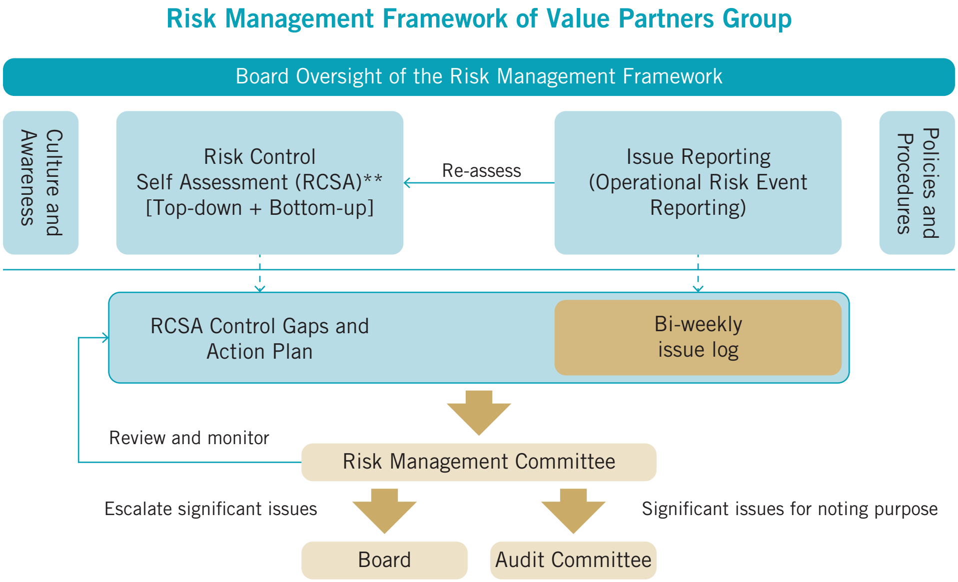


The Risk Management Committee which, via the Co-Chief Operating Officers, co-ordinates enterprise risk management activities and reviews significant aspects of risk management for the Group, reports to the Audit Committee at each regularly scheduled meeting. Subjects covered, amongst other things, include 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 is 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 President, with an indirect reporting line to the Co-Chief Operating Officers who have 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 systems 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 Co-Chief Operating Officers 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 2019, the Risk Management Committee and Legal & Compliance department have continued to work 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"), enhanced liquidity risk management controls to monitor portfolios (including soft closing accounts where capacity issues were identified), introducing several new internal control procedures, conducting a 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. In July 2019 the Group become a signatory to the UNPRI (Principles of Responsible Investment). Additional resources were directed to strengthening controls over screening for ESG (Environmental, Social and Governance) issues and engaging with management of companies the Group invests in to better meet the requirements of the PRI. The Co-Chief Operating Officers, 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 2019, 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. 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 Co-Chief Operating Officers, 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 and enhanced liquidity monitoring. A more formalized sales support function was established during the year. 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 2019 was approximately HK$4.6 million. In addition, the auditor of the Company also provided tax services to the Group in 2019 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 2019 (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 President 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 (before the appointment of Co-Chairmen) 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 2019 are set out below:

	No. of AGM attended/held
Executive Directors	
Dato' Seri CHEAH Cheng Hye *(Co-Chairman)*	1/1 (Note 1)
Mr. SO Chun Ki Louis *(Co-Chairman)*	1/1 (Note 2)
Ms. HUNG Yeuk Yan Renee	1/1
Mr. HO Man Kei, Norman	0/0 (Note 3)
Dr. AU King Lun	1/1 (Note 4)
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	1/1
Mr. Nobuo OYAMA	1/1
Mr. WONG Poh Weng	1/1

Notes:

1. Dato' Seri CHEAH Cheng Hye has been re-designated as the Co-Chairman of the Board with effect from 26 April 2019.
2. Mr. SO Chun Ki Louis was appointed as the Co-Chairman of the Board with effect from 26 April 2019.
3. Mr. HO Man Kei, Norman was appointed as Executive Director on 26 July 2019.
4. Dr. AU King Lun retired from the Board as Executive Director and Chief Executive Officer of the Company with effect from 26 July 2019.

We had around 165 shareholders or their representatives participated in our annual general meeting for the year 2019 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.

During the year 2019, the Company amended the articles of association (the "Article") of the Company to, inter alia, facilitate the appointment of more than one chairman of the Company and align the Articles with the Listing Rules. Save for the aforesaid, there was no change in the Company's constitutional documents during the year.

1. About the Report

This is the forth Environmental, Social and Governance ("ESG") report issued by the Company. The report discloses the sustainability initiatives demonstrated by the Group, which accords with our reporting obligation under 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 2019 to 31 December 2019.

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 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, Kuala Lumpur and London, and hence all Group policies and strategies reported hereafter are applicable to our offices. Relevant environmental indicators will be reported for our Hong Kong headquarters and, where applicable, for our offices in Singapore, Shanghai and Kuala Lumpur. Environmental data for our Shenzhen and London offices are 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 comprised of a fixed salary and a performance-based bonus.

We have a talented and dedicated team with our senior managers having worked at the Group for a long period of time. This demonstrates the talent stability within the Company which in turn is an important contributor to the effectiveness and cohesion within our team.

With effect from 9 December 2019, the Senior Managers and Certification Regime in the United Kingdom has replaced the preceding Financial Conduct Authority Approved Regime. In response to the above, we are updating our policies and procedures to enhance the accountability of our senior management with respect to the areas and functions they are responsible for.

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 the application 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.

In consistent with our investment philosophy, we recognize that integrating ESG analysis in our investment process can help identify business models that are most likely to thrive in the long-term and generate sustainable returns. Thus the Group has formally become a signatory of the United Nations Principles for Responsible Investment (PRI) in July 2019. We are currently reviewing our policies and procedures in relation to responsible investment and proxy voting practices. By incorporating ESG factors into our fundamental research and actively engaging with companies within our investable universe, we seek to create more values for our clients, as well as for environmental and social good.

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 information 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 and European Union General Data Protection Regulation 2016, we have incorporated the corresponding provisions 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. In compliance with Securities and Futures Commission's Fund Manager Code of Conduct, our 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, Kuala Lumpur and London offices to ensure our staff are well informed of the latest regulations and requirements. Topics covered include investment restrictions, insider dealing, market manipulation, anti-money laundering and counter-terrorism financing, 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 our employees fully understand their obligations and responsibilities at work. The policy outlines and requires 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 due care and diligence to protect the client's best interests and to uphold market expectations on integrity. Conflict of interests will be avoided to the largest extent and potential conflicts with clients will be disclosed if unavoidable. When necessary, such matters may be escalated to our Risk Management Committee for follow-up actions.

Through the Group's whistle-blowing mechanism, staff members are encouraged to report any wrongdoing or suspected misconducts directly to the Chairman of the Audit Committee in confidential manner. The Group will endeavor 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. To achieve 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.

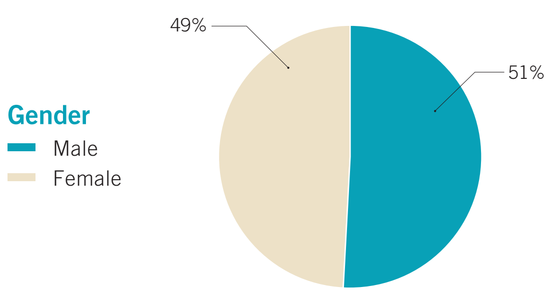
However, the selection consideration of suppliers is not confined to the quoted price alone. Other aspects such as product quality, service quality, reliability and suitability are also considered as important factors.

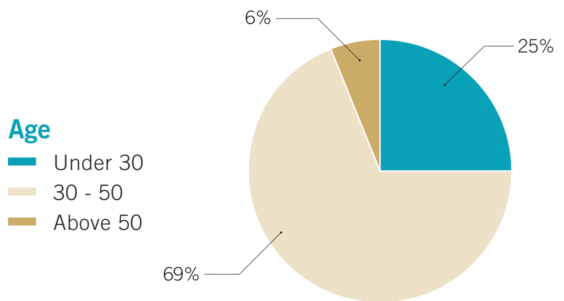
In addition, in order to maintain the quality of goods and services procured, the list of approved vendors is reviewed annually and will be placed against competitive bids if vendor performance or quality falls short of the requirements set out by the Group.

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 commitment and contributions from our employees and understand the importance of providing them 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 provide equal promotion opportunities and dedicate resources to work-related training and personal development of our employees. We have zero-tolerance for any forms of discrimination in the workplace, including race, gender, ethnicity, religion and other legally protected status.

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 increase their 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 and opinions and suggestions on employee activities are welcomed from all staff. This year, the Recreation Committee arranged a range of activities for our employees such as mini Watermelon Rose Cake Cooking Class and Family Party. 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. In June 2019 we also dedicated a full week to promote wellbeing through our Health Week programs, where staff could have fun and learn about aromatherapy, mental health, gym workout, etc.

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, including but not limited to the Employment Ordinance of Hong Kong.

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 to keep abreast of the latest industry trends and be equipped with necessary professional knowledge to excel in their career. 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. During the year, we have arranged in-house trainings and lunch-and-learn sessions on topics such as sales skills, recruitment, project management and coaching.

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 health and safety risks 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 their direct manager and our Human Resources Department.

Regarding fire safety issues within the workplace, employees and visitors are 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.

Since the beginning of January 2020, the outbreak of novel coronavirus has created significant impacts to our offices and operation at different locations. Wellbeing and safety of our employees is our utmost priority as always. The Group has closely monitored the situation and taken timely measures under the oversight of the newly established Infections Diseases Response Team. In all our decisions we strive to take good care and ensure safety of our employees while maintaining business operation to the largest extent to uphold professional service. Protective equipment such as masks are also actively sourced to support our employees throughout this difficult time.

3.4. Summary of Social Performance

	Unit	2019
Employment Practice		
Total permanent workforce	No. of people	238
Total contract workforce	No. of people	7
Total workforce by age group		
Under 30	No. of people	61
30 – 50	No. of people	169
Above 50	No. of people	15
Total workforce by gender		
Female	No. of people	121
Male	No. of people	124
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

Envisioned to be a responsible corporate citizen, the Group 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 volunteer 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 organization through various activities, e.g. Bus Tour and City Hunt, and Barbeque and Palmier Making Workshop with Heep Hong Families. Our volunteers have devoted 135 service hours in these activities during the year.

On 6 January 2019, the Group participated in the 50th Anniversary 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 major material impact on the environment is confined to the premises in which our team operates. However, our management aspires to shoulder our part of the responsibility in 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.

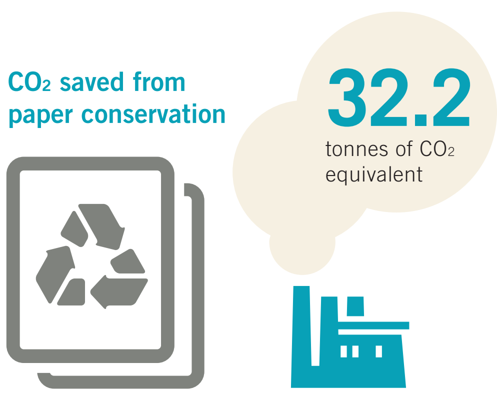
5.1. Environmental and Resources Management

In 2019, the Group achieved the good level of the Wastewi$e Certificate by Hong Kong Green Organisation. To continue improving 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 they are operating in an energy efficient manner. Water conservation initiatives have also been promoted and implemented in our daily operations.

To optimize the use of resources, the Group has employed 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 application forms are replaced by online process, 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 materials such as office paper and toner cartridge to authorized dealers for recycling.

During the year, the Group received the Certificate of CO2 reduction in paper recycling by Confidential Materials Destruction Service Ltd., recognizing our efforts in waste paper recycling.



5.2 Summary of Environmental Performance[1]

	Unit	2019
Greenhouse gas (GHG) emissions[2] and intensity within the Group		
Direct GHG emissions (Scope 1[3])	tonnes of CO_2 equivalent (tonnes CO_2e)	5.8
Direct GHG emissions (Scope 1) intensity	tonnes CO_2e/employee	0.02
Indirect GHG emissions (Scope 2[4])	tonnes CO_2e	312.8*
Indirect GHG emissions (Scope 2) intensity	tonnes CO_2e/employee	1.3*
Energy consumption and intensity within the Group		
Electricity consumption	MWh	413*
Electricity intensity	MWh/employee	1.7*
Fuel consumed within the Group		
Gasoline consumption	litre	2,139.1
Resources consumed within the Group		
Paper	tonnes	9.9*
Toner cartridges	pieces	216*
Waste disposed within the Group		
Non-hazardous waste	tonnes	5.2
Hazardous waste	tonnes	0
Resources recycled within the Group		
Paper	tonnes	6.7
Plastic	kg	45.7
Toner cartridges	pieces	153*

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 Shanghai, Singapore and Kuala Lumpur.

1 Water consumption of the Hong Kong office is not available as it is centrally managed by the landlord.

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

3 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.

4 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			
General Disclosure	Disclosure statement	Environmental and Resources Management	64
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 Performance	65
KPI A1.3	Total hazardous waste produced	Summary of Environmental Performance	65
KPI A1.4	Total non-hazardous waste produced	Summary of Environmental Performance	65
KPI A1.5	Measures to mitigate emissions and results achieved	Environmental and Resources Management	64
KPI A1.6	How hazardous and non-hazardous wastes are handled, reduction initiatives and results Achieved	Environmental and Resources Management	64
Aspect A2: Use of Resources			
General Disclosure	Disclosure statement	Environmental and Resources Management	64
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Summary of Environmental Performance	65
KPI A2.2	Water consumption in total and intensity	Summary of Environmental Performance	65
KPI A2.3	Energy use efficiency initiatives and results achieved	Environmental and Resources Management	64
KPI A2.4	Water efficiency initiatives and results achieved	Not applicable – As an asset management firm with office operations only, we do not consume significant amount of water.	Not applicable
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	Environment	64
KPI A3.1	The significant impacts of activities on the environment and natural resources and the actions taken to manage them	Product Responsibility Environmental and Resources Management	58 and 64

Indicators		Chapter/Statement	Page
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Aspect B1: Employment and Labor Practices			
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KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Summary of Social Performance	63
Aspect B2: Health and Safety			
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KPI B2.1	Number and rate of work-related fatalities	Summary of Social Performance	63
KPI B2.2	Lost days due to work injury	Summary of Social Performance	63
KPI B2.3	Occupational health and safety measures	Health and Safety	62
Aspect B3: Development and Training			
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Aspect B4: Labor Standards			
General Disclosure	Disclosure statement	Welfare and Labor Standards	61
KPI B4.1	Measures to review employment practices to avoid child and forced labor	Welfare and Labor Standards	61
Aspect B5: Supply Chain Management			
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KPI B5.2	Practices relating to engaging suppliers and number of suppliers engaged	Supply Chain Management	60
Aspect B6: Product Responsibility			
General Disclosure	Disclosure statement	Product Responsibility	58
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable as the Group solely involves in asset management business and does not deliver physical goods	Not applicable
KPI B6.5	Consumer data protection and privacy policies	Product Responsibility	58

Indicators		Chapter/Statement	Page
Aspect B7: Anti-corruption			
General Disclosure	Disclosure statement	Anti-corruption	59
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	59
Aspect B8: Community Investment			
General Disclosure	Disclosure statement	Community Involvement	63
KPI B8.1	Focus areas of contribution	Community Involvement	63
KPI B8.2	Resources contributed to the focus area	Community Involvement	63

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 76 to 138, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Key Audit Matters (continued)

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

- Fee income recognition
- Valuation of investments in investment properties and loan note
- Valuation of other investments that are categorised within level 3 of the fair value hierarchy

Key Audit Matter	How our audit addressed the Key Audit Matter
Fee income recognition	
For the year ended 31 December 2019, the Group has recognized fee income of HK$1,603.9 million, which primarily includes management fees of HK$1,362.5 million and performance fees of HK$55.3 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: a) Interpretation of contractual terms from the relevant prospectus or investment management agreements; b) Manual input of key contractual terms and fee rates in relevant spreadsheets; and c) 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

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 2019, 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$168.5 million;

b) investments in two joint ventures, accounted for under the equity method amounting to HK$318.5 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$439.8 million.

The determination of the fair value of the investment properties and the loan note requires significant management judgment.

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 judgment, 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 judgment.

We focused on the valuation of these investments due to the significance of the amounts and the significant management judgment 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.

How our audit addressed the Key Audit Matter

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.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of other investments that are categorised within level 3 of the fair value hierarchy	
As at 31 December 2019, financial instruments measured at fair value of the Group included HK$204.5 million investments in investment funds, which are categorised within level 3 of the fair value hierarchy. These level 3 investments include: a) an investment fund managed by the Group, which invested in private debt instruments, amounting to HK$197.8 million; and b) an investment fund managed by an external fund manager, which invested in private equity instruments, amounting to HK$6.7 million. The determination of the fair value of the investment funds requires significant management judgment including the selection of appropriate valuation methods and assumptions based on market conditions existing as at 31 December 2019. Valuation techniques include market approaches using prices or other relevant information generated by market transactions involving identical or comparative assets or liabilities such as net asset values as provided by the relevant fund administrators. Where the investment funds are closed-ended or there were no recent transactions on the investment funds, the Group reviews the valuations of the underlying investments held by the respective investment funds to assess the appropriateness of the net asset values as provided by the fund administrators, and may make adjustments as it considers appropriate. We focused on the valuation of the investment funds due to the significance of the amounts and the significant management judgment involved in determining the values of these investments. The Group's disclosures of these investments are detailed in note 4.3 and 21 to the consolidated financial statements.	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 investment funds. We also performed the following tests: 1. We obtained independent confirmations from the relevant fund administrators to confirm the investment funds' net asset values as at 31 December 2019; and 2. On a sample basis, we reviewed the additional procedures performed by management to assess the appropriateness of adopting the net asset value of the investment funds as a basis in determining the fair value of the investment funds. No material issues arose from the above testing.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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 2020

Consolidated statements of comprehensive income

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Income			
Fee income	6	**1,603,918**	1,641,365
Distribution fee expenses		**(807,946)**	(810,936)
Net fee income		**795,972**	830,429
Other income	7	**100,458**	104,542
Total net income		**896,430**	934,971
Expenses			
Compensation and benefit expenses	8	**(400,167)**	(379,228)
Operating lease rentals		**(8,987)**	(43,541)
Depreciation of right-of-use assets – properties		**(29,677)**	–
Other expenses	9	**(113,876)**	(112,277)
Total expenses		**(552,707)**	(535,046)
Operating profit (before other gains/losses)		**343,723**	399,925
Net gains/(losses) on investments		**191,015**	(189,721)
Unrealized gain on an investment held-for-sale	22	**5,827**	–
Fair value gain of an investment property	18	**5,072**	17,134
Net foreign exchange (losses)/gains		**(8,584)**	3,880
Others		**500**	–
Other gains/(losses) – net	10	**193,830**	(168,707)
Operating profit (after other gains/losses)		**537,553**	231,218
Finance costs		**(5,627)**	–
Share of gains of joint ventures		**32,649**	68,475
Profit before tax		**564,575**	299,693
Tax expense	11	**(51,166)**	(70,240)
Profit for the year attributable to owners of the Company		**513,409**	229,453
Other comprehensive loss for the year			
– Items that have been reclassified or may be subsequently reclassified to profit or loss			
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	28	**280**	(281)
Foreign exchange translation	28	**(16,173)**	(7,053)
Other comprehensive loss for the year	12	**(15,893)**	(7,334)
Total comprehensive income for the year attributable to owners of the Company		**497,516**	222,119
Earnings per share attributable to owners of the Company (HK cents per share)			
Basic earnings per share	13.1	**27.7**	12.4
Diluted earnings per share	13.2	**27.7**	12.4

The notes on pages 80 to 138 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	17	**195,025**	26,543
Right-of-use assets		**40,466**	–
Investment property	18	**168,526**	167,663
Intangible assets	19	**15,409**	16,146
Investment in joint ventures	16	**318,504**	302,483
Investments	21	**1,297,836**	1,311,333
Other assets	26	**11,634**	44,012
		2,047,400	1,868,180
Current assets			
Investments	21	**42,291**	516,661
Investment held-for-sale	22	**395,549**	–
Fees receivable	24	**179,434**	128,993
Amounts receivable on sale of investments		**–**	197,948
Prepayments and other receivables		**47,293**	54,888
Deposits with brokers		**–**	30
Cash and cash equivalents	25	**2,200,778**	1,629,166
		2,865,345	2,527,686
Current liabilities			
Investment held-for-sale	22	**222**	–
Accrued bonus		**151,218**	129,612
Distribution fee expenses payable	29	**157,033**	129,765
Other payables and accrued expenses		**42,909**	48,351
Lease liabilities		**28,056**	–
Current tax liabilities		**40,640**	7,905
		420,078	315,633
Net current assets		**2,445,267**	2,212,053
Non-current liabilities			
Accrued bonus		**9,937**	18,175
Borrowing	30	**80,538**	83,168
Lease liabilities		**12,335**	–
Deferred tax liabilities	31	**413**	429
		103,223	101,772
Net Assets		**4,389,444**	3,978,461
Equity			
Equity attributable to owners of the Company			
Issued equity	27	**1,407,105**	1,410,107
Other reserves	28	**242,439**	231,912
Retained earnings		**2,739,900**	2,336,442
Total equity		**4,389,444**	3,978,461

On behalf of the Board

SO Chun Ki Louis
Director

Ho Man Kei Norman
Director

The notes on pages 80 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Note	Attributable to owners of the Company			
		Issued equity HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total equity HK$'000
As at 1 January 2018		1,391,473	255,182	3,993,368	5,640,023
Adoption of new accounting standards		–	(33,455)	34,433	978
As at 1 January 2018 (Restated)		1,391,473	221,727	4,027,801	5,641,001
Profit for the year		–	–	229,453	229,453
Other comprehensive income					
Fair value losses on financial assets at fair value through other comprehensive income	28	–	(281)	–	(281)
Foreign exchange translation	28	–	(7,053)	–	(7,053)
Total comprehensive income		–	(7,334)	229,453	222,119
Transactions with owners in their capacity as owners					
Exercise of share options	27, 28	18,634	–	–	18,634
Share-based compensation	27	–	26,668	–	26,668
Transfer of share-based compensation reserve upon exercise, forfeiture or expiring of share options	28	–	(9,149)	9,149	–
Dividends to owners of the Company		–	–	(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)
As at 31 December 2018		1,410,107	231,912	2,336,442	3,978,461
As at 1 January 2019		**1,410,107**	**231,912**	**2,336,442**	**3,978,461**
Profit for the year		**–**	**–**	**513,409**	**513,409**
Other comprehensive income/(loss)					
Fair value gains on financial assets at fair value through other comprehensive income	28	**–**	**280**	**–**	**280**
Foreign exchange translation	28	**–**	**(16,173)**	**–**	**(16,173)**
Total comprehensive income/(loss)		**–**	**(15,893)**	**513,409**	**497,516**
Transactions with owners in their capacity as owners					
Exercise of share options	27, 28	**(3,002)**	**–**	**–**	**(3,002)**
Share-based compensation	27	**–**	**27,818**	**–**	**27,818**
Transfer of share-based compensation reserve upon exercise, forfeiture or expiring of share options	28	**–**	**(1,398)**	**1,398**	**–**
Dividends to owners of the Company		**–**	**–**	**(111,349)**	**(111,349)**
Total transactions with owners in their own capacity as owners		**(3,002)**	**26,420**	**(109,951)**	**(86,533)**
As at 31 December 2019		**1,407,105**	**242,439**	**2,739,900**	**4,389,444**

The notes on pages 80 to 138 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Net cash generated from operations	34	**351,504**	2,299,051
Interest received from cash and cash equivalents, time deposits and restricted bank balances		**37,594**	32,374
Interest received from financial assets at fair value through profit or loss		**22,527**	20,376
Interest received from financial assets at fair value through other comprehensive income		**8,197**	10,439
Tax paid		**(18,447)**	(382,398)
Net cash generated from operating activities		**401,375**	1,979,842
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(195,475)**	(29,898)
Disposal of property, plant and equipment and intangible assets		**500**	–
Purchase of investments		**(311,730)**	(1,133,119)
Purchase of an investment held-for-sale		**(389,500)**	–
Purchase of an investment property		**–**	(146,390)
Return of shareholder's loans		**16,628**	–
Disposal of investments		**1,193,255**	570,120
Dividends received from investments		**10,833**	10,463
Net cash generated from/(used in) investing activities		**324,511**	(728,824)
Cash flows from financing activities			
Dividends paid		**(111,349)**	(1,929,960)
Proceeds from shares issued upon exercise of share options		**–**	18,634
Proceeds of borrowings		**–**	83,168
Payments for share bought back		**(3,002)**	–
Share buy-back transaction costs		**(9)**	–
Principal elements of lease payments		**(33,026)**	–
Interest expense on borrowing		**(3,025)**	(703)
Net cash used in financing activities		**(150,411)**	(1,828,861)
Net increase/(decrease) in cash and cash equivalents		**575,475**	(577,843)
Net foreign exchange (losses)/gains on cash and cash equivalents		**(3,863)**	2,305
Cash and cash equivalents at beginning of the year		**1,629,166**	2,204,704
Cash and cash equivalents at end of the year		**2,200,778**	1,629,166

The notes on pages 80 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 2020.

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 standard adopted by the Group

The Group has adopted the following new standard which became effective for the Group's financial year beginning 1 January 2019.

- HKFRS 16 "Leases"

Except for those disclosed below, the adoption of this new standard had no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies as at and for the year ended 31 December 2019.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New standard adopted by the Group (continued)

(a) HKFRS 16 "Leases"

(i) Impact of adoption

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019 and are as follows:

Consolidated balance sheet (extract)	31 December 2018 As originally presented HK$'000	Adjustments recognized on adoption of HKFRS 16 HK$'000	1 January 2019 As adjusted HK$'000
Non-current assets			
Right-of-use assets – properties	–	67,801	**67,801**
Property, plant and equipment - leasehold improvements	**26,543**	(2,375)	**24,168**
Non-current liabilities			
Lease liabilities	–	38,413	**38,413**
Current liabilities			
Other payables and accrued expenses - accrued lease payments	**48,351**	(3,050)	**45,301**
Lease liabilities	–	30,063	**30,063**

During 2019, there was a new lease contract commencing. The right-of-use asset recognized on the lease commencement date was HK$2,361,000.

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.62%.

	HK$'000
Audited	
Operating lease commitments disclosed as at 31 December 2018	73,771
Unaudited	
Discounted using incremental borrowing rate as at 1 January 2019	69,750
Less: short-term leases recognized on a straight-line basis as expense	(1,274)
Lease liabilities recognized as at 1 January 2019	**68,476**
Of which are:	
Current lease liabilities	30,063
Non-current lease liabilities	38,413
	68,476

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New standard adopted by the Group (continued)

(a) HKFRS 16 "Leases" (continued)

(i) Impact of adoption (continued)

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognized right-of-use assets relate to properties is HK$40,466,000 as at 31 December 2019 (1 January 2019: HK$67,801,000).

There is no net impact on retained earnings on 1 January 2019.

We have summarized the rental and relevant expenses as follows:

	2019 HK$'000	2018 HK$'000
Operating lease rentals	**8,987**	43,541
Depreciation of right-of-use assets – properties	**29,677**	–
Finance costs	**2,602**	–
Total rental and relevant expenses	**41,266**	43,541

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17.

New standards issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted

There are no 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:

Properties	Up to thirty two years
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.

2.11 Investment held-for sale

Investments classified as held-for-sale when their carrying amount are to be recovered principally through a sale transaction or dilution and the sale and and dilution is considered highly probable. The investments 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 which is expected to be diluted within one year from the date of establishment are classified as held-for-sale.

2.12 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.

2 Summary of significant accounting policies (continued)

2.12 Investments and other financial assets (continued)

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 financial instruments traded in active markets (such as listed equity securities and listed investment funds) are based on last traded prices at the close of trading on the reporting date. An active market is a market in which transactions for the instruments take place with sufficient frequency and volume to provide pricing information on an ongoing basis. When trading of an listed security is suspended, the investment is valued at the Group's estimate of its fair value.

Debt securities are fair valued based on quoted prices inclusive of accrued interest. The fair value of debt securities not quoted in an active market may be determined by the Group using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Group would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Group may value the debt securities using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Refer to Note 4.3 for the details of the valuation techniques used.

Unlisted investment funds are stated at fair value based on the net asset values of the respective funds obtained from the relevant fund administrators. When the net asset values of an investment fund is not executable, the Group reviews the valuations of the underlying investments to assess the appropriateness of the net asset value as provided by the relevant fund administrator. Refer to Note 4.3 for details.

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.

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.

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

2 Summary of significant accounting policies (continued)

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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)

2.19 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

Front-end fees and rebates relating to the distribution services are recognized when the services are performed and the amount is known.

(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.

2.20 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)

2.21 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)

2.22 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.

2.23 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.

2.24 Operating leases

The Group leases various offices, carpark and equipment. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- variable lease payment that are based on an index or a rate.

2 Summary of significant accounting policies (continued)

2.24 Operating leases (continued)

Accounting policies applied from 1 January 2019 (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment.

Accounting policies applied until 31 December 2018

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.

2.25 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.

2.26 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, broker quotes, last transacted price and discounted cash flow approach which utilizes inputs such as projected cash flow and discount rate. Broker quotes obtained from the pricing sources (such as pricing agencies or bond/debt market makers) may be indicative and not executable or binding. The Group would exercise judgement and estimates on the quantity and quality of pricing sources uses. Where no market data is available, the Group may value positions using its own models. 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	
	2019	2018	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Australian dollar	**+/– 5%**	+/– 5%	**+/– 25,750**	+/– 22,857	**–**	–
Renminbi	**+/– 5%**	+/– 5%	**+/– 10,110**	+/– 998	**+/– 11,953**	+/– 12,503
New Zealand dollar	**+/– 5%**	+/– 5%	**+/– 4,432**	+/– 4,339	**–**	–
South Korean Won	**+/– 5%**	+/– 5%	**+/– 1,930**	+/– 1	**–**	–

Refer to Notes 21, 24, 25 and 29 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 2019, if interest rates had been 50 basis points (2018: 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$92,000 lower or HK$92,000 higher respectively (2018: HK$659,000 higher or HK$659,000 lower). The sensitivity analysis for the years ended 31 December 2019 and 31 December 2018 was primarily arising from the increase/decrease in interest income on cash and cash equivalents and interest expense on borrowings.

The Group considered that fair value interest rate risk is insignificant as at 31 December 2019 and 31 December 2018. Therefore, no sensitivity analysis has been prepared.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(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**	
	2019	2018	**2019**	2018
			HK$'000	HK$'000
MSCI China Index	**+/– 10%**	+/– 10%	**+/– 24,015**	+/– 32,541

Post-tax profit for the year would increase or decrease as a result of gains or losses on investments classified as financial assets at fair value through profit or loss and an investment held-for-sale. Refer to Note 21 below for additional disclosures on price risk.

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

(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.

	2019 HK$'000	2018 HK$'000
AA–	**44,768**	17,328
A+	**16,101**	15,750
A	**1,579,202**	983,627
A–	**22,865**	156,230
BBB+	**148,785**	213,664
BBB	**392,569**	276,536
Unrated	**2,060**	2,250
	2,206,350	1,665,385

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 as at 31 December 2018.

As at 31 December 2019, the Group did not hold any debt securities.

	2018 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.

	2019 HK$'000	2018 HK$'000
A	–	197,948

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 and it has been subsequently settled in January 2019.

Fees receivable

As at 31 December 2019, fees receivable including management fee, performance fee and front-end fee from the five major investment funds and managed accounts amounted to HK$136,355,000 (2018: HK$100,750,000), which accounted for 76% (2018: 78%) of the total outstanding balance. Refer to Note 24 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 2019 or 31 December 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. Except for the impairment loss of HK$3,000,000 on other receivables which was related to the contingent consideration receivables for disposed of the Group's small loan business in Chengdu, no impairment losses on fee receivables and other receivables are recognized as at 31 December 2019 and 2018.

(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 2019, the Group held liquid assets of HK$2,200,778,000 (2018: HK$1,629,166,000), 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.

	2019			2018		
	No stated maturity HK$'000	**Less than 1 year HK$'000**	**Between 1 and 5 years HK$'000**	No stated maturity HK$'000	Less than 1 year HK$'000	Between 1 and 5 years HK$'000
Assets						
Investments						
Non-derivative financial instruments	**900,350**	**–**	**439,777**	972,860	464,278	390,856
Investment held-for-sale	**–**	**395,549**	**–**	–	–	–
Fees receivable	**–**	**179,434**	**–**	–	128,993	–
Amounts receivable on sale of investments	**–**	**–**	**–**	–	197,948	–
Prepayment and other receivables	**–**	**40,884**	**–**	–	38,671	–
Deposits with brokers	**–**	**–**	**–**	–	30	–
Cash and cash equivalents	**161,538**	**2,039,240**	**–**	169,554	1,459,612	–
	1,061,888	**2,655,107**	**439,777**	1,142,414	2,289,532	390,856
Liabilities						
Investment held-for-sale	**–**	**(222)**	**–**	–	–	–
Accrued bonus	**–**	**(151,218)**	**(9,937)**	–	(129,612)	(18,175)
Distribution fee expenses payable	**–**	**(157,033)**	**–**	–	(129,765)	–
Other payables and accrued expenses	**(2,896)**	**(40,013)**	**–**	(2,040)	(46,311)	–
Borrowing	**–**	**–**	**(80,538)**	–	–	(83,168)
Lease liabilities	**–**	**(28,056)**	**(12,335)**	–	–	–
	(2,896)	**(376,542)**	**(102,810)**	(2,040)	(305,688)	(101,343)
Cumulative gap	**1,058,992**	**2,278,565**	**336,967**	1,140,374	1,983,844	289,513

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 2019, Sensible Asset Management Hong Kong Limited, Sensible Asset Management Limited, Value Partners Hong Kong Limited, Value Partners Limited and Value Partners Private Equity Limited, wholly-owned subsidiaries of the Group, are licensed to carry out regulated activities under the Hong Kong Securities and Futures Ordinance ("SFO"). 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 2019 and 2018.

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 2019 and 2018.

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 2019 and 2018.

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 2019.

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 2019.

	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 Asset Management Singapore Pte. Ltd	Capital Market Services for Fund Management
Value Partners Investment Management (Shanghai) Limited	Private Fund Management
Value Partners (UK) Limited [(c)]	Providing Regulated Products and Services
Value Partners Asset Management Malaysia Sdn. Bhd. [(d)]	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 1 March 2018.

(d) 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	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Investments (Note 21)								
Listed securities	**231,431**	244,786	**–**	–	**–**	178	**231,431**	244,964
Unlisted securities								
Loan note – Australia	**–**	–	**–**	–	**439,777**	390,856	**439,777**	390,856
Debt securities	**–**	–	**–**	464,278	**–**	–	**–**	464,278
Equity securities	**–**	–	**1,425**	1,354	**–**	–	**1,425**	1,354
Investment funds	**–**	–	**463,034**	719,574	**204,460**	6,968	**667,494**	726,542
Investment held-for-sale (Note 22)	**–**	–	**395,327**	–	**–**	–	**395,327**	–
Sub-total	**231,431**	244,786	**859,786**	1,185,206	**644,237**	398,002	**1,735,454**	1,827,994

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 level 3 financial instruments include:

- Quoted bid prices (or net asset value) provided by fund administrators for unlisted investment funds. These investment funds invest substantially in private debt instruments and private 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 2019					Year ended 31 December 2018				
	Listed securities HK$'000	Unlisted securities – investment funds HK$'000	Unlisted securities – loan note HK$'000	Derivative financial instruments HK$'000	Total HK$'000	Listed securities HK$'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	178	6,968	390,856	–	398,002	–	5,055	413,208	53,305	471,568
Addition	–	196,250	–	–	196,250	178	557	–	827	1,562
Disposal	–	–	–	–	–	–	–	–	(41,780)	(41,780)
Gains/(losses) recognized in profit or loss	(178)	1,242	48,921	–	49,985	–	1,356	(22,352)	(12,352)	(33,348)
As at 31 December	–	204,460	439,777	–	644,237	178	6,968	390,856	–	398,002
Total gains/(losses) for the year included in the consolidated statement of comprehensive income for level 3 instruments for the year	(178)	1,242	48,921	–	49,985	–	1,356	(22,352)	(12,352)	(33,348)
Change in unrealized gains or losses for level 3 instruments held at year end and included in profit or loss	(178)	1,242	48,921	–	49,985	–	1,356	(22,352)	(12,352)	(33,348)

As at 31 December 2019, the level 3 instruments include a suspended listed security, investment funds and a loan note with a related call option (Note 21). (2018: a suspended listed security, an investment fund, and a loan note with a related call option) (Note 21).

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

As at 31 December 2019, the suspended listed security was marked to zero as a result of illiquidity adjustment. 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 2019 and 31 December 2018, the investment funds were stated with reference to the net asset value provided by the relevant administrator of the investment fund.

4 Financial risk management (continued)

4.3 Fair value estimation (continued)

During the year ended 31 December 2019, the addition of level 3 investment funds amounting HK$196,250,000 represents a private investment fund which primarily invests in private debt securities.

As level 3 investment funds are closed-ended, the Group reviews the valuations of the underlying investments held by respective investment funds to assess the appropriateness of the net asset values as provided by the fund administrators, and may make adjustments as they consider appropriate.

As at 31 December 2019 and 31 December 2018, the loan note with a related call option was valued using discounted cash flow analysis with expected market yield of 5.5% (the discount rate) (2018: 5.25%) 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.

The Group considers that the change in the input to the valuation models disclosed above would not have a significant effect on the consolidated financial statements. No quantitative analysis has been presented.

There were no transfers between levels of the fair value measurement hierarchy for the year ended 31 December 2019 (2018: 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.

The Group identified one reportable segment – asset management business as at 31 December 2019 and 2018. The asset management business is the Group's core business. It derives revenues from investment management services to investment funds and managed accounts.

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

The revenue, profit/(loss) before tax, total assets and total liabilities reported to the Board of Directors is measured in a manner consistent with that in the consolidated financial statements.

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$56,813,000 (2018: HK$84,520,000) 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.

	2019 **HK$'000**	2018 HK$'000
Management fees	**1,362,455**	1,347,477
Performance fees	**55,263**	56,171
Front-end fees	**186,200**	237,717
Total fee income	**1,603,918**	1,641,365

7 Other income

	2019 HK$'000	2018 HK$'000
Interest income on cash and cash equivalents	**38,557**	31,298
Interest income from financial assets at fair value through profit or loss	**22,633**	22,106
Interest income from financial assets at fair value through other comprehensive income	**4,620**	14,015
Dividend income on financial assets at fair value through profit or loss	**15,012**	30,259
Rental income from an investment property	**11,498**	2,488
Rental income from a property	**1,225**	–
Others	**6,913**	4,376
Total other income	**100,458**	104,542

8 Compensation and benefit expenses

	2019 HK$'000	2018 HK$'000
Salaries, wages and other benefits	**239,066**	235,955
Management bonus	**127,141**	110,466
Share-based compensation (Notes 27 and 28)	**27,818**	26,668
Pension costs	**6,142**	6,139
Total compensation and benefit expenses	**400,167**	379,228

8.1 Pension costs – mandatory provident fund scheme

There were no forfeited contributions utilized during the year ended 31 December 2019 (2018: Nil) and as at 31 December 2018 (2017: Nil) to reduce future contributions.

As at 31 December 2019, no contributions were payable to the mandatory provident fund scheme (2018: Nil).

8.2 Five highest-paid individuals

The five highest-paid individuals in the Group during the year ended 31 December 2019 included three (2018: three) directors whose emoluments are reflected in the analysis shown in Note 39. Details of the remuneration of the remaining highest-paid individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, wages and other benefits	**6,820**	7,358
Management bonus	**25,515**	23,208
Share-based compensation	**6,681**	3,286
Pension costs – mandatory provident fund scheme	**36**	36
	39,052	33,888

8 Compensation and benefit expenses (continued)

8.2 Five highest-paid individuals (continued)

The remaining two (2018: two) individuals emoluments were within the following bands:

	Number of individuals	
	2019	2018
HK$13,000,001 to HK$13,500,000	**–**	1
HK$15,500,001 to HK$16,000,000	**1**	–
HK$20,500,001 to HK$21,000,000	**–**	1
HK$23,000,001 to HK$23,500,000	**1**	–

8.3 Senior management remuneration by band

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

	Number of individuals	
	2019	2018
Below HK$5,000,000	**9**	5
HK$5,000,001 to HK$10,000,000	**1**	0
HK$10,000,001 to HK$15,000,000	**0**	2
HK$15,000,001 to HK$20,000,000	**1**	–
HK$20,000,001 to HK$25,000,000	**1**	1

8.4 Deferred Bonus

During the year ended 31 December 2019, 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.

Starting from 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. The table below summarizes the deferred bonuses as at 31 December.

	2019	2018
	HK$'000	HK$'000
Deferred bonus	**7,530**	9,129

9 Other expenses

	2019 HK$'000	2018 HK$'000
Legal and professional fees	**14,228**	15,452
Research expenses	**15,548**	13,659
Marketing expenses	**9,346**	13,193
Depreciation, amortization and impairment charges	**20,472**	12,337
Travelling expenses	**7,566**	10,993
Office expenses	**6,042**	6,819
Insurance expenses	**5,941**	5,427
Recruitment expenses	**4,262**	4,686
Auditor's remuneration	**4,628**	4,470
Entertainment expenses	**3,011**	3,431
Registration and licensing fees	**1,538**	1,452
Donations	**39**	130
Others	**21,255**	20,228
Total other expenses	**113,876**	112,277

10 Other gains/(losses) – net

	2019 HK$'000	2018 HK$'000
Net gains/(losses) on investments		
Net realized gains/(losses) on financial assets at fair value through profit or loss	**124,066**	(27,471)
Net unrealized gains/(losses) on financial assets at fair value through profit or loss	**66,949**	(162,250)
Unrealized gain on an investment held-for-sale	**5,827**	–
Fair value gain of an investment property	**5,072**	17,134
Others		
Net foreign exchange (losses)/gains	**(8,584)**	3,880
Gains on disposal of property, plant and equipment	**500**	–
Total other gains/(losses) – net	**193,830**	(168,707)

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 2019 at the rate of 16.5% (2018: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	2019 HK$'000	2018 HK$'000
Current tax		
Hong Kong profits tax	**42,766**	50,424
Overseas tax	**10,405**	20,556
Adjustments in respect of prior years	**(1,989)**	(1,291)
Total current tax	**51,182**	69,689
Deferred tax		
Origination and reversal of temporary differences (Note 31)	**(16)**	551
Total tax expense	**51,166**	70,240

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:

	2019 HK$'000	2018 HK$'000
Profit before tax	**564,575**	299,693
Tax calculated at domestic tax rates applicable to profits in the respective countries	**91,475**	48,528
Tax effects of:		
Non-taxable income and gains on investments	**(93,723)**	(58,131)
Non-deductible expenses and losses on investments	**55,404**	81,134
Adjustments in respect of prior years	**(1,990)**	(1,291)
Tax expense	**51,166**	70,240

The weighted average applicable tax rate was 16.2% (2018: 16.2%). The decrease is caused by a change in the profitability of the Group's subsidiaries in respective regions.

12 Other comprehensive loss

	2019 HK$'000	2018 HK$'000
Items that have been reclassified or may be subsequently reclassified to profit or loss:		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income (Note 28)	**280**	(281)
Foreign exchange translation	**(16,173)**	(7,053)
Total other comprehensive loss	**(15,893)**	(7,334)

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.

	2019	2018
Profit for the year attributable to owners of the Company (HK$'000)	513,409	229,453
Weighted average number of ordinary shares in issue (thousands)	1,855,550	1,855,528
Basic earnings per share (HK cents per share)	27.7	12.4

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.

	2019	2018
Profit for the year attributable to owners of the Company (HK$'000)	513,409	229,453
Weighted average number of ordinary shares in issue (thousands)	1,855,550	1,855,528
Adjustments for share options (thousands)	108	986
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,855,658	1,856,514
Diluted earnings per share (HK cents per share)	27.7	12.4

14 Dividends

	2019 HK$'000	2018 HK$'000
Proposed final dividend of HK9.0 cents (2018: HK6.0 cents) per ordinary share	166,957	111,349
Proposed special dividend of HK13.0 cents (2018: Nil) per ordinary share	241,161	–
Total dividends	408,118	111,349

For the year ended 31 December 2019, the directors recommended a final dividend of HK9.0 cents per share and a special dividend of HK13.0 cents per share. The estimated total final dividend and total special dividend are HK$166,957,000 and HK$241,161,000 respectively. Such dividends are to be approved by shareholders at the Annual General Meeting of the Company on 27 April 2020 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 2019, 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	Indirectly
Chief Union Investments Limited	Hong Kong	Money lending in Hong Kong	1 ordinary share	100%	–
Complete Value Investing Company Limited	Hong Kong	Investment holding	10,000 ordinary shares	–	100%
First Bravo Management Limited	British Virgin Islands	Dormant	1 ordinary share of US$1	100%	–
Fortune Access Industries Limited	British Virgin Islands	Dormant	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 Fund Management Group Limited	Hong Kong	Dormant	1 ordinary share	100%	–
Prosperous Decade Sdn. Bhd.	Malaysia	Investment holding	500,000 ordinary shares of RM500,000	–	100%
Rough Seas Capital Holdings Limited	Hong Kong	Dormant	1,000,000 ordinary shares	100%	–
Sensible Asset Management Hong Kong Limited	Hong Kong	Investment management in Hong Kong	100,000,000 ordinary shares and 1,000,000 voting participating preference shares	100%	–
Sensible Asset Management Limited	British Virgin Islands	Investment management in Hong Kong	2,000,000 ordinary shares of US$0.1 each	100%	–
Value Executive Solutions Co. Limited	Hong Kong	Dormant	1 ordinary share	100%	–
Value Funds Limited	Hong Kong	Investment holding	1 ordinary share	100%	–
Value Partners Asset Management Malaysia Sdn. Bhd.	Malaysia	Assets Management	6,600,000 ordinary share of RM6,600,000	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	GBP1,550,000	100%	–
Value Partners Asset Management Singapore Pte. Ltd.	Singapore	Investment management in Singapore	1,000,000 ordinary shares of S$1 each	100%	–
Value Partners Corporate Consulting Limited	Hong Kong	Dormant	5,000,000 ordinary shares	100%	–
Value Partners Hong Kong Limited	Hong Kong	Investment management, investment holding and securities dealing in Hong Kong	385,000,000 ordinary shares	100%	–
Value Partners Index Services Limited	Hong Kong	Indexing services in Hong Kong	1 ordinary share	100%	–
Value Partners Investment Advisory Limited	Hong Kong	Consulting services in Hong Kong	25,000,000 ordinary shares	100%	–
Value Partners Limited	British Virgin Islands	Investment management, investment holding and securities dealing in Hong Kong	11,409,459 Class A ordinary shares and 3,893,318 Class B ordinary shares of US$0.1 each	–	100%
Value Partners Private Equity Limited	British Virgin Islands	Investment management and provision of research and investment advisory services in Hong Kong	7,000,000 ordinary shares of US$0.1 each	100%	–
Value Partners Technology Solutions Limited	Hong Kong	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	Dormant	Registered capital RMB200,000,000	–	100%
惠理企業管理咨詢(上海)有限公司	PRC	Dormant	Registered capital RMB200,000,000	–	100%

15.2 Interests in structured entities

In addition to the investment funds held by the Group disclosed in the Note 21, the Group also holds the following investment funds which are either consolidated within the Group or presented as investment held-for-sale.

		Effective interest held by the company			
		2019		2018	
	Place of incorporation	**Directly**	**Indirectly**	Directly	Indirectly
Value Partners Asia Pacific Real Estate Limited Partnership	Cayman Islands	**–**	**100%**	–	100%
Value Partners Ireland Fund ICAV – Value Partners Greater China High Yield Bond Fund	Ireland	**–**	**99%**	–	–

Refer to Note 23 for further information of Value Partners Asia Pacific Real Estate Limited Partnership.

Refer to Note 22 for further information of Value Partners Ireland Fund ICAV – Value Partners Greater China High Yield Bond Fund.

16 Investment in joint ventures

As at 31 December 2019 and 31 December 2018, "Investments in joint ventures" represents the Group's 50% equity interest in Value Investing Group Company Limited ("Value Investing") and Clear Miles Hong Kong Limited ("Clear Miles HK"), Value Investing has trust beneficiary interests in three logistics centers in Japan, and Clear Miles HK holds an Australian industrial property through its subsidiary.

	2019 HK$'000	2018 HK$'000
Beginning of the year	**302,483**	190,867
Acquisition/deemed acquisition of a joint venture	**–**	43,141
Return of shareholder's loans	**(16,628)**	–
Share of gains of joint ventures	**32,649**	68,475
End of the year	**318,504**	302,483

Shareholder's loans are unsecured, non-interest bearing and have no fixed repayment terms. Shareholders call demand full repayment of loans upon written demand.

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

			Interest held	
Name	**Place of incorporation**	**Principal activities**	**2019**	2018
Value Investing Group Company Limited	Hong Kong	Investment holding	**50%**	50%
Clear Miles Hong Kong Limited	Hong Kong	Investment holding	**50%**	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**	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Asset – current assets	**299,473**	283,514	**35,083**	35,331
Liabilities – current liabilities	**(114)**	(248)	**(15,938)**	(16,114)
Net assets	**299,359**	283,266	**19,145**	19,217
Other gains – net	**30,401**	71,873	**4,445**	872
Expenses	**(1,001)**	(2,526)	**(1,071)**	(1,336)
Tax expense	**(36)**	(254)	**(89)**	(154)
Profit after tax	**29,364**	69,093	**3,285**	(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

	Property HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Vehicles HK$'000	Total HK$'000
As at 1 January 2018						
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
Year ended 31 December 2019						
Opening net book amount	**–**	**19,533**	**901**	**5,594**	**515**	**26,543**
Adjustment for change in accounting policy (Note 2)	**–**	**(2,375)**	**–**	**–**	**–**	**(2,375)**
Opening net book amount (adjusted)	**–**	**17,158**	**901**	**5,594**	**515**	**24,168**
Additions	**187,782**[(a)]	**1,135**	**37**	**1,233**	**1,638**	**191,825**
Disposals	**–**	**(15,076)**	**–**	**–**	**(1,692)**	**(16,768)**
Exchange differences	**(7,888)**	**5**	**(2)**	**(2)**	**4**	**(7,883)**
Depreciation (Note 9)	**(2,372)**	**(6,979)**	**(343)**	**(2,843)**	**(548)**	**(13,085)**
Write back of depreciation on disposals	**–**	**15,076**	**–**	**–**	**1,692**	**16,768**
Closing net book amount	**177,522**	**11,319**	**593**	**3,982**	**1,609**	**195,025**
As at 31 December 2019						
Cost	**187,782**	**17,149**	**2,405**	**19,067**	**2,846**	**229,249**
Accumulated depreciation	**(10,260)**	**(5,830)**	**(1,812)**	**(15,085)**	**(1,237)**	**(34,224)**
Net book amount	**177,522**	**11,319**	**593**	**3,982**	**1,609**	**195,025**

(a) On 1 August 2019, a wholly owned subsidiary of the Group signed a sale and purchase agreement and completed the transaction to acquire 100% equity interest of a Hong Kong incorporated company named King Fung Limited (subsequently changed to "Complete Value Investing Company Limited" after this acquisition), which directly held office units in Shanghai, China with a consideration of US$23.76 million (equivalent to HK$185.8 million) and transaction costs of HK$2.0 million which were directly attributable to the acquisition. As the Group has the intention to own-use the office units, they were classified as "property, plant and equipment".

18 Investment property

	2019 HK$'000	2018 HK$'000
Beginning of the year	**167,663**	–
Additions	**–**	146,390
Fair value gain	**5,072**	17,134
Foreign exchange translation	**(4,209)**	4,139
End of the year	**168,526**	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 2019 and 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.

The Group's investment property is related to the investment in Value Partners Asia Pacific Real Estate Limited (the "Real Estate Partnership"). Refer to Note 23 for further information.

Amounts recognized in profit or loss for investment property

	2019 HK$'000	2018 HK$'000
Rental income	**11,498**	2,488
Direct operating expenses from property that generated rental income	**2,581**	(189)
Fair value gain recognized in other gains-net	**5,072**	17,134

Fair value measurements using significant unobservable inputs

Information about fair value measurements using significant unobservable for 2019 and 2018 inputs is as follows:

Unobservable inputs	Retail	Student accommodation	Parking	Relationship of increase in unobservable inputs to fair value
Capitalization rate	6.5% (2018: 6.75%)	6.5% (2018: 6.75%)	6.5% (2018: 6.75%)	Decrease in the fair value.
Market rent	NZD280 (2018: NZD280) per square meter	NZD175 (2018: NZD175) per room per week	NZD45 (2018: 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 2018				
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	54,435	28,485	7,500	90,420
Accumulated amortization	–	(18,595)	–	(18,595)
Accumulated impairment	(54,435)	(1,244)	–	(55,679)
Net book amount	–	8,646	7,500	16,146
Year ended 31 December 2019				
Opening net book amount	**–**	**8,646**	**7,500**	**16,146**
Additions	**–**	**3,650**	**–**	**3,650**
Exchange differences	**–**	**–**	**–**	**–**
Amortization (Note 9)	**–**	**(4,387)**	**–**	**(4,387)**
Closing net book amount	**–**	**7,909**	**7,500**	**15,409**
As at 31 December 2019				
Cost	**54,435**	**32,135**	**7,500**	**94,070**
Accumulated amortization	**–**	**(22,982)**	**–**	**(22,982)**
Accumulated impairment	**(54,435)**	**(1,244)**	**–**	**(55,679)**
Net book amount	**–**	**7,909**	**7,500**	**15,409**

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 2019	Interest held 2018
Value Partners PFM Feng Tai China – A Share Fund 1 [c]	China	**22%**	–
Value Partners Asia Principal Credit Fund Limited Partnership [c]	Cayman Islands	**29%**	–
Hanwha Value Partners Asia High Dividend Equity Feeder Fund [c]	South Korea	**31%**	–
Value Partners Ireland Fund ICAV – Value Partners Global Emerging Market Bond Fund [a],[b]	Ireland	**–**	20%
Value Partners Ireland Fund ICAV – Value Partners Health Care Fund [a],[c]	Ireland	**21%**	19%
Value Partners Venture Capital Investment (Shenzhen) Limited Partnership	China	**49%**	49%

	Net asset value 31 December 2019 HK$'000	Net asset value 31 December 2018 HK$'000	Profit/(loss) for the period/year and total comprehensive income 31 December 2019 HK$'000	Profit/(loss) for the period/year and total comprehensive income 31 December 2018 HK$'000
Value Partners PFM Feng Tai China A – Share Fund 1 [c]	**16,006**	23,125	**3,828**	(1,610)
Value Partners Asia Principal Credit Fund Limited Partnership [c]	**672,392**	–	**23,485**	–
Hanwha Value Partners Asia High Dividend Equity Feeder Fund [c]	**132,917**	–	**938**	–
Value Partners Ireland Fund ICAV – Value Partners Global Emerging Market Bond Fund [a],[b]	**–**	389,372	**–**	(17,925)
Value Partners Ireland Fund ICAV – Value Partners Health Care Fund [a],[c]	**248,408**	233,256	**48,071**	(35,402)
Value Partners Venture Capital Investment (Shenzhen) Limited Partnership	**5,662**	5,812	**(38)**	(54)

(a) On 8 May 2019, Value Partners Ireland Fund plc's name was changed to Value Partners Ireland Fund ICAV.

(b) As at 31 December 2019, Value Partners Ireland Fund ICAV – Value Partners Global Emerging Market Bond Fund was derecognized from "investment in associates".

(c) As at 31 December 2019, Value Partners Asia Principal Credit Fund Limited Partnership, Hanwha Value Partners Asia High Dividend Equity Feeder Fund, Value Partners PFM Feng Tai China A – Share Fund 1 and Value Partners Ireland Fund ICAV – Value Partners Health Care Fund recognized as "investment in associates".

The fair value of the Group's interest in such investment funds are summarized in Note 37.3.

21 Investments

Investments include the following:

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Listed securities (by place of listing)						
Equity securities – Long – Hong Kong	**38,441**	52,348	**–**	–	**38,441**	52,348
Equity securities – Long – United States	**307**	213	**–**	–	**307**	213
Investment funds – Hong Kong	**192,683**	192,403	**–**	–	**192,683**	192,403
Market value of listed securities	**231,431**	244,964	**–**	–	**231,431**	244,964
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	**1,425**	1,354	**–**	–	**1,425**	1,354
Investment funds – Australia	**21,330**	19,222	**–**	–	**21,330**	19,222
Investment funds – Cayman Islands	**208,528**	151,058	**–**	–	**208,528**	151,058
Investment funds – China	**91,061**	85,589	**–**	–	**91,061**	85,589
Investment funds – Hong Kong	**125,585**	237,845	**–**	–	**125,585**	237,845
Investment funds – Ireland	**143,147**	123,029	**–**	–	**143,147**	123,029
Investment funds – South Korea	**41,115**	–	**–**	–	**41,115**	–
Investment funds – United States	**36,728**	109,799	**–**	–	**36,728**	109,799
Loan note – Australia	**439,777**	390,856	**–**	–	**439,777**	390,856
Fair value of unlisted securities	**1,108,696**	1,118,752	**–**	–	**1,108,696**	1,118,752
Representing:						
Non-current	**1,297,836**	1,311,333	**–**	–	**1,297,836**	1,311,333
Current	**42,291**	52,383	**–**	464,278	**42,291**	516,661
Total investments	**1,340,127**	1,363,716	**–**	464,278	**1,340,127**	1,827,994

In addition to the above, an investment was classified as held-for-sale as at 31 December 2019. Refer to Note 22 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 2019 and 2018, except for the consolidated investment fund disclosed in Note 15.2, the Group determined that all of these investment funds are unconsolidated structured entities. Refer to Note 37.3 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 37.3) and fees receivable as shown in the consolidated balance sheet. The size of the investment funds ranges from US$3.7 million to US$6.1 billion (2018: US$3.1 million to US$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:

	2019 **HK$'000**	2018 HK$'000
Australian dollar	**461,341**	410,317
Hong Kong dollar	**231,580**	245,058
Renminbi	**88,450**	82,915
Singapore dollar	**1,611**	1,354
South Korea won	**41,115**	–
United States dollar	**515,603**	1,087,879
Others	**427**	471
Total investments	**1,340,127**	1,827,994

21.1 Available-for-sale financial assets

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

	2019 **HK$'000**	2018 HK$'000
Beginning of the year	**–**	106,186
Reclassify investments from available-for-sale to fair value through profit or loss	**–**	(106,186)
End of the year	**–**	–

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 Investment held-for-sale

The Group classified its interests in an investment fund as held-for-sale as the Group intends to market the fund and dilute its holdings as soon as practicably possible to a level where its aggregate economic interest does not constitute a control. As at 31 December 2019, the major assets of this investment fund was quoted debt securities and the total fair value of the investment held-for-sale was HK$395,327,000.

Income recognized in other gains/(losses) – relating to an investment held-for-sale

	2019 HK$'000
Change in unrealized gain on an investment held-for-sale	**5,827**

23 Investments in Value Partners Asia Pacific Real Estate Limited Partnership

In 2017, the Group set up the Real Estate Partnership to engage in real estate private equity business. The Group committed US$100 million (equivalent to HK$782 million) capital to the Real Estate Partnership, and the undrawn commitment amounted to US$7 million (equivalent to HK$54.7 million) as at 31 December 2019 (31 December 2018: US$7 million (equivalent to HK$54.7 million)). The Real Estate Partnership focuses on the acquisition of stabilized income assets in the Asia Pacific.

The Group has recognized investment gains and other income for the real estate private equity business. As at 31 December 2019 and 2018, the majority of the gains and incomes are unrealized.

As at 31 December 2019 and 2018, the Group held controlling interest in the Real Estate Partnership and all assets and liabilities of this fund was consolidated within the Group's condensed consolidated balance sheet.

		Effective interest held			
		31 December 2019		31 December 2018	
	Place of incorporation	Directly	Indirectly	Directly	Indirectly
Value Partners Asia Pacific Real Estate Limited Partnership	Cayman Islands	–	100%	–	100%

As at 31 December 2019 and 2018, the assets and liabilities held by the Real Estate Partnership consolidated within the Group's condensed consolidated balance sheet are as follows:

	Underlying investments	Note	31 December 2019 HK$'000	31 December 2018 HK$'000
Non-current assets:				
Investments in joint ventures	– Three Japanese logistic centers – One Australian industrial facility	(i)	**318,504**	302,483
Investment property	– One New Zealand student accommodation building	(ii)	**168,526**	167,663
Investments – Loan note	– One Australian office building	(iii)	**439,777**	390,856
Non-current liability:				
Borrowing		(iv)	**(80,538)**	(83,168)
Other net assets (current)		(v)	**50,284**	19,737
Total			**896,553**	797,571

23 Investments in Value Partners Asia Pacific Real Estate Limited Partnership (continued)

(i) The Real Estate Partnership held 50% equity interest in Value Investing and 50% equity interest in Clear Miles HK which held three logistic centers located in Japan and an industrial facility located in Australia, respectively. These interests are presented as "Investments in joint ventures" on the consolidated balance sheet. Refer to Note 16 for further details.

(ii) The Real Estate Partnership held a student accommodation located in New Zealand. Refer to Note 18 for further details.

(iii) The Real Estate Partnership held a loan note with a related call option 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 related call option is exercisable (1) in the event of default by the Finance Trust; or (2) execution of any contract to sell, dispose, or transfer the Australian property or the property of the Finance Trust. The exercise of the related call option enables the Group to own interest (in the form of ordinary units) in the Finance Trust. The loan note is presented as "Investments" on the consolidated balance sheet. Refer to Notes 4.3 and 21 for further details.

(iv) The Real Estate Partnership's borrowing of NZD15,675,000 (equivalent to HK$80,538,000) (31 December 2018: NZD15,675,000 (equivalent to HK$83,168,000)) is secured by the student accommodation building located in New Zealand. The repayment date is 16 October 2021 and the effective interest rate is the sum of the lending bank's bill rate for that interest period plus a margin of 2.15% per annum.

(v) Other net assets comprise of cash and cash equivalents, prepayments and other receivables, and other payables and accrued expenses.

24 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 2019 (2018: 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:

	2019 **HK$'000**	2018 HK$'000
Fees receivable that were past due but not impaired		
1 – 30 days	**744**	577
31 – 60 days	**622**	231
61 – 90 days	**455**	1,094
Over 90 days	**800**	1,072
	2,621	2,974
Fees receivable that were within credit period	**176,813**	126,019
Total fees receivable	**179,434**	128,993

Fees receivable are denominated in the following currencies:

	2019 **HK$'000**	2018 HK$'000
Australian dollar	**701**	768
Hong Kong dollar	**9,901**	21,611
Renminbi	**11,224**	9,159
United States dollar	**157,608**	97,455
Total fees receivable	**179,434**	128,993

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 2019 (2018: Nil).

25 Cash and cash equivalents

	2019 HK$'000	2018 HK$'000
Cash at banks and in hand	**129,147**	128,477
Short-term bank deposits	**2,039,240**	1,459,612
Deposits with brokers	**32,391**	41,077
Total cash and cash equivalents	**2,200,778**	1,629,166

Cash and cash equivalents are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
Australian dollar	**56,238**	25,609
Hong Kong dollar	**325,005**	714,271
Pound sterling	**1,088**	4,258
Renminbi	**170,446**	151,841
Singapore dollar	**1,471**	3,743
United States dollar	**1,632,371**	724,230
Others	**14,159**	5,214
Total cash and cash equivalents	**2,200,778**	1,629,166

26 Other assets

	2019 HK$'000	2018 HK$'000
Restricted bank balances	–	31,686
Others	11,634	12,326
Total other assets	11,634	44,012

In accordance with the sale and purchase agreement for the disposal of the small loan business in Chengdu, 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. The restricted cash in the escrow account had been released in November 2019.

As at 31 December 2019 and 2018, no bank deposits were placed as a minimum reserve for the Group's investment in equity securities in China.

27 Issued equity

	Number of shares	Issued equity HK$'000
As at 1 January 2019	**1,855,814,831**	**1,410,107**
Share buy back	**(732,000)**	**(3,002)**
As at 31 December 2019	**1,855,082,831**	**1,407,105**
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 31 December 2019, the total authorized number of ordinary shares of the Company was 5,000,000,000 shares (2018: 5,000,000,000 shares) with a par value of HK$0.1 (2018: 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.

27 Issued equity (continued)

Share options

The Group operates a share option scheme for directors, employees and others whom the Board of Directors considers, in its sole discretion, have contributed or will contribute to the Group. The share option scheme is effective for a period of ten years from the date it was adopted, after which no new share options will be granted but the provisions of the scheme will remain in full force and effect in all other respects. The share options are subject to terms as the Board of Directors may determine. Such terms may include the exercise price of the share options, the minimum period for which the share options must be held before they can be exercised in whole or in part, the conditions that must be reached before the share options can be exercised. The Group has no legal or constructive obligation to repurchase or settle the share options in cash. No options were granted under the share option scheme for the year ended 31 December 2019 (2018: 27,500,000).

The total expense recognized in the consolidated statement of comprehensive income for share options granted to directors and employees for the year ended 31 December 2019 was HK$27,818,000 (2018: HK$26,668,000) which has no impact to the Group's cash flow.

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 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
As at 1 January 2019	**12.37**	**141,120**
Forfeited	**13.60**	**(2,700)**
Forfeited	**14.09**	**(600)**
As at 31 December 2019	**12.34**	**137,820**

Out of the 137,820,000 (2018: 141,120,000) outstanding share options, 112,190,367 (2018: 97,080,000) options were exercisable as at 31 December 2019 with weighted average exercise price of HK$13.33 (2018: HK$14.00) per share. No options were exercised during the year ended 31 December 2019 (2018: 4,100,000).

27 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) 2019	2018
11 November 2021	13.60	**22,110**	24,810
16 December 2021	14.09	**87,710**	88,310
30 May 2022	3.94	**500**	500
14 April 2025	5.87	**27,500**	27,500

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

28 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$'000	Total HK$'000
As at 1 January 2018	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 (Note 12)	–	(281)	–	–	–	(281)
Foreign exchange translation reserve	–	–	–	–	(7,053)	(7,053)
As at 31 December 2018	247,745	(799)	240	–	(15,274)	231,912
As at 1 January 2019	**247,745**	**(799)**	**240**	**–**	**(15,274)**	**231,912**
Share-based compensation (Note 8)	**27,818**	**–**	**–**	**–**	**–**	**27,818**
Transfer of share-based compensation reserve upon exercise, forfeiture or expiry of share options	**(1,398)**	**–**	**–**	**–**	**–**	**(1,398)**
Fair value losses on financial assets at fair value through other comprehensive income (Note 12)	**–**	**280**	**–**	**–**	**–**	**280**
Foreign exchange translation reserve	**–**	**–**	**–**	**–**	**(16,173)**	**(16,173)**
As at 31 December 2019	**274,165**	**(519)**	**240**	**–**	**(31,447)**	**242,439**

(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.

29 Distribution fee expenses payable

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

	2019 HK$'000	2018 HK$'000
0 – 30 days	**148,181**	127,214
31 – 60 days	**654**	1,390
61 – 90 days	**817**	618
Over 90 days	**7,381**	543
Total distribution fee expenses payable	**157,033**	129,765

Distribution fee expenses payable are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
United States dollar	**156,522**	129,315
Others	**511**	450
Total distribution fee expenses payable	**157,033**	129,765

30 Borrowing

	2019 HK$'000	2018 HK$'000
Non-current		
Bank loan	**80,538**	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:

	2019 HK$'000	2018 HK$'000
Between 1 and 5 years	**80,538**	83,168

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

	2019 NZD	2018 NZD
Bank and other loans	**4.08%**	4.08%

30 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:

	2019 HK$'000	2018 HK$'000
New Zealand dollar	**80,538**	83,168

31 Deferred tax

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

Deferred liabilities	**Accelerated tax depreciation** HK$'000
As at 1 January 2018	122
Debited to the consolidated statement of comprehensive income (Note 11)	(551)
As at 31 December 2018	(429)
As at 1 January 2019	**(429)**
Debited to the consolidated statement of comprehensive income (Note 11)	**16**
As at 31 December 2019	**(413)**

32 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.

33 Financial instruments by category

	2019 HK$'000	2018 HK$'000
Category of financial assets		
Financial assets at amortized cost/loans and receivables		
Restricted bank balances (Note 26)	–	31,686
Fees receivable (Note 24)	179,434	128,993
Amounts receivable on sale of investments	–	197,948
Prepayment and other receivables	40,884	38,671
Deposits with brokers	–	30
Cash and cash equivalents (Note 25)	2,200,778	1,629,166
	2,421,096	2,026,494
Financial assets at fair value through profit or loss		
Investments (Note 21)	1,340,127	1,363,716
Financial assets at fair value through profit or loss		
Investment held-for-sale (Note 22)	395,549	–
Financial assets at fair value through other comprehensive income		
Investments (Note 21)	–	464,278
Category of financial liabilities		
Other financial liabilities at amortized cost		
Accrued bonus	161,155	147,787
Distribution fee expenses payable (Note 29)	157,033	129,765
Other payables and accrued expenses	42,909	48,351
Borrowing	80,538	83,168
	441,635	409,071
Financial liabilities at fair value through profit or loss		
Investment held-for-sale (Note 22)	222	–

34 Notes to the consolidated cash flow statement

	Note	2019 HK$'000	2018 HK$'000
Profit before tax		**564,575**	299,693
Adjustments for			
Interest income on cash and cash equivalents, time deposits and restricted bank balances		**(38,557)**	(31,298)
Interest income from financial assets at fair value through profit or loss		**(22,633)**	(22,106)
Interest income from financial assets at fair value through other comprehensive income		**(4,620)**	(14,015)
Interest expense on borrowing		**3,025**	703
Dividend income		**(15,012)**	(30,259)
Share-based compensation		**27,818**	26,669
Depreciation and amortization		**17,472**	12,337
Depreciation of right-of-use assets		**29,677**	–
Impairment charge on other receivable		**3,000**	–
Interest expense on lease liabilities		**2,602**	–
Share of gains of joint ventures		**(32,649)**	(68,475)
Other (gains)/losses – net		**(202,413)**	172,587
Changes in working capital			
Other assets		**32,378**	459
Fees receivable		**(50,441)**	2,482,083
Deposits with brokers		**–**	36,301
Prepayments and other receivables		**2,088**	(1,362)
Accrued bonus		**13,368**	(534,431)
Distribution fee expenses payable		**27,268**	(25,190)
Other payables and accrued expenses		**(5,442)**	(654)
Other financial liabilities		**–**	(3,991)
Net cash generated from operations		**351,504**	2,299,051

35 Commitments

35.1 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:

	2019 **HK$'000**	2018 HK$'000
Not later than one year	**803**	33,976
Later than one year and not later than five years	**–**	39,795
Total operating lease commitments	**803**	73,771

35.2 Capital commitments

As at 31 December 2019, the Group has unfunded capital commitment in a private equity fund amounted to US$53.1 million (equivalent to HK$413.5 million) (2018: US$53.9 million (equivalent to HK$421.6 million)). As at the end of the year, the capital commitment contracted to purchase licensed software but not yet incurred amounted to HK$459,000 (2018: HK$450,000).

36 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.

36.1 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 2019 and 2018, 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.

36 Contingencies (continued)

36.2 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 2019 and 2018, 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.

37 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.

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

	2019 HK$'000	2018 HK$'000
Consultancy fee to a close family member of key management personnel	**289**	289

37.2 Key management compensation

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

	2019 HK$'000	2018 HK$'000
Management bonus, salaries and other short-term employee benefits	**65,687**	56,445
Share-based compensation	**16,647**	11,696
Pension costs	**59**	72
Total key management compensation	**82,393**	68,213

37 Related-party transactions (continued)

37.3 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	
	2019 HK$'000	2018 HK$'000
Consolidated structured entity		
Value Partners Asia Pacific Real Estate Limited Partnership (Note 15.2)	**896,553**	797,571
Structured entity held-for-sale		
Value Partners Ireland Fund ICAV – Value Partners Greater China High Yield Bond Fund [e] (Note 22)	**395,327**	–
Unconsolidated structured entities		
AMG Managers Value Partners Asia Dividend Fund	**–**	71,520
Premium Asia Income Fund	**21,330**	19,222
Value China ETF	**5,382**	5,085
Value ETFs Trust – Value Japan ETF	**–**	8,876
Value ETFs Trust – Value Korea ETF	**–**	8,070
Value ETFs Trust – Value Taiwan ETF	**–**	11,985
Value Gold ETF	**187,301**	158,387
Value Partners Asia Fund, LLC	**369**	289
Value Partners Classic Fund [a]	**324**	248
Value Partners Fixed Income SPC – Value Partners Credit Opportunities Fund SP [b]	**4,065**	4,047
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]	**92**	75
Value Partners Fund Series – Value Partners Asian Innovation Opportunities Fund [e]	**71,134**	–
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]	**338**	300
Value Partners Intelligent Funds – China Convergence Fund	**–**	40,660
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	**–**	99,380
Value Partners Ireland Fund ICAV – Value Partners Global Emerging Market Bond Fund [e] (Note 20)	**90,331**	79,198
Value Partners Ireland Fund ICAV – Value Partners Health Care Fund (Note 20)	**52,816**	43,831
Value Partners Multi-Asset Fund [d]	**43,110**	39,565
Value Partners Venture Capital Investment (Shen Zhen) Limited Partnership (Note 20)	**2,863**	2,874
金海九號證券投資集合資金信託計劃	**64,145**	51,963
興業信託•興易惠理1號	**1,265**	1,146
惠理中國新時代優選1號私募投資基金	**12,007**	28,507
惠理中國中璧1號私募投資基金	**1,431**	1,098
外貿信託 – 惠理滬港深6號	**1,213**	–
交銀國信•匯利202號集合資金信託計劃	**1,159**	–
惠理中國豐泰1號私募投資基金 (Note 20)	**3,468**	–
惠理中國鴻信1號私募證券投資基金	**2,344**	–
惠理中國豐泰2號私募證券投資基金	**1,122**	–
Hanwha Value Partners Asia High Dividend Equity Feeder Fund (Note 20)	**41,115**	–
Total investments in investment funds which are managed/advised by the Group	**1,900,607**	1,670,948

(a) The units held were "C" units.
(b) The units held were Class A Acc.
(c) The units held was Class A and Class X units.
(d) The units held were Class A units.
(e) The units held were Class A Acc and Class X Acc units.
(f) The shares held were management shares.
(g) The units held were Class A2 MDis units.

37 Related-party transactions (continued)

37.4 Investments in an investment fund managed by a related company

As at 31 December 2019, the Group had investments in Malabar India Fund, LP amounted to HK$36,339,000 (2018: HK$37,416,000) which is managed by Malabar Investment LLC in which the Group had an interest of 6.6% (2018: 6.6%).

37.5 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.

37.6 Dividends receivable

The amount is an interim dividend for the year ended 31 December 2019 and 2018 declared by Value Partners Hong Kong Limited to Value Partners Group Limited. The amount is unsecured and non-interest bearing.

38 Balance sheet and reserve movement of the Company

Balance Sheet of the Company

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment in subsidiaries		**1,470,100**	1,455,056
Amounts due from subsidiaries	37.5	**838,704**	846,851
Other assets		**–**	31,686
		2,308,804	2,333,593
Current assets			
Dividends receivable	37.6	**400,000**	100,000
Prepayments and other receivables		**8,138**	16,315
Cash and cash equivalents		**508,202**	473,870
		916,340	590,185
Current liabilities			
Other payables and accrued expenses		**4,301**	8,947
Net current assets		**912,039**	581,238
Non-current liabilities			
Amounts due to subsidiaries	37.5	**66,189**	66,190
Net assets		**3,154,654**	2,848,641
Equity			
Issued equity		**2,273,918**	2,276,920
Other reserves	(a)	**274,405**	247,985
Retained earnings	(a)	**606,331**	323,736
Total equity		**3,154,654**	2,848,641

On behalf of the Board

SO Chun Ki Louis
Director

Ho Man Kei Norman
Director

38 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 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 28)	(9,149)	–	9,149
Profit for the year	–	–	91,553
Dividends	–	–	(1,929,961)
As at 31 December 2018	247,745	240	323,736
As at 1 January 2019	**247,745**	**240**	**323,736**
Share-based compensation	**27,818**	**–**	**–**
Transfer of share-based compensation reserve upon exercise, forfeiture or expiring of share options (Note 28)	**(1,398)**	**–**	**1,398**
Profit for the year	**–**	**–**	**392,546**
Dividends	**–**	**–**	**(111,349)**
As at 31 December 2019	**274,165**	**240**	**606,331**

39 Benefits and interests of directors

39.1 Directors' emoluments

The remuneration of each director 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 2019						
Executive directors						
Dato' Seri Cheah, Cheng Hye	–	5,405	14,726	2,277	5	22,413
Mr. So, Chun Ki Louis	–	5,369	17,672	14,629	18	37,688
Ms. Hung, Yeuk Yan Renee	–	2,875	8,836	1,475	18	13,204
Dr. Au, King Lun [b]	–	2,021	565	637	10	3,233
Mr. Ho Man Kei, Norman [e]	–	1,253	3,849	745	8	5,855
Independent non-executive directors						
Dr. Chen, Shih Ta Michael	360	–	–	–	–	360
Mr. Oyama, Nobuo	360	–	–	–	–	360
Mr. Wong Poh Weng [d]	360	–	–	–	–	360
	1,080	16,923	45,648	19,763	59	83,473
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

(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) Retired as executive director on 26 July 2019.

(c) Resigned on 14 August 2018.

(d) Appointed on 14 August 2018.

(e) Appointed as executive director on 26 July 2019.

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 2019 (2018: Nil). No directors waived or agreed to waive any emoluments for the year ended 31 December 2019 (2018: Nil).

39.2 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.

40 Subsequent event

The Group applies the fair value model to measure certain investments which are subject to significant judgement and estimates. As at 31 December 2019, the total fair value of the Group's investment in investment property, investment in joint ventures with underlying investment properties, and Level 3 investments amounted to HK$168,526,000, HK$318,504,000 and HK$644,237,000, respectively (refer to Notes 3, 4.3, 16, 18, 20, 21 and 23 for details of these investments and the respective valuation methodologies). In 2020, the fair value of these investments may be subject to further fluctuation due to the coronavirus outbreak, the impact of which is still under assessment by management.

Particulars of subsidiaries

As at 31 December 2019, 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
Complete Value Investing Company Ltd	Hong Kong	Property holding	HK$10,000
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 Fund Management Group Limited	Hong Kong	Dormant	HK$1
Prosperous Decade Sdn. Bhd.	Malaysia	Investment holding	RM500,000
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$122,314,734
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	GBP1,550,000
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

Particulars of subsidiaries

Name	Place of incorporation	Principal activities and place of operation	Issued share capital
Value Partners Hong Kong Limited	Hong Kong	Investment management, investment holding and securities dealing in Hong Kong	HK$385,000,000
Value Partners Index Services Limited	Hong Kong	Indexing services in Hong Kong	HK$1
Value Partners Investment Advisory Limited	Hong Kong	Consulting services in Hong Kong	HK$25,000,000
Value Partners Limited	British Virgin Islands	Investment management, investment holding and securities dealing in Hong Kong	US$1,530,278
Value Partners Asset Management Malaysia Sdn. Bhd.	Malaysia	Investment management in Malaysia	RM6,600,000
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)