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VALUE PARTNERS GROUP LIMITED
惠理集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 806)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

The key financial highlights for the reporting period are as follows:

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

FINAL RESULTS

The Board of Directors (the “Board”) of Value Partners Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		10,603	16,461
Intangible assets		14,047	13,878
Deferred tax assets		15,384	10,153
Investments	10	734,229	1,061,122
Other assets		8,616	8,583
Loan portfolio, net		67,795	104,275
		850,674	1,214,472
Current assets			
Investments	10	41,756	154,832
Investments held-for-sale	11	14,875	209,394
Fees receivable	12	112,429	206,042
Loan portfolio, net		55,986	146,036
Amounts receivable on sale of investments		–	7,227
Prepayments and other receivables		33,040	28,919
Deposits with brokers		175,310	–
Time deposits		43,781	70,073
Cash and cash equivalents	13	2,629,131	2,228,784
		3,106,308	3,051,307
Current liabilities			
Investments	10	4,121	–
Accrued bonus		53,181	142,111
Distribution fee expenses payable	14	105,967	116,963
Other payables and accrued expenses		25,021	30,816
Short-term loan		–	59,800
Other financial liabilities	15	4,527	–
Current tax liabilities		3,276	54,882
		196,093	404,572
Net current assets		2,910,215	2,646,735
Non-current liabilities			
Accrued bonus		320	746
Net assets		3,760,569	3,860,461
Equity			
Equity attributable to owners of the Company			
Issued equity	16	1,391,473	1,377,533
Other reserves		148,515	263,083
Retained earnings		2,157,728	2,149,583
		3,697,716	3,790,199
Non-controlling interests		62,853	70,262
Total equity		3,760,569	3,860,461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

2. REVENUE

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

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

3. COMPENSATION AND BENEFIT EXPENSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries, wages and other benefits	216,840	196,164
Management bonus	52,525	141,687
Share-based compensation	89,168	101,572
Pension costs	6,011	5,424
Total compensation and benefit expenses	364,544	444,847

4. OTHER EXPENSES

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

5. OTHER LOSSES – NET

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

6. TAX EXPENSE

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

Hong Kong profits tax has been provided on the estimated assessable profit for the year ended 31 December 2016 at the rate of 16.5% (2015: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

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

7. OTHER COMPREHENSIVE LOSS

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

8. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the profit attributable to owners of the Company of HK\$137,547,000 (2015: HK\$273,586,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,849,722,000 (2015: 1,844,440,000). The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue during the period of 1,849,722,000 (2015: 1,844,440,000) by 2,492,000 (2015: 6,506,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

9. DIVIDENDS

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

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

10. INVESTMENTS

Investments include the following:

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

11. INVESTMENTS HELD-FOR-SALE

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

The Group also classified some of its interests in investment funds as held-for-sale as the Group intends to market these funds and dilute its holdings as soon as practically possible to a level where its aggregate economic interest does not constitute a control. As at 31 December 2016 and 2015, the major assets of these investment funds were listed equity securities.

	Fair value	
	2016	2015
	HK\$'000	HK\$'000
Investment in an associate	–	54,765
Investment funds – Cayman Islands	–	131,425
Investment funds – Taiwan	14,875	23,204
	<hr/>	<hr/>
Total investments held-for-sale	14,875	209,394
	<hr/> <hr/>	<hr/> <hr/>

12. FEES RECEIVABLE

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

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

13. CASH AND CASH EQUIVALENTS

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

14. DISTRIBUTION FEE EXPENSES PAYABLE

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

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

15. 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.

16. ISSUED EQUITY

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

CHAIRMAN’S STATEMENT

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

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

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

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

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

Strong position

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

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

We gain confidence from our robust history, based on integrity, professional excellence and learning from mistakes. Since its founding in 1993, Value Partners' assets under management has grown from less than US\$5 million to reach US\$13.2 billion by the end of 2016. The flagship Value Partners Classic Fund¹ has gained 2,446% (net to clients) since inception compared with the Hang Seng Index's gain of 419% over the same period (performance measured from inception in April 1993 to the end of 2016, when the Classic Fund's size was US\$1.41 billion).

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

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

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

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

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

REPORT OF THE CHIEF EXECUTIVE OFFICER

Moving forward in a challenging market

2016 was a year of surprises. Global financial markets were shocked by “black swan” events which triggered volatility and dampened investment sentiment. In Hong Kong, the asset management market was not immune with retail equity funds recording a net outflow of US\$8.2 billion¹, versus a net inflow of US\$7.3 billion in 2015. Asia regional ex-Japan equity funds and China equity funds were among the hardest hit in 2016, with net outflows reaching US\$1.2 billion¹ and US\$1.4 billion¹, respectively.

Financial highlights

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

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

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

Product and business diversification

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

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

Fixed income is now a significant asset class to our Group, accounting for 17% of total AUM. Our largest fixed income product – Value Partners Greater China High Yield Income Fund² – delivered a return of 15.9% for 2016, outperforming the J.P. Morgan China Total Return Index³ by over 10 percentage points. During the year, we also successfully launched a Greater China preference shares income fund and Qualified Domestic Limited Partnership (“QDLP”) products linked to this fund, which were popular among mainland investors. QDLP is a cross-border investment scheme that enables qualified mainland individuals to invest overseas. In 2016, Value Partners’ fixed income team had a record year of awards earning eight industry accolades for their excellent investment performance.

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

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

Progress was also made on our exchange-traded fund (“ETF”) business. The demand for leveraged and inverse (“L&I”) ETFs has been flourishing in the region after South Korea launched the first L&I product in Asia about eight years ago. Followed by the respective debut launches in Japan and Taiwan in 2012 and 2014, regulators in Hong Kong and Singapore gave their green light last year. As L&I products were gaining traction, we have been developing our own L&I products which are scheduled for launch in 2017. As a homegrown asset manager in Hong Kong, Value Partners is committed to improving investor education as it is one of the pre-requisites required for developing the ETF market in Hong Kong. To raise the awareness and the usage of ETFs locally, we rolled out a promotional campaign in December 2016 in which the management fee of Value Gold ETF (03081 HK) was lowered to 0% from 0.15% per annum until 30 June 2017. Launched in 2010, Value Gold ETF is the first ETF⁴ backed by physical gold stored in Hong Kong, making it less susceptible to geopolitical risks given Hong Kong’s relatively stable status as compared to other overseas locations.

Last but not the least, our core equity capability, which contributed to 81% of the Group’s AUM, was once again recognized by the industry for consistency and performance. We were proud to be crowned “Best Equity Group (Hong Kong)” in the Thomson Reuters Lipper Fund Awards Hong Kong 2016⁵ and named “Fund House of the Year – Hong Kong” in *AsianInvestor’s* Asset Management Awards 2016⁶.

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

Infrastructure enhancement

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

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

Business opportunities

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

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

(i) China outbound flows

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

(ii) Inflows from the rest of the world

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

Appreciation

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

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

1. *Source: Hong Kong Investment Funds Association, data as of 31 December 2016.*
2. *Performance of Value Partners Greater China High Yield Income Fund (Class P Acc USD) as of 31 December 2016, in USD, NAV to NAV, with dividend reinvested and net of fees. Annual performance over the past five years: 2012: +13.0%; 2013: +1.2%; 2014: +1.1%; 2015: +6.1%; 2016: +15.9%; 2017 (Year to date as at 28 February): +5.5%.*
3. *J.P. Morgan China Total Return Index is a sub-index under the J.P. Morgan Asia Credit Index which tracks total return performance of the Asia fixed-rate dollar bond market.*
4. *Refers to Hong Kong-listed ETFs only.*
5. *2016 Thomson Reuters Lipper Fund Awards Hong Kong, reflecting performance over the 3-year period as at December 2015.*
6. *Based on performance and achievements for 2015.*

FINANCIAL REVIEW

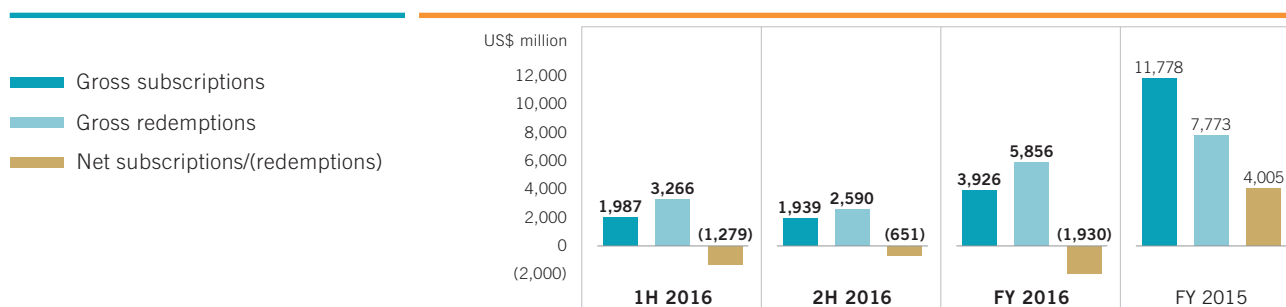
Assets Under Management

AUM and return

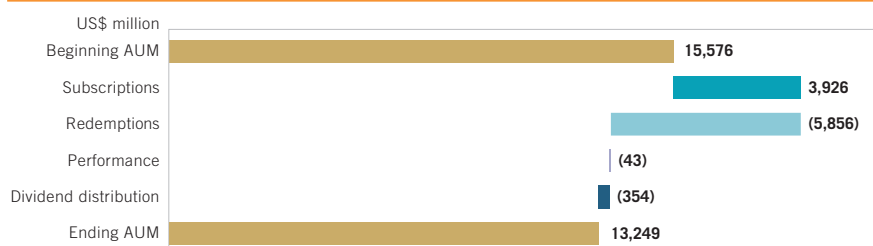
The Group's AUM stood at US\$13,249 million at the end of December 2016 (31 December 2015: US\$15,576 million). The decline was mainly due to the Group's net redemptions of US\$1,930 million during the year.

Overall fund performance¹, calculated in asset-weighted average return of funds under management, gained 0.6% in 2016. Among all, Value Partners Greater China High Yield Income Fund², our largest fixed income fund, generated solid return of 15.9% during the year. Meanwhile, Value Partners Classic Fund³, our flagship product, fell 3.2% during the year while Value Partners High-Dividend Stocks Fund⁴, the Group's largest public fund⁵ in Hong Kong, dipped 0.2% during the year.

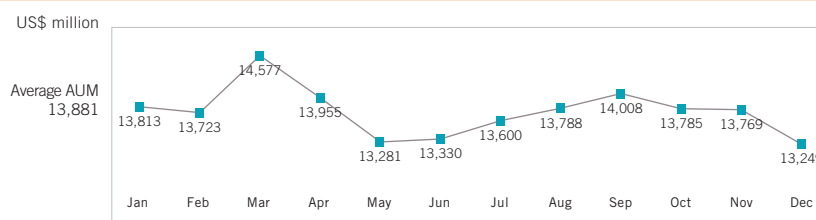
In the second half of 2016, our net outflows improved with net redemptions reduced to US\$651 million from US\$1,279 million in the first half of 2016. For the full year of 2016, we had net redemptions of US\$1,930 million (2015: net subscriptions of US\$4,005 million), comprises of gross subscriptions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



AUM Change in the year 2016



Monthly AUM in the year 2016



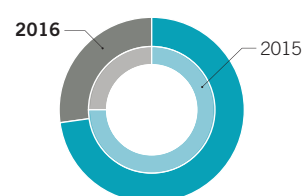
AUM by category

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

Classification by brand

- Own Branded Funds
- White Label & Co-branded Funds

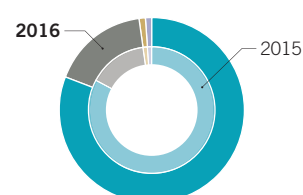
	2016	2015
Own Branded Funds	73%	75%
White Label & Co-branded Funds	27%	25%



Classification by strategy

- Absolute Return Long-biased Funds
- Fixed Income Funds
- Alternative Funds
- Quantitative Funds & ETF

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



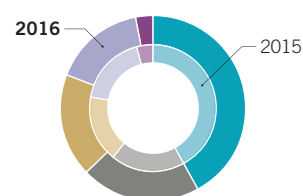
Client base

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

Client analysis by type

- Retail
- Pension funds
- High-net-worth individuals
- Institutions
- Others

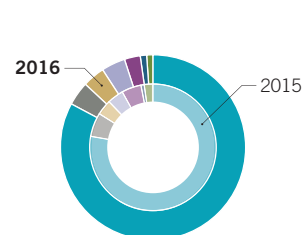
	2016	2015
Retail	42%	42%
Pension funds	21%	19%
High-net-worth individuals	18%	17%
Institutions	16%	18%
Others	3%	4%



Client analysis by geographical region

- Hong Kong
- United States
- Singapore
- China
- Europe
- Australia
- Others

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



Summary of results

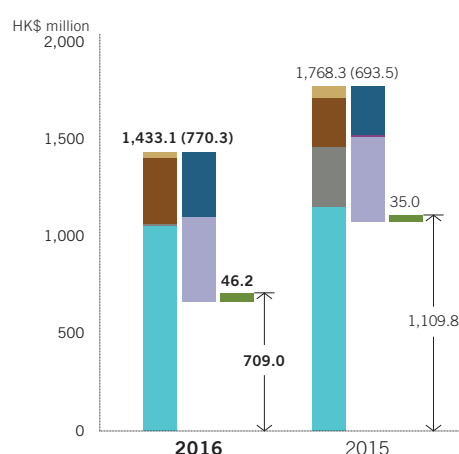
Key financial highlights for the reporting period are as follows:

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

Revenue and fee margin

Breakdown of total net income

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



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

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

Gross performance fees, another source of revenue, decreased to HK\$10.8 million (2015: HK\$309.0 million). Performance fees are generated when funds, at the dates of their performance fee crystallization, report returns exceeding their benchmarks or high watermarks for the respective period ended.

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

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

Other gains and losses

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

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

Cost management

Breakdown of total expenses

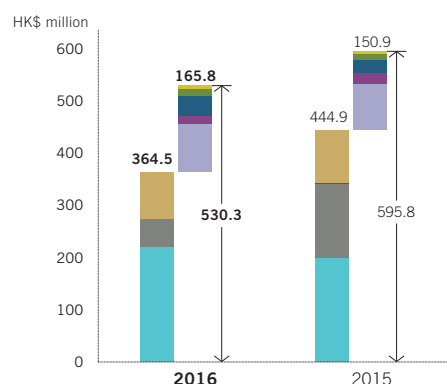
(In HK\$ million)

Compensation and benefit expenses

	2016	2015
Fixed salaries and staff benefits	221.4	199.3
Management bonus	52.5	141.7
Staff rebates	1.4	2.3
Share-based compensation expenses	89.2	101.6

Other expenses

Other fixed operating costs	91.4	87.6
Sales and marketing	17.9	22.7
Loan impairment allowances	36.7	24.3
Depreciation	13.9	10.9
Non-recurring expenses	5.9	5.4



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

Compensation and benefit expenses

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

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

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

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

Other expenses

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

Dividends

The Group has been adopting a consistent dividend distribution policy that takes into account of the relatively volatile nature of asset management income streams. This policy states that dividends (if any) will be declared annually at the end of each financial year to better align dividend payments with the Group's full-year performance. Dividend per share is declared based on the Group's realized profit which excluded the unrealized gains and losses recognized.

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

Liquidity and financial resources

Fee income is the Group's main source of income while other income sources include interest income generated from bank deposits and dividend income from investments held. During the year, the Group's balance sheet and cash flow positions remained strong with a net cash balance of HK\$2,629.1 million. Net cash inflows from operating activities amounted to HK\$130.8 million, and the Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities. The Group's debt-to-equity ratio (interest bearing external borrowings divided by shareholders' equity) was zero while current ratio (current assets divided by current liabilities) was 15.8 times.

Capital structure

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

1. *Overall fund performance is calculated by taking an asset-weighted average of returns of the most representative share class of all funds managed by Value Partners.*
2. *As of 31 December 2016. Refer to footnote 2 on page 15.*
3. *As of 31 December 2016. Refer to footnote 1 on page 11.*
4. *Performance of Value Partners High-Dividend Stocks Fund (Class A1) as of 31 December 2016, in USD, NAV to NAV, with dividend reinvested and net of fees. Annual performance over the past five years: 2012: +25.2%; 2013: +8.1%; 2014: +9.4%; 2015: -3.7%; 2016: -0.2%; 2017 (Year to date as at 28 February): +9.8%.*
5. *SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*

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

HUMAN RESOURCES

As at 31 December 2016, the Group employed a total of 194 staff (2015: 196) in Hong Kong and Shanghai, 12 staff (2015: 9) in Singapore, 2 staff (2015: Nil) in London, 15 staff (2015: 18) in Taiwan and 69 staff (2015: 82) in Chengdu. Remuneration packages that take into account of business performance, market practices and competitive market conditions are offered to employees in compensation for their contributions. In line with our emphasis on recognition for 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.

DIVIDENDS

No interim dividend was paid during the year. The Board is pleased to recommend the distribution of a final dividend of HK4.8 cents per share and a special dividend of HK7.2 cents per share for the year ended 31 December 2016. Subject to the approval of shareholders of the Company at the Annual General Meeting for the year 2017, the final and special dividends will be payable on or about 25 May 2017 to shareholders whose names appear on the Registers of Members of the Company at close of business on 12 May 2017. Dividend per share is declared based on the Group's realized profit which excluded the unrealized gains and losses recognized, the Board will continue to review the Group's financial position and capital needs every year in deciding its dividend recommendation going forward.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company ("AGM") will be held on Thursday, 4 May 2017. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

1. AGM

For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Thursday, 27 April 2017 to Thursday, 4 May 2017 both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 26 April 2017.

2. Proposed Final and Special Dividends

The proposed final and special dividends are subject to the passing of an ordinary resolution by shareholders at the AGM. The record date for entitlement to the proposed final and special dividends is 12 May 2017. For determining the entitlement to the proposed final and special dividends, the Register of Members of the Company will be closed from Wednesday, 10 May 2017 to Friday, 12 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final and special dividends mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at the abovementioned address not later than 4:00 p.m. on Tuesday, 9 May 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the financial year ended 31 December 2016.

AUDIT COMMITTEE

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has an audit committee which comprises three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the consolidated results of the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Corporate Governance Code, as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2016, apart from the deviation mentioned below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 to the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2016.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE STOCK EXCHANGE

The final results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.valuepartners-group.com>). The annual report will be despatched to shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

OUR APPRECIATION

Finally, we would like to express our gratitude to shareholders, business partners, distributors and customers for their unfaltering support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

By order of the board of
Value Partners Group Limited
Dato' Seri CHEAH Cheng Hye
Chairman and Co-Chief Investment Officer

Hong Kong, 7 March 2017

As at the date of this Announcement, our Directors are Dato' Seri Cheah Cheng Hye, Mr. So Chun Ki Louis, Dr. AU King Lun and Ms. Hung Yeuk Yan Renee as Executive Directors and Dr. Chen Shih Ta Michael, Mr. Lee Siang Chin and Mr. Nobuo Oyama as Independent Non-executive Directors.