惠 理 集 團
Value Partners Group

# 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 2018

## FINANCIAL HIGHLIGHTS

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

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

## 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 2018.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2018*

| | *Note* | **2018** *HK$'000* | 2017 *HK$'000* |
|---|---|---|---|
| **Income** | | | |
| Fee income | *2* | **1,641,365** | 4,105,950 |
| Distribution fee expenses | | **(810,936)** | (846,092) |
| **Net fee income** | | **830,429** | 3,259,858 |
| Other income | | **104,542** | 39,271 |
| **Total net income** | | **934,971** | 3,299,129 |
| **Expenses** | | | |
| Compensation and benefit expenses | *3* | **(379,228)** | (953,971) |
| Operating lease rentals | | **(43,541)** | (27,799) |
| Other expenses | *4* | **(112,277)** | (110,010) |
| **Total expenses** | | **(535,046)** | (1,091,780) |
| **Operating profit (before other gains/losses)** | | **399,925** | 2,207,349 |
| Net (losses)/gains on investments | | **(189,721)** | 198,808 |
| Fair value gain of an investment property | *11* | **17,134** | – |
| Gains on disposal of a subsidiary | *5* | **–** | 11,173 |
| Others | | **3,880** | 17,729 |
| **Other (losses)/gains – net** | *6* | **(168,707)** | 227,710 |
| **Operating profit (after other gains/losses)** | | **231,218** | 2,435,059 |
| Share of gains of joint ventures | | **68,475** | – |
| Profit before tax | | **299,693** | 2,435,059 |
| Tax expense | *7* | **(70,240)** | (348,495) |
| **Profit for the year from continuing operations** | | **229,453** | 2,086,564 |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | *5* | **–** | (38,480) |
| **Profit for the year** | | **229,453** | 2,048,084 |
| **Profit/(loss) for the year attributable to** | | | |
| Owners of the Company | | | |
| – Continuing operations | | **229,453** | 2,086,564 |
| – Discontinued operations | | **–** | (38,480) |
| **Profit for the year** | | **229,453** | 2,048,084 |

| | Note | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|---|
| **Other comprehensive (loss)/income for the year** | | | |
| **– Items that have been reclassified or may be subsequently reclassified to profit or loss** | | | |
| Fair value losses on financial assets at fair value through other comprehensive income | | **(281)** | – |
| Fair value gains on available-for-sale financial assets | | **–** | 19,578 |
| Foreign exchange translation | | **(7,053)** | 17,013 |
| Foreign exchange losses reclassified to profit or loss on disposal of foreign operations | | **–** | 31,065 |
| **Other comprehensive (loss)/income for the year** | *8* | **(7,334)** | 67,656 |
| **Total comprehensive income for the year** | | **222,119** | 2,115,740 |
| **Total comprehensive income/(loss) for the year attributable to** | | | |
| Owners of the Company | | | |
| – Continuing operations | | **222,119** | 2,122,411 |
| – Discontinued operations | | **–** | (6,671) |
| **Total comprehensive income for the year** | | **222,119** | 2,115,740 |
| **Earnings/(loss) per share from continuing and discontinued operations attributable to owners of the Company (HK cents per share)** | | | |
| **Basic earnings/(loss) per share** | | | |
| – Continuing operations | | **12.4** | 112.7 |
| – Discontinued operations | | **–** | (2.1) |
| | *9* | **12.4** | 110.6 |
| **Diluted earnings/(loss) per share** | | | |
| – Continuing operations | | **12.4** | 112.6 |
| – Discontinued operations | | **–** | (2.1) |
| | *9* | **12.4** | 110.5 |

## CONSOLIDATED BALANCE SHEET

*As at 31 December 2018*

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **26,543** | 7,710 |
| Investment property | *11* | **167,663** | – |
| Intangible assets | | **16,146** | 17,529 |
| Investment in joint ventures | *12* | **302,483** | 190,867 |
| Deferred tax assets | | **–** | 122 |
| Investments | *13* | **1,311,333** | 1,511,107 |
| Other assets | | **44,012** | 44,471 |
| | | **1,868,180** | 1,771,806 |
| **Current assets** | | | |
| Investments | *13* | **516,661** | 127,474 |
| Fees receivable | *14* | **128,993** | 2,611,076 |
| Amounts receivable on sale of investments | | **197,948** | 41,974 |
| Prepayments and other receivables | | **54,888** | 84,676 |
| Deposits with brokers | | **30** | 36,331 |
| Cash and cash equivalents | *15* | **1,629,166** | 2,204,704 |
| | | **2,527,686** | 5,106,235 |
| **Current liabilities** | | | |
| Investments | *13* | **–** | 11,800 |
| Accrued bonus | | **129,612** | 662,926 |
| Distribution fee expenses payable | *16* | **129,765** | 154,955 |
| Amounts payable on purchase of investments | | **–** | 15,435 |
| Other payables and accrued expenses | | **48,351** | 49,005 |
| Other financial liabilities | *17* | **–** | 3,991 |
| Current tax liabilities | | **7,905** | 320,614 |
| | | **315,633** | 1,218,726 |
| **Net current assets** | | **2,212,053** | 3,887,509 |
| **Non-current liabilities** | | | |
| Accrued bonus | | **18,175** | 19,292 |
| Borrowing | *19* | **83,168** | – |
| Deferred tax liabilities | | **429** | – |
| | | **101,772** | 19,292 |
| **Net Assets** | | **3,978,461** | 5,640,023 |
| **Equity** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued equity | *18* | **1,410,107** | 1,391,473 |
| Other reserves | | **231,912** | 255,182 |
| Retained earnings | | **2,336,442** | 3,993,368 |
| **Total equity** | | **3,978,461** | 5,640,023 |

## 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.

The Group has adopted the new standards, amendments and interpretations which are effective for the Group's financial year beginning 1 January 2018. The adoption had no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, except for those disclosed as follows:

(i) HKFRS 9 "Financial instruments" addresses the classification, measurement and recognition of financial assets and liabilities. HKFRS 9 establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets.

On 1 January 2018, the Group has reclassified its equity instruments classified as available-for-sale financial assets to financial assets at fair value through profit or loss to reflect the effect of the above. Related net fair value gains of HK$33,455,000 were transferred from the available-for-sale financial assets revaluation reserve to retained earnings on 1 January 2018.

(ii) HKFRS 15 "Revenue from contracts with customers" requires revenue to be recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. In consideration of the fund distribution services as a separate performance obligation from asset management and the obligation is satisfied at a point in time upon the investors' subscription, the front-end fees and rebates incurred from the distribution services should be recognized at a point in time.

On 1 January 2018, deferred front-end fee and rebate liabilities of HK$978,000 as previously reported under "other payables and accrued expenses" have been transferred to retained earnings to reflect the effect of the above.

## 2. REVENUE

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

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

## 3. COMPENSATION AND BENEFIT EXPENSES

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

## 4. OTHER EXPENSES

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

## 5. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2017, the Group entered into a sale and purchase agreement with a third party to sell its entire issued share capital of Brilliant Star Capital (Cayman) Limited, which indirectly holds 90% of Chengdu Vision Credit Limited, the Group's small loan business in Chengdu. The transaction was completed in October 2017. This disposal group's results are presented in the consolidated financial statement as a discontinued operation.

During the same year, the Group entered into another sale and purchase agreement with a third party to sell its 62.05% equity interest in Value Partners Concord Asset Management Co., Ltd., an investment management business in Taiwan. The transaction was completed in August 2017.

## 6. OTHER (LOSSES)/GAINS – NET

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net (losses)/gains on investments | | |
| Net (losses)/gains on financial assets at fair value through profit or loss | **(189,721)** | 199,796 |
| Net losses on disposal of available-for-sale financial assets | **–** | (988) |
| Net fair value gain on investment property | **17,134** | – |
| Gains on disposal of a subsidiary *(Note 5)* | **–** | 11,173 |
| Others | | |
| Net foreign exchange gains | **3,880** | 19,825 |
| Foreign exchange losses reclassified to profit or loss on disposal of a foreign operation *(Note 5)* | **–** | (2,117) |
| Gains on disposal of property, plant and equipment | **–** | 21 |
| **Total other (losses)/gains – net** | **(168,707)** | 227,710 |

## 7. 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 2018 at the rate of 16.5% (2017: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

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

## 8. OTHER COMPREHENSIVE (LOSS)/INCOME

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

## 9. 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$229,453,000 (2017: HK$2,048,084,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,855,528,000 (2017: 1,851,715,000). The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue during the period of 1,855,528,000 (2017: 1,851,715,000) by 986,000 (2017: 1,808,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

## 10. DIVIDENDS

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

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

## 11. INVESTMENT PROPERTY

During the year ended 31 December 2018, the Group acquired the entire interest in a student accommodation investment property located in New Zealand under a freehold land with a consideration of HK$146,390,000. The investment property was revalued at 31 December 2018 with a fair value gain of HK$17,134,000.

## 12. INVESTMENT IN JOINT VENTURES

As at 31 December 2018, “investment in joint ventures” on the consolidated balance sheet, amounting to HK$302,483,000, represents the Group’s (i) 50% equity interest in Value Investing Group Company Limited, which has the trust beneficiary interests in three logistics centers in Japan, and (ii) 50% equity interest in Clear Miles Hong Kong Limited, acquired during the year, which has interest in one industrial property in Australia.

As at 31 December 2017, “investment in joint ventures” on the consolidated balance sheet, amounting to HK$190,867,000, represents the Group’s 50% equity interest in Value Investing Group Company Limited, which has the trust beneficiary interests in two logistics centers in Japan.

## 13. INVESTMENTS

Investments include the following:

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

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

## 14. 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:

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

## 15. CASH AND CASH EQUIVALENTS

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

## 16. DISTRIBUTION FEE EXPENSES PAYABLE

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

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

## 17. 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.

## 18. ISSUED EQUITY

| | Number of shares | Issued equity |
|---|---|---|
| | | *HK$'000* |
| **As at 1 January 2017, 31 December 2017 and 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** |

## 19. BORROWING

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

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

The maturity of borrowing is as follows:

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

## CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

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

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

**Appreciation**

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

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

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

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

## REPORT OF THE CHIEF EXECUTIVE OFFICER

### Delivering growth against a challenging backdrop

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

### Financial highlights

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

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

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

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

**China Business – Further breakthroughs and accelerating growth**

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

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

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

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

**Alternatives – The next phase of our product suite expansion**

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

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

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

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

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

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

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

## Making inroads globally

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

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

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

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

## Effectively managing our resources for the future

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

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

**Appreciation**

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

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

1. *Source: Asset Management Association of China.*
2. *Source: The Future of Alternatives report published by Preqin in October 2018.*
3. *Source: Leadership in Times of Plenty: Future Winners in China's Asset Management Industry report published by Deloitte's CaseyQuirk in November 2017.*

## FINANCIAL REVIEW

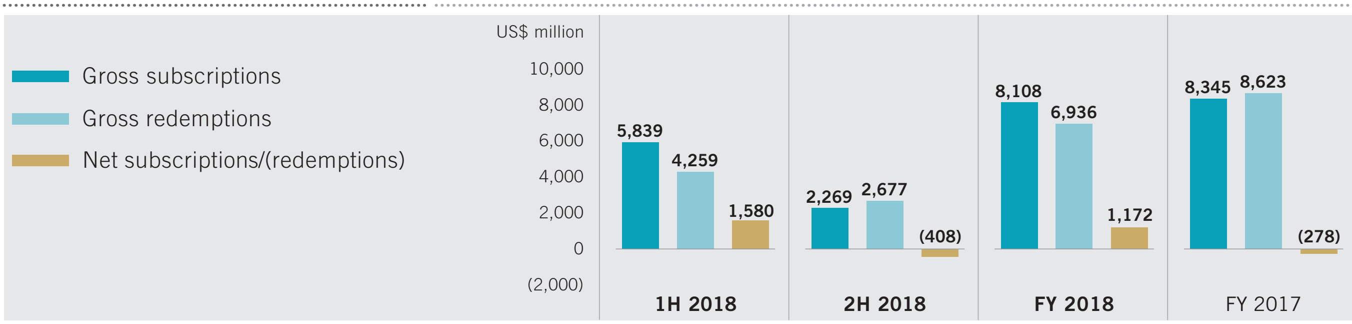
### Assets Under Management

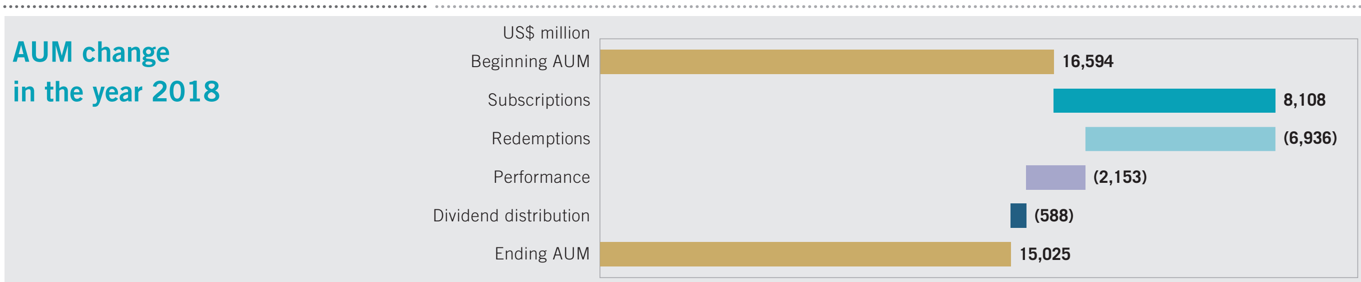
#### *AUM and return*

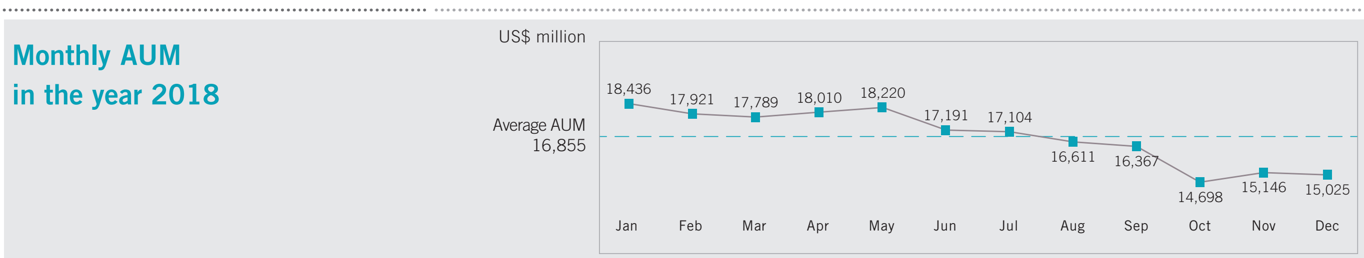
The Group's AUM stood at US$15,025 million at the end of December 2018 (31 December 2017: US$16,594 million). The decline was mainly due to negative fund returns in a challenging market environment. While the Group generated a net subscription of US$1,172 million in 2018, it was offset by a US$2,153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

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

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



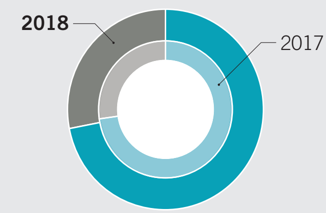



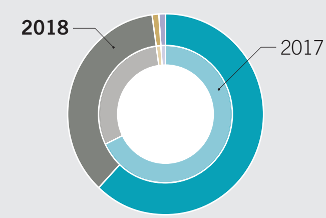
### *AUM by category*

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

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



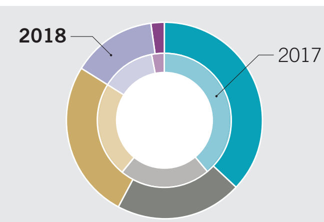

| Classification by strategy | 2018 | 2017 |
|---|---|---|
| Absolute Return Long-biased Funds | 62% | 68% |
| Fixed Income Funds | 36% | 30% |
| Quantitative Funds & ETF | 1% | 1% |
| Alternative Funds | 1% | 1% |



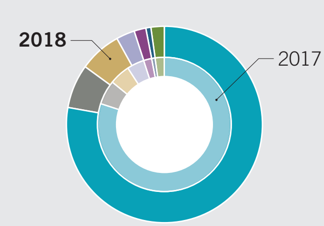

### *Client base*

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

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




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



## Summary of results

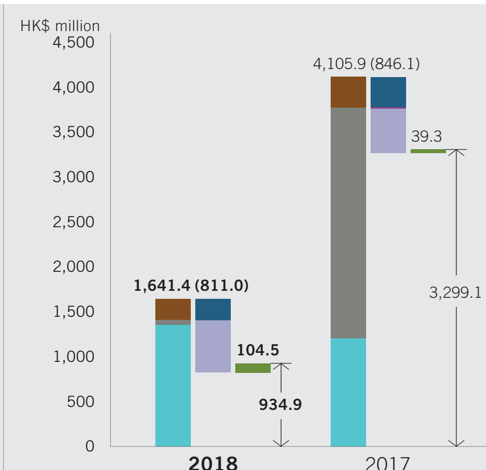
Key financial highlights for the reporting period are as follows:

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

## Revenue and fee margin

### Breakdown of total net income

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




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

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

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

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

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

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

## Other gains and losses

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

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

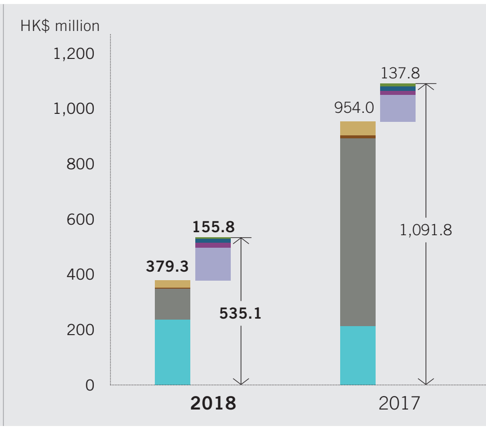
## Investment in joint ventures

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

## Cost management

**Breakdown of total expenses**

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




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

### *Compensation and benefit expenses*

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

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

The staff of Value Partners is entitled to partial rebates of management fees and performance fees when investing in funds managed by the Group. Staff rebates for the year amounted to HK$3.9 million (2017: HK$10.2 million).

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

### *Other expenses*

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

## Dividends

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

For 2018, the Board of Directors recommended a final dividend of HK6.0 cents per share to shareholders.

## Liquidity and financial resources

Fee income is the Group's main source of income, while other income sources include interest income generated from bank deposits and dividend income from investments held. At the end of 2018, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK$1,629.2 million. Net cash inflows from operating activities amounted to HK$1,979.8 million. The Group's debt-to-equity ratio (interest bearing external borrowings (excluding borrowings by investment funds where the Group has a controlling interest) divided by shareholders' equity) was zero, while its current ratio (current assets divided by current liabilities) was 8.0 times.

## Capital structure

As at 31 December 2018, the Group's shareholders' equity and total number of shares issued were HK$3,978.5 million and 1.86 billion, respectively.

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

2. *Annual calendar returns of Value Partners Greater China High Yield Income Fund (Class P Acc USD) over the past five years: 2014: +1.1%; 2015: +6.1%; 2016: +15.9%; 2017: +10.1%; 2018: -4.9%; 2019 (Year to date as at 28 February): +4.0%.*

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

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

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

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

## SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers Hong Kong (PwC), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on the preliminary announcement.

## HUMAN RESOURCES

As at 31 December 2018, the Group employed a total of 212 staff (2017: 198) in Hong Kong and Shanghai, 7 staff (2017: 1) in Shenzhen, 10 staff (2017: 10) in Singapore, 3 staff (2017: 2) in London, 5 staff (2017: nil) in Malaysia and 1 staff (2017: nil) in United States. 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 HK6.0 cents per share for the year ended 31 December 2018. Subject to the approval of shareholders of the Company at the Annual General Meeting ("AGM") for the year 2019, the final dividend will be payable on or about 22 May 2019 to shareholders whose names appear on the Registers of Members of the Company at close of business on 7 May 2019. 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 AGM will be held on Friday, 26 April 2019. 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 Tuesday, 23 April 2019 to Friday, 26 April 2019 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 Thursday, 18 April 2019.

2. **Proposed Final Dividend**

The proposed final dividend is subject to the passing of an ordinary resolution by shareholders at the AGM. The record date for entitlement to the proposed final dividend is 7 May 2019. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Friday, 3 May 2019 to Tuesday, 7 May 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend 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 Thursday, 2 May 2019.

## 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 2018.

## 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 2018.

## 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 2018.

## 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 2018.

## 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, 12 March 2019

*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. Nobuo Oyama and Mr. Wong Poh Weng as Independent Non-executive Directors.*