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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 2017

FINANCIAL HIGHLIGHTS

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

(In HK\$ million)	2017	2016	% Change
Total revenue	4,105.9	1,398.6	+193.6%
Gross management fees	1,196.0	1,049.1	+14.0%
Gross performance fees	2,570.9	10.8	+23,704.6%
Operating profit (before other gains/losses)	2,207.3	197.8	+1,015.9%
Profit attributable to owners of the Company	2,048.1	137.5	+1,389.5%
Basic earnings per share (HK cents)	110.6	7.4	+1,394.6%
Diluted earnings per share (HK cents)	110.5	7.4	+1,393.2%
Interim dividend per share	Nil	Nil	
Final dividend per share (HK cents)	18.0	4.8	+275.0%
Special dividend per share (HK cents)	86.0	7.2	+1,094.4%
Total dividends per share (HK cents)	104.0	12.0	+766.7%

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 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Income			
Fee income	2	4,105,950	1,398,604
Distribution fee expenses		(846,092)	(770,282)
Net fee income		3,259,858	628,322
Other income		39,271	41,143
Total net income		3,299,129	669,465
Expenses			
Compensation and benefit expenses	3	(953,971)	(348,370)
Operating lease rentals		(27,799)	(27,513)
Other expenses	4	(110,010)	(95,782)
Total expenses		(1,091,780)	(471,665)
Operating profit (before other gains/losses)		2,207,349	197,800
Net gains/(losses) on investments		198,808	(1,082)
Net losses on investments held-for-sale		–	(2,024)
Gains on disposal of a subsidiary	5	11,173	–
Others		17,729	(17,444)
Other gains/(losses) – net	6	227,710	(20,550)
Operating profit (after other gains/losses) and profit before tax		2,435,059	177,250
Tax expense	7	(348,495)	(31,230)
Profit for the year from continuing operations		2,086,564	146,020
Discontinued operations			
Loss for the year from discontinued operations	5	(38,480)	(13,430)
Profit for the year		2,048,084	132,590
Profit/(loss) for the year attributable to Owners of the Company			
– Continuing operations		2,086,564	149,275
– Discontinued operations		(38,480)	(11,728)
		2,048,084	137,547
Non-controlling interests			
– Continuing operations		–	(3,255)
– Discontinued operations		–	(1,702)
		–	(4,957)
Profit for the year		2,048,084	132,590

	Note	2017 HK\$'000	2016 HK\$'000
Other comprehensive income/(loss) for the year			
– Items that have been reclassified or may be subsequently reclassified to profit or loss			
Fair value gains/(losses) on available-for-sale financial assets		19,578	(2,303)
Foreign exchange translation		17,013	(37,494)
Foreign exchange losses reclassified to profit or loss on disposal of foreign operations	5	31,065	–
Other comprehensive income/(loss) for the year	8	67,656	(39,797)
Total comprehensive income for the year		2,115,740	92,793
Total comprehensive income/(loss) for the year attributable to			
Owners of the Company			
– Continuing operations		2,122,411	134,788
– Discontinued operations		(6,671)	(34,586)
		2,115,740	100,202
Non-controlling interests			
– Continuing operations		–	(3,167)
– Discontinued operations		–	(4,242)
		–	(7,409)
Total comprehensive income for the year		2,115,740	92,793
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		112.7	8.0
– Discontinued operations		(2.1)	(0.6)
	9	110.6	7.4
Diluted earnings/(loss) per share			
– Continuing operations		112.6	8.0
– Discontinued operations		(2.1)	(0.6)
	9	110.5	7.4

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment		7,710	10,603
Intangible assets		17,529	14,047
Investment in a joint venture	11	190,867	–
Deferred tax assets		122	15,384
Investments	12	1,511,107	734,229
Other assets		44,471	8,616
Loan portfolio, net		–	67,795
		1,771,806	850,674
Current assets			
Investments	12	127,474	41,756
Investments held-for-sale	13	–	14,875
Fees receivable	14	2,611,076	112,429
Loan portfolio, net		–	55,986
Amounts receivable on sale of investments		41,974	–
Prepayments and other receivables		84,676	33,040
Deposits with brokers		36,331	175,310
Time deposits		–	43,781
Cash and cash equivalents	15	2,204,704	2,629,131
		5,106,235	3,106,308
Current liabilities			
Investments	12	11,800	4,121
Accrued bonus		662,926	53,181
Distribution fee expenses payable	16	154,955	105,967
Amounts payable on purchase of investments		15,435	–
Other payables and accrued expenses		49,005	25,021
Other financial liabilities	17	3,991	4,527
Current tax liabilities		320,614	3,276
		1,218,726	196,093
Net current assets		3,887,509	2,910,215
Non-current liabilities			
Accrued bonus		19,292	320
Net assets		5,640,023	3,760,569
Equity			
Equity attributable to owners of the Company			
Issued equity	18	1,391,473	1,391,473
Other reserves		255,182	148,515
Retained earnings		3,993,368	2,157,728
		5,640,023	3,697,716
Non-controlling interests		–	62,853
Total equity		5,640,023	3,760,569

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 and fund distribution activities.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Management fees	1,196,044	1,049,068
Performance fees	2,570,921	10,802
Front-end fees	338,985	338,734
Total fee income	4,105,950	1,398,604

3. COMPENSATION AND BENEFIT EXPENSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Salaries, wages and other benefits	217,967	201,827
Management bonus	682,089	52,525
Share-based compensation	48,773	89,168
Pension costs	5,142	4,850
Total compensation and benefit expenses	953,971	348,370

4. OTHER EXPENSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Legal and professional fees	21,021	10,893
Depreciation, amortization and impairment charges	16,252	13,225
Research expenses	13,068	12,747
Marketing expenses	10,002	13,282
Travelling expenses	7,421	6,734
Office expenses	6,465	6,741
Recruitment expenses	5,799	1,851
Insurance expenses	4,480	4,804
Auditor's remuneration	4,197	4,738
Entertainment expenses	2,987	2,634
Registration and licensing fees	1,329	1,136
Donations	22	353
Others	16,967	16,644
Total other expenses	110,010	95,782

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. The fair value less cost of sell of this disposal group was HK\$303 million (representing the Group's 90% ownership), and a loss on disposal of HK\$10.5 million was recognized. Upon the disposal of this foreign operation, previously recognized foreign exchange losses of HK\$28.9 million was reclassified from foreign exchange translation reserve to the profit or loss. This disposal group's results are presented in the consolidated financial statement as a discontinued operation. Comparative figures relating to this discontinued operation on the consolidated statement of comprehensive income have been re-presented.

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 Assets Management Co., Ltd., an investment management business in Taiwan, for a consideration of HK\$35 million (representing the Group's 62.05% ownership). The transaction was completed in August 2017. A gain on disposal of HK\$11.2 million was recognized. Upon the disposal of this foreign operation, previously recognized foreign exchange losses of HK\$2.1 million was reclassified from foreign exchange translation reserve to the profit or loss.

6. OTHER GAINS/(LOSSES) – NET

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net gains/(losses) on investments		
Gains on financial assets at fair value through profit or loss	233,661	115,914
Losses on financial assets at fair value through profit or loss	(33,865)	(116,996)
Gains on disposal of available-for-sale financial assets	234	–
Losses on disposal of available-for-sale financial assets	(1,222)	–
Net losses on investments held-for-sale		
Losses on investments held-for-sale	–	(2,024)
Gains on disposal of a subsidiary (Note 5)	11,173	–
Others		
Net foreign exchange gains/(losses)	19,825	(17,444)
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 gains/(losses) – net	227,710	(20,550)

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 2017 at the rate of 16.5% (2016: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax		
Hong Kong profits tax	332,951	32,777
Overseas tax	18,790	4,174
Adjustments in respect of prior years	(2,098)	(8,753)
Total current tax	349,643	28,198
Deferred tax		
Origination and reversal of temporary differences	(1,148)	3,032
Total tax expense	<u><u>348,495</u></u>	<u><u>31,230</u></u>

8. OTHER COMPREHENSIVE INCOME/(LOSS)

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss:</i>		
Fair value gains/(losses) on available-for-sale financial assets	19,578	(2,303)
Foreign exchange translation	17,013	(37,494)
Foreign exchange losses reclassified to profit or loss on disposal of foreign operations (Note 5)	31,065	—
Total other comprehensive income/(loss)	<u><u>67,656</u></u>	<u><u>(39,797)</u></u>

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\$2,048,084,000 (2016: HK\$137,547,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,851,715,000 (2016: 1,849,722,000). The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue during the period of 1,851,715,000 (2016: 1,849,722,000) by 1,808,000 (2016: 2,492,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

10. DIVIDENDS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Declared special dividend of HK86.0 cents (2016: HK7.2 cents) per ordinary share	1,595,915	133,324
Proposed final dividend of HK18.0 cents (2016: HK4.8 cents) per ordinary share	334,028	88,882
Total dividends	1,929,943	222,206

On 19 January 2018, the directors declared a special dividend of HK86.0 cents per share to the shareholders whose names appear on the register of members of the Company on 7 February 2018, and 1,855,715,000 shares were in issue on such date. Total special dividend of HK\$1,595,915,000 was paid to the shareholders on 28 February 2018. For the year ended 31 December 2017, the directors recommended a final dividend of HK18.0 cents per share. The estimated total final dividend is HK\$334,028,000. The final dividend is to be approved by shareholders at the Annual General Meeting of the Company on 27 April 2018. Both dividends have not been recognized as a liability at the balance sheet date.

11. INVESTMENT IN A JOINT VENTURE

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

12. INVESTMENTS

Investments include the following:

	Financial assets/ (liabilities) at fair value through profit or loss		Available-for-sale financial assets		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Listed securities (by place of listing)						
Equity securities – Long – China	2,745	–	–	–	2,745	–
Equity securities – Long – Hong Kong	118,552	30,583	–	–	118,552	30,583
Equity securities – Short – Hong Kong	(11,176)	(3,644)	–	–	(11,176)	(3,644)
Equity securities – Long – South Korea	3,162	–	–	–	3,162	–
Equity securities – Long – Singapore	2,299	4,514	–	–	2,299	4,514
Equity securities – Long – Taiwan	4,133	4,428	–	–	4,133	4,428
Equity securities – Long – United States	8,263	2,230	–	–	8,263	2,230
Investment funds – Hong Kong	201,125	173,363	–	–	201,125	173,363
Market value of listed securities	329,103	211,474	–	–	329,103	211,474
Unlisted securities (by place of incorporation/establishment)						
Equity securities – Singapore	–	–	8,014	5,594	8,014	5,594
Investment funds – Australia	21,023	17,573	–	–	21,023	17,573
Investment funds – Cayman Islands	401,300	288,336	5,055	4,341	406,355	292,677
Investment funds – China	51,550	13,869	–	1,183	51,550	15,052
Investment funds – Hong Kong	44,995	–	–	–	44,995	–
Investment funds – Ireland	129,060	38,063	–	–	129,060	38,063
Investment funds – Luxemburg	–	–	51,889	71,867	51,889	71,867
Investment funds – United States	77,675	60,675	41,228	25,711	118,903	86,386
Loan note – Australia	413,208	–	–	–	413,208	–
Fair value of unlisted securities	1,138,811	418,516	106,186	108,696	1,244,997	527,212
Derivative financial instruments						
Equity swap – China	53,305	33,655	–	–	53,305	33,655
Equity swap – Taiwan	(50)	(39)	–	–	(50)	(39)
Equity swap – South Korea	(99)	–	–	–	(99)	–
Index futures – Hong Kong	(475)	(438)	–	–	(475)	(438)
Fair value of derivative financial instruments	52,681	33,178	–	–	52,681	33,178
Total investments	1,520,595	663,168	106,186	108,696	1,626,781	771,864
Representing:						
Non-current	1,404,921	625,533	106,186	108,696	1,511,107	734,229
Current	115,674	37,635	–	–	115,674	37,635
Total investments	1,520,595	663,168	106,186	108,696	1,626,781	771,864

13. INVESTMENTS HELD-FOR-SALE

The Group 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, the major assets of these investment funds were listed equity securities.

	Fair value	
	2017	2016
	HK\$'000	HK\$'000
Investment funds – Taiwan	–	14,875
Total investments held-for-sale	–	14,875

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:

	2017	2016
	HK\$'000	HK\$'000
Fees receivable that were past due but not impaired		
1 – 30 days	715	490
31 – 60 days	396	1,096
61 – 90 days	246	1,475
Over 90 days	770	2,436
	2,127	5,497
Fees receivable that were within credit period	2,608,949	106,932
Total fees receivable	2,611,076	112,429

15. CASH AND CASH EQUIVALENTS

	2017	2016
	HK\$'000	HK\$'000
Cash at banks and in hand	214,364	183,371
Short-term bank deposits	1,983,784	2,439,201
Deposits with brokers	6,556	6,559
Total cash and cash equivalents	2,204,704	2,629,131

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:

	2017 HK\$'000	2016 HK\$'000
0 – 30 days	154,144	103,357
31 – 60 days	61	2,129
61 – 90 days	76	244
Over 90 days	674	237
Total distribution fee expenses payable	154,955	105,967

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 2016	1,848,714,831	1,377,533
Shares issued upon exercise of share options	3,000,000	13,940
As at 31 December 2016, 1 January 2017 and 31 December 2017	1,851,714,831	1,391,473

CHAIRMAN'S STATEMENT

Value Partners' net profit in 2017 was the highest in its history – reaching HK\$2 billion, compared with just HK\$138 million in 2016. That's an increase of 13.9 times year on year. It's a huge bounce but, frankly, it shouldn't be too much of a surprise. We had foreseen the recovery prospects (the 2016 Chairman's Statement stated that 2016 represented a "cyclical bottom"), and going into 2017, our fund managers bought aggressively with their usual quality bottom-up research, resulting in a harvest even better than the market overall. Since 2017 was the best year in the past eight years for Asia-Pacific markets, this out-performance of out-performing the markets was no mean feat.

Taking our flagship Value Partners Classic Fund (size: US\$1.57 billion) as an example, the fund returned a net 44.9%¹ in 2017, ahead of the 40.1% increase recorded by the Hang Seng Index. (And of course, the fund's credentials go far beyond a single year: launched in April 1993, Classic Fund has achieved a net return, compounded, of 15.7% per annum since inception, compared with the Hang Seng's annualized return of 8.3% over the same period. Classic Fund has recorded a profit in 18 and a loss in seven of its 25 years in existence.)

The key message here, though, isn't about a single harvest; it's about how Value Partners is positioned to benefit repeatedly from market and business opportunities in the Asia-Pacific region as they arise in the future. Our brand has become associated with fund performance and we are among the very biggest independent asset management firms in our region, and the only one of its kind listed on the Hong Kong Stock Exchange. Among Asia's independent brands, we are one of the few to have developed our own in-house operational infrastructure, and this is another source of competitive advantage.

Certainly, a celebration is called for. From our 2017 profit, we declared a special 25th anniversary dividend of 86 HK cents per share (paid in February 2018) and we are also proposing a final dividend of 18 HK cents per share, for a total dividend of 104 HK cents, well ahead of 2016's total dividend of 12 HK cents per share. Since Value Partners is cash-rich with no debt, we can well afford this generous dividend, which amounts to a payout of 94% of basic earnings per share in 2017 of 110.6 cents.

For a more detailed discussion of the Group, please refer to the accompanying report from our Chief Executive Officer ("CEO"). Highlights in our CEO's report include the outstanding success of our fixed income business, further advances in business development on the Chinese mainland and industry recognition in the form of 27 new performance awards received, bringing our total collection of awards to 170. Assets under management reached US\$16.6 billion.

Outlook

For 2018, we expect very volatile markets, and we are cautious. China-related stocks, trading at about 12.5 times forward earnings, remain reasonably priced, especially when Chinese companies are enjoying double-digit earnings growth. But in many parts of the world, stocks do look expensive, and investors seem too complacent, at a time when interest rates are trending up. We also worry about rising tensions in the Sino-American trade relationship. Investing mainly in the Asia-Pacific region, however, we would expect any setback to be temporary, as the region's economic fundamentals remain robust, with new sources of growth available for use.

Indeed, we stick to our view that Asian fund managers like Value Partners are entering a Golden Age. The mainland Chinese public, with the world's biggest pool of savings, are clearly looking to diversify their investments. We think this could be one of the biggest business opportunities ever seen in the history of asset management.

Now it's a matter of "when," not "if," the Chinese authorities would proceed further with deregulation and market-opening. Currently, the government is preoccupied with stabilizing the domestic financial system, with no-nonsense measures that include closing down unauthorized lending channels, restricting "shadow banking" activities and curbing irregularities. This difficult but critical campaign to strengthen the foundations has slowed down the market-access programme, but we think we don't have much longer to wait.

What we see with the Chinese mainland is a lot of money requiring professional management and, over time, huge surges in capital flows, both domestic and overseas, as well as further emphasis on ownership rights, the role of markets and the rule of law. To achieve the national ambition of becoming a fairly developed country by the early 2020s, China knows it needs efficient markets. Savings need to be channelled into investments, not wasted, while social stability can be enhanced by improving access to better quality investment choices.

In a sense, Value Partners has spent the last 25 years preparing for this "Big Bang."

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. Value Partners currently has 211 employees, all of them sharing a culture that emphasizes making a difference.

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

1. *Performance of Value Partners Classic Fund (A Units) as of 31 December 2017, in USD, NAV to NAV, with dividend reinvested and net of fees. Annual performance over the past five years: 2013: +11.2%; 2014: +13.5%; 2015: -1.5%; 2016: -3.2%; 2017: +44.9%; 2018 (Year to date as at 28 February): +4.5%.*

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

Positioning for the future

2017 was a year of not only record profitability but also transformation as we took a number of major first steps towards our strategic goal of becoming an Investment Solutions Provider to Chinese investors and a China Investment Expert to investors around the world. Last November, Value Partners became the first Hong Kong-headquartered asset manager to be granted a private fund management (“PFM”) license by the Asset Management Association of China (“AMAC”), which significantly deepened our access to the burgeoning wealth management market in Mainland China. We also strengthened our distribution network, diversified our product suite with new funds and asset classes and streamlined our business operations in 2017.

As we celebrate our 25th Anniversary in 2018, we look back with pride that Value Partners has grown from a single fund with an AUM of just US\$5.6 million to one of Asia’s largest independent asset managers with an AUM of US\$16.6 billion (as of December 2017) invested across a family of funds spanning equities, fixed income, multi-asset, alternatives and quantitative investment solutions. We added 27 awards last year to take our grand total of performance accolades won throughout the years to 170. The growth we have enjoyed over the past 25 years would not have been possible without the support of our shareholders, clients, business partners and colleagues.

Financial highlights

In 2017, Asia ex-Japan stock markets delivered their best performance in eight years on the back of a recovery in corporate earnings and synchronized global growth. Against this favorable backdrop, our AUM recovered strongly, rising 25% to US\$16.6 billion as of 31 December 2017 compared to a year earlier.

We recorded our highest-ever profit attributable to owners of the Company of HK\$2.0 billion in 2017 (2016: HK\$138 million). The steep jump in our earnings was mainly due to a surge in net performance fees compared to a year earlier as most of our funds that charge performance fees finished 2017 well above their high water marks. To mark our 25th Anniversary and to thank our shareholders for their continued support, Value Partners has distributed a special dividend of HK86.0 cents per share.

Despite the record profitability, Hong Kong asset managers including Value Partners continued to be pressured by net outflows from traditional equity products. According to data from the Hong Kong Investment Funds Association, Asia ex-Japan equity funds suffered an industry-wide net outflow of US\$1.9 billion in 2017, while Greater China equity funds¹, experienced an industry-wide net outflow of US\$820 million. We recorded a net outflow of US\$278 million across all strategies in 2017. This unfavorable industry trend adds to the importance of securing new growth drivers by expanding our product capabilities and distribution network.

As our business grows, we continue to strictly apply stringent cost controls. Our fixed cost coverage ratio (net management fees divided by fixed costs) for 2017 was 2.3 times (2016: 2.1 times).

Product suite expansion

Value Partners has been growing its product offerings over the years to help our clients meet their evolving investment needs and to diversify our revenue base.

We established a private equity real estate platform in mid-June to capture opportunities in the Asia-Pacific region. Within six months, the platform had acquired two logistics centers in Japan and invested in a majority interest in a Grade A office building in Sydney, Australia. Despite being a newcomer to the field, the platform has already built a solid track record and has attracted prominent Hong Kong real estate investor and developer Liu Chong Hing Investment as a co-investor for the two logistics centers in Japan.

In light of growing demand among our client base for investment solutions that provide diversification, we have broadened the geographic coverage of our product suite with the launch of two new global emerging market (“GEM”) funds – one focused on fixed income and one focused on equities. At the same time, we have strengthened the investment research capabilities of our Singapore and London offices, which serve as hubs for on-the-ground regional research.

While equity products still account for the bulk of our AUM, we continue to add to our fixed income and multi-asset offerings, which have thrived in recent years.

Fixed income is now a significant asset class for the Group, accounting for 30% of total AUM. In 2017, our flagship Greater China High Yield Income Fund (“GCHY”) recorded US\$2.3 billion of net inflow and delivered a return of 10.1%², outperforming the JP Morgan Asia Credit Index by 4.3 percentage points. At an AUM of US\$4.5 billion as of 31 December 2017, the GCHY is now one of the largest funds of its category in Hong Kong. In light of the success of GCHY, we have expanded the risk profile and geographic coverage of our fixed income product suite to meet strong investor demand for income. In addition to the GEM Bond Fund, we also launched an Asian high yield fixed maturity bond fund for private banking clients and an Asian fixed income hedge fund for professional investors in 2017. We are launching another fixed income product in the first half of 2018 and will continue to broaden our offerings in this segment as investor demand continues to grow.

Leveraging on the success of our multi-asset strategy over the past two years, we partnered exclusively with AIA to launch a new fund under its AIA MPF – Prime Value Choice Scheme. The fund was the first of its type in Hong Kong’s Mandatory Provident Fund (“MPF”) market. In November, we further expanded our multi-asset platform for the intermediary market with the launch of the Value Partners Asian Income Fund, which deploys dynamic asset allocation to optimize risk-adjusted returns across the market cycle, as rising geopolitical and macroeconomic uncertainty continues to stalk investors.

Value Partners is committed to the development of quantitative investment solutions in Hong Kong. Our approach couples our renowned fundamental research with big data analytics to create innovative products such as our suite of smart beta ETFs.

In addition to product development, we have integrated big data analytics into the investment process of our core equity funds to deepen insights. In 2017, our flagship Value Partners Classic Fund delivered a net return of 44.9%³, outperforming its market index. Quantitative techniques also play a central role in our newly-created SMART Investment Strategy, which essentially combines our renowned fundamental research with smart beta strategies. The strategy is designed to address institutional demand for cost-efficient products that aim to deliver a consistent performance against market indices. We currently have three UCITS funds under the SMART Investment Strategy, including the GEM Equity Fund that we launched in August.

Value Partners continues to receive wide industry recognition for the performance of our products. In 2017, we received 27 performance awards, including Management Firm of the Year⁴ at the AsiaHedge Awards 2017 and Outstanding Manager – Greater China Equity⁵ and Manager of the Year – High Yield Fixed Income⁵ at the Benchmark Fund of the Year Awards 2017, Hong Kong.

Deepening our footprint in China

The asset management market in Mainland China is expected to grow more than five times to US\$17 trillion by 2030⁶. Value Partners is one of the first foreign asset managers to have tapped into this vibrant market with the establishment of our Shanghai office in 2009.

Since then, our China Business has been growing steadily as our network of key business partners expanded to include an array of financial institutions in Mainland China spanning banks, insurers and wealth management advisors. This wide network provides a solid foundation for us to build on as we take the next steps forward in growing our China Business.

Value Partners achieved another milestone in the Hong Kong asset management industry in November by becoming the first homegrown asset manager to be granted a PFM license in China. In 2015, we were the first Hong Kong asset manager to be given a Qualified Domestic Limited Partnership (“QDLP”) quota. The PFM license allows Value Partners to launch our own-branded domestic private securities investment funds for eligible investors in the Mainland China market. Moreover, the launch of our first PFM fund in January 2018, two months after we were awarded the PFM license, is testament to the capabilities of our strong team of investment, business development and legal and compliance professionals in Shanghai.

We’re also preparing to launch a private equity business in Shenzhen to capture demand for private equity investments in Mainland China. Our Shenzhen subsidiary has already obtained the Qualified Foreign Limited Partnership (“QFLP”) license. The QFLP license will allow us to raise funds offshore and onshore to invest in domestic private equity projects subject to regulations. Additionally, our Classic Fund is awaiting approval for the Mainland-Hong Kong Mutual Recognition of Funds (“MRF”) program, which will allow us to sell the fund to Mainland Chinese retail investors.

While the Mainland China market isn’t likely to be short of competition from global asset managers and rising domestic players, Value Partners inhabits a sweet spot of being a fund house that’s native to Greater China but at the same time offers a world-class track record in investment performance and risk management.

A growing global presence

MSCI's landmark decision to include China A-shares in its closely followed emerging markets index no doubt turned a new page for China's rising prominence as an investment destination. Positioned as a China Investment Expert, Value Partners has been strengthening its international distribution network to connect foreign investor demand with attractive investments vetted by our intensive on-the-ground research-driven investment process.

In Singapore, our Southeast Asia distribution hub, we have been exploring more collaboration opportunities with regional financial institutions including major retail banks. A year after its opening, our London office, which serves as our Europe distribution hub, has made good progress. We have signed global distribution agreements with a number of major European platforms for our entire product suite and have revamped our range of UCITS funds to appeal to a broader European audience. To further deepen our presence in the Western Hemisphere, we are also exploring means to further tap into the North American market.

Institutional investors – including pension funds, high net worth individuals, institutions, endowments and foundations, family offices and trusts and funds of funds – are becoming an increasingly prominent segment of our client base. In addition to launching our SMART range of investment products, we have also been enhancing engagement with this segment by working with leading investment consultants.

To build awareness of the Value Partners brand globally, we have been working closely with international media partners, including inking a memorandum of understanding for a strategic partnership with Forbes Global Media Group in September. To commemorate our 25th anniversary, we will be unveiling a new branding campaign to showcase our achievements and capabilities.

Growing and streamlining our resources

Asset management is no doubt a talent-driven business. In 2017, we made a number of senior appointments to our investment, business management and infrastructure teams across the Group.

To support the Group's growth and ambitions, we will continue to invest in our technological infrastructure to enhance operating efficiency as our business becomes bigger and more sophisticated.

To better focus on our core asset management business, we sold our entire stake in Chengdu Vision Credit Limited – a micro lending business in Mainland China – in October. We also wholly divested our holdings in Value Partners Concord Asset Management – a subsidiary in Taiwan – in August.

Appreciation

As Value Partners celebrates its 25th Anniversary in 2018, I would like to thank all of our shareholders, clients, business partners and colleagues for their invaluable support over the years. I very much look forward to their continued support as Value Partners transforms from a leading local boutique to a world-class asset manager.

Dr. AU King Lun MH, PhD

Chief Executive Officer and Executive Director

1. *The Hong Kong Investment Funds Association defines Greater China equity funds as funds that are investing in Greater China and funds that are investing in any 2 of the following markets: (a) China, (b) HK & (c) Taiwan.*
2. *Performance of Value Partners Greater China High Yield Income Fund (Class P Acc USD) as of 31 December 2017, in USD, NAV to NAV, with dividend reinvested and net of fees. Annual performance over the past five years: 2013: +1.2%; 2014: +1.1%; 2015: +6.1%; 2016: +15.9%; 2017: +10.1%; 2018 (Year to date as at 28 February): +1.2%.*
3. *As of 31 December 2017. Refer to footnote 1 on page 13.*
4. *Based on performance for the 12-month period from September 2016 to the end of August 2017.*
5. *The award recognized individuals who have led his/her team to outstanding performances consistently over three-year and five-year periods against the benchmark and their peers up to 30 September 2017.*
6. *Data retrieved from research report titled Leadership in Times of Plenty: Future Winners in China's Asset Management Industry published by Deloitte's Casey Quirk in 2017.*

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

FINANCIAL REVIEW

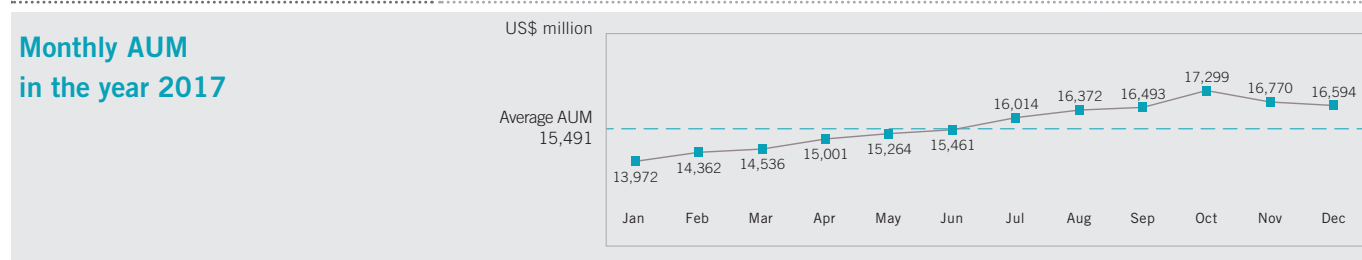
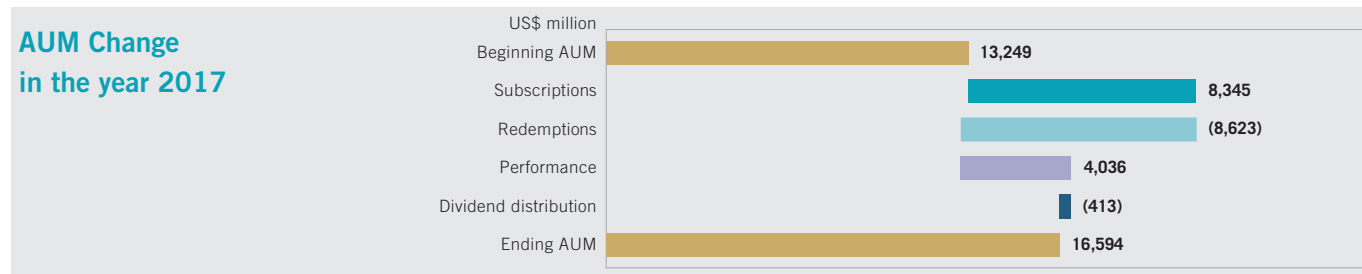
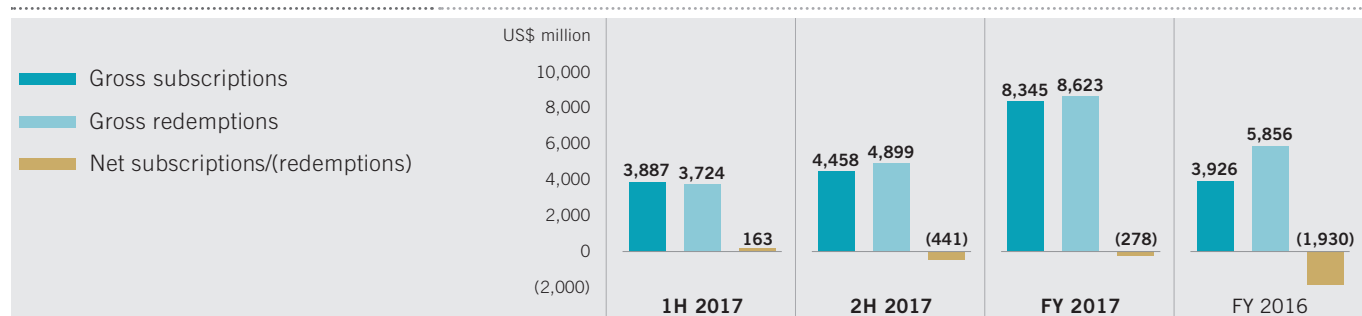
Assets Under Management

AUM and return

The Group's AUM increased to US\$16,594 million at the end of December 2017 (31 December 2016: US\$13,249 million). The significant growth was mainly due to gains from the strong performance of the Group's funds, which totaled US\$4,036 million for the year.

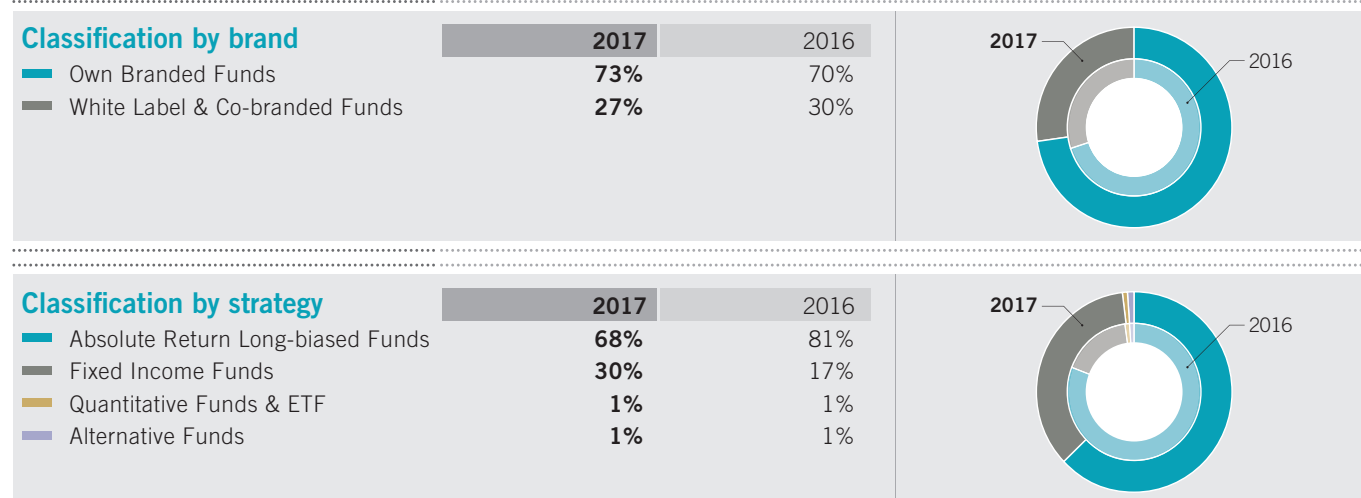
Overall fund performance¹, calculated as asset-weighted average return of funds under management, was a gain of 29.9% in 2017. Among our funds, the Value Partners Classic Fund², our flagship product, rose 44.9% during the year, while the Value Partners High-Dividend Stocks Fund³, recorded a gain of 32.9% during the year. Meanwhile, the Value Partners Greater China High Yield Income Fund⁴, the Group's largest public fund⁵ in Hong Kong, generated a solid return of 10.1% during the year.

For full-year 2017, we recorded a slight net redemption of US\$278 million (2016: net redemption of US\$1,930 million), which was accounted for by gross subscriptions of US\$8,345 million (2016: US\$3,926 million) and gross redemptions of US\$8,623 million (2016: US\$5,856 million).



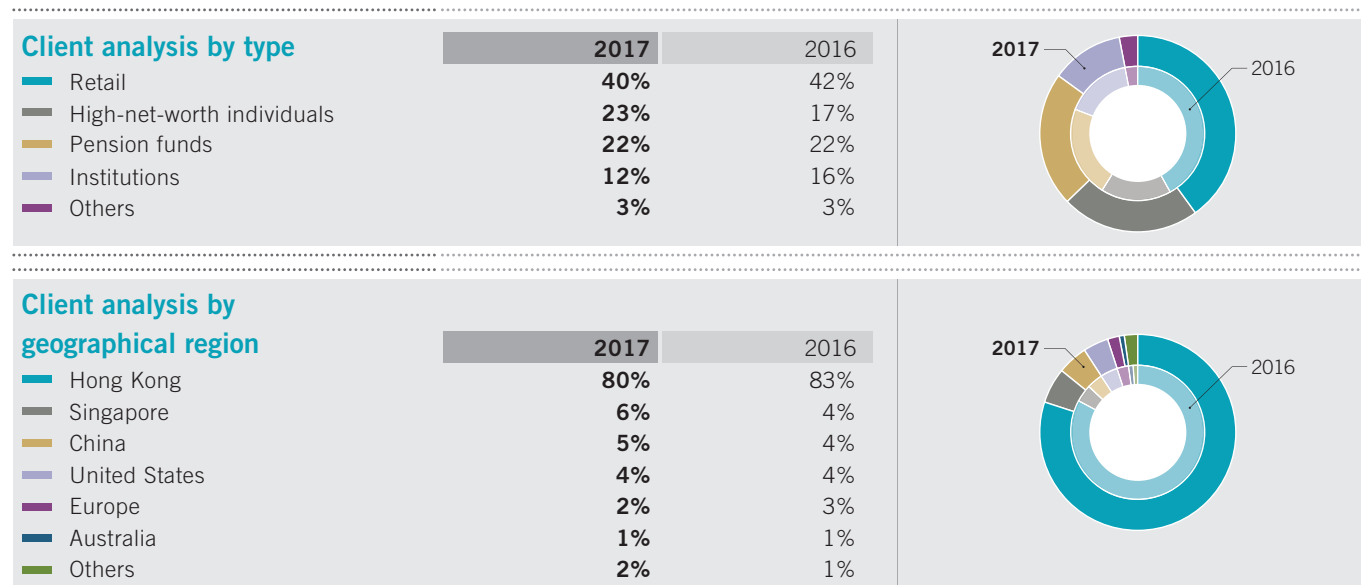
AUM by category

The charts below show breakdowns of the Group's AUM as at 31 December 2017 using two different classifiers: brand and strategy. During the year, the percentage of AUM accounted for by our Own Branded Funds (73%) increased due to relatively strong fund flows into Value Partners' own branded products, especially the Value Partners Greater China High Yield Income Fund. By strategy, Absolute Return Long-biased Funds (68%) continued to represent the largest share of the Group's AUM, followed by Fixed Income Funds (30%), where the majority of AUM was contributed by the Value Partners Greater China High Yield Income Fund.



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 60% of total AUM (31 December 2016: 58%). Meanwhile, retail clients contributed 40% of total AUM (31 December 2016: 42%). In terms of geographical location, Hong Kong clients accounted for 80% of the Group's AUM (31 December 2016: 83%), Singapore clients contributed 6% (31 December 2016: 4%), while United States and Europe took up a combined 6% (31 December 2016: 7%).

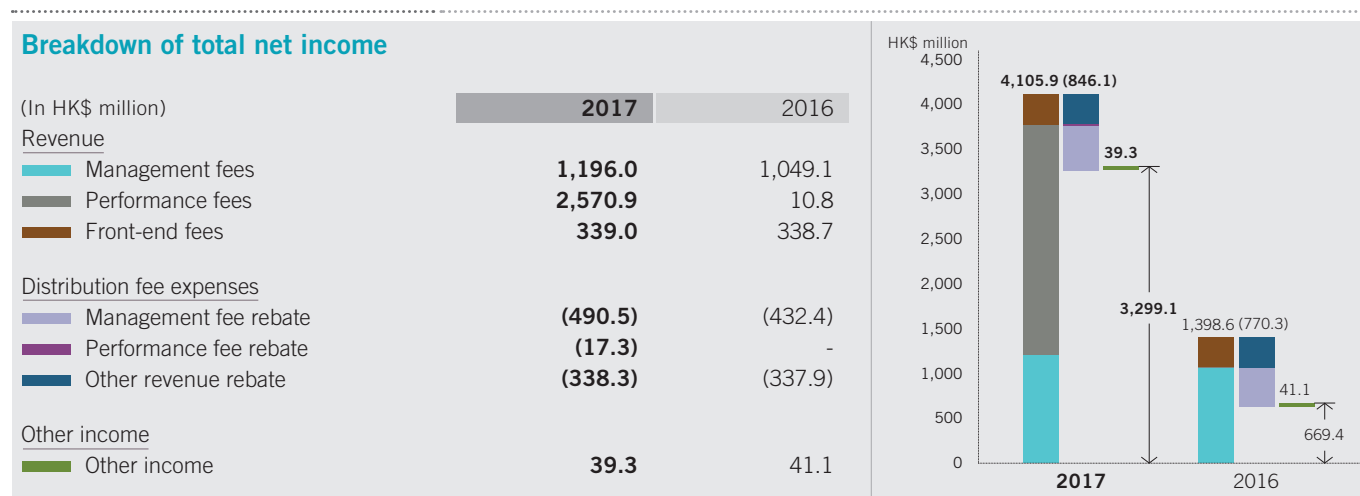


Summary of results

Key financial highlights for the reporting period are as follows:

(In HK\$ million)	2017	2016	% Change
Total revenue	4,105.9	1,398.6	+193.6%
Gross management fees	1,196.0	1,049.1	+14.0%
Gross performance fees	2,570.9	10.8	+23,704.6%
Operating profit (before other gains/losses)	2,207.3	197.8	+1,015.9%
Profit attributable to owners of the Company	2,048.1	137.5	+1,389.5%
Basic earnings per share (HK cents)	110.6	7.4	+1,394.6%
Diluted earnings per share (HK cents)	110.5	7.4	+1,393.2%
Interim dividend per share	Nil	Nil	
Final dividend per share (HK cents)	18.0	4.8	+275.0%
Special dividend per share (HK cents)	86.0	7.2	+1,094.4%
Total dividends per share (HK cents)	104.0	12.0	+766.7%

Revenue and fee margin



The Group's profit attributable to owners of the Company surged to HK\$2,048.1 million in 2017 (2016: HK\$137.5 million), benefiting from the strong fund performance during the year. Total revenue increased by 193.6% to HK\$4,105.9 million (2016: HK\$1,398.6 million). Gross performance fees, the major source of our revenue in 2017, increased significantly to HK\$2,570.9 million (2016: HK\$10.8 million). Performance fees are generated when funds, at their performance fee crystallization dates, report returns exceeding their benchmarks or high watermarks for the respective period up to the crystallization date.

Gross management fees, another major contributor of revenue, rose 14.0% to HK\$1,196.0 million (2016: HK\$1,049.1 million) on an 11.6% increase in the Group's average AUM to US\$15,491 million (2016: US\$13,881 million).

During the year, our annualized gross management fee margin increased to 99 basis points (2016: 97 basis points) on the back of strong net flows into our own branded funds, which have relatively higher margins. Our annualized net management fee margin increased to 59 basis points (2016: 57 basis points) as management fee rebates for distribution channels stood at HK\$490.5 million (2016: HK\$432.4 million).

Meanwhile, 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, was HK\$39.3 million (2016: HK\$41.1 million). Interest income increased to HK\$27.1 million (2016: HK\$15.0 million), while dividend income decreased to HK\$11.7 million (2016: HK\$21.1 million).

Other gains and losses

Breakdown of other gains/(losses) – net	(In HK\$ million)	2017	2016
Net gains/(losses) on investments		198.8	(1.1)
Net losses on investments held-for-sale		–	(2.0)
Gains on disposal of a subsidiary		11.2	–
Net foreign exchange gains/(losses)		19.8	(17.4)
Foreign exchange losses reclassified to profit or loss on disposal of a foreign operation		(2.1)	–
		<u>227.7</u>	<u>(20.5)</u>

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 gains on disposal of a subsidiary and 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 launches. The Group also invested in its own funds alongside investors, where appropriate, for better alignment of interests and investment returns.

Disposal of subsidiaries

During 2017, the Group disposed its 62.05% equity interest in Value Partners Concord Assets Management Co., Ltd., which was engaged in the investments business in Taiwan, for a consideration of HK\$35 million. The Group completed the disposal in August 2017 and recorded a disposal gain of HK\$11.2 million and a cumulative exchange loss of HK\$2.1 million.

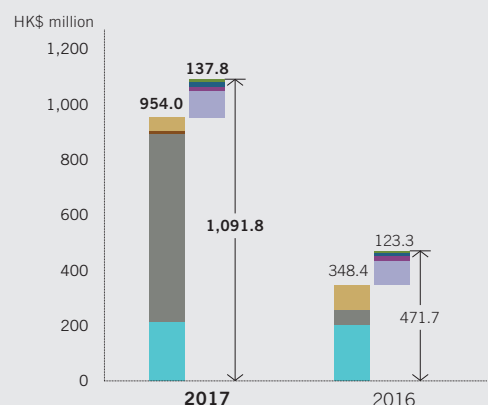
The Group disposed its entire equity interest in Brilliant Star Capital (Cayman) Limited, which indirectly held 90% of the Group's small loan business in Chengdu. The transaction was completed in October 2017 and the Group recorded a disposal loss of HK\$10.5 million and a cumulative exchange loss of HK\$28.9 million. As the small loan business made up a single business segment, the disposed group's results and losses arising from the disposal are presented as a discontinued operation.

Cost management

Breakdown of total expenses

(In HK\$ million)

	2017	2016
Compensation and benefit expenses		
Fixed salaries and staff benefits	212.9	205.3
Management bonus	682.1	52.5
Staff rebates	10.2	1.4
Share-based compensation expenses	48.8	89.2
Other expenses		
Other fixed operating costs	96.2	86.8
Sales and marketing	15.4	17.4
Depreciation	16.3	13.2
Non-recurring expenses	9.9	5.9



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, a relatively stable income source. 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 2017, the Group reported a fixed cost coverage ratio (for the asset management business) of 2.3 times (2016: 2.1 times).

Compensation and benefit expenses

During the year, fixed salaries and staff benefits rose by HK\$7.6 million to HK\$212.9 million (2016: HK\$205.3 million). The increase was mainly attributable to salary increments.

In line with the Group’s compensation policy – which distributes 20% to 23% of the annual net profit pool as a management bonus to employees – the management bonus for the year increased to HK\$682.1 million (2016: HK\$52.5 million). The profit pool is calculated by deducting certain adjustments from net profit before management bonus and taxation. This discretionary bonus was maintained as it promotes 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\$10.2 million (2016: HK\$1.4 million).

During the year, the Group recorded expenses of HK\$48.8 million (2016: HK\$89.2 million) relating 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\$96.2 million for 2017 (2016: HK\$86.8 million), while sales and marketing expenses decreased to HK\$15.4 million (2016: HK\$17.4 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.

On 19 January 2018, the Board of Directors declared a special dividend of HK86.0 cents per share which was paid to the shareholders on 28 February 2018. For the year ended 31 December 2017, the Board of Directors recommended a final dividend of HK18.0 cents per share.

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. As at the end of 2017, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK\$2,204.7 million. Net cash inflows from operating activities amounted to HK\$596.1 million, while 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 its current ratio (current assets divided by current liabilities) was 4.2 times.

Capital structure

As at 31 December 2017, the Group's shareholders' equity and total number of shares issued were HK\$5,640.0 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 2017. Refer to footnote 1 on page 13.*
3. *Performance of Value Partners High-Dividend Stocks Fund (Class A1) as of 31 December 2017, in USD, NAV to NAV, with dividend reinvested and net of fees. Annual performance over the past five years: 2013: +8.1%; 2014: +9.4%; 2015: -3.7%; 2016: -0.2%; 2017: +32.9%; 2018 (Year to date as at 28 February): +1.7%.*
4. *As of 31 December 2017. Refer to footnote 2 on page 18.*
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 2017, the Group employed a total of 198 staff (2016: 194) in Hong Kong and Shanghai, 1 staff (2016: Nil) in Shenzhen, 10 staff (2016: 12) in Singapore, 2 staff (2016: 2) in London, nil staff (2016: 15) in Taiwan and nil staff (2016: 69) 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. On 19 January 2018, the Board declared a special dividend of HK86.0 cents per share which was paid to the shareholders on 28 February 2018. The Board is pleased to recommend the distribution of a final dividend of HK18.0 cents per share for the year ended 31 December 2017. Subject to the approval of shareholders of the Company at the Annual General Meeting (“AGM”) for the year 2018, the final dividend will be payable on or about 23 May 2018 to shareholders whose names appear on the Registers of Members of the Company at close of business on 8 May 2018. 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, 27 April 2018. 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, 24 April 2018 to Friday, 27 April 2018 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 Monday, 23 April 2018.

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 8 May 2018. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Friday, 4 May 2018 to Tuesday, 8 May 2018, 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, 3 May 2018.

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 2017.

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 2017.

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 2017.

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 2017.

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 2018

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.