Value Partners
Investing through discipline

VALUE PARTNERS GROUP LIMITED
惠理集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 806)

INTERIM RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

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

	For the period ended 30 June		
(In HK$ million)	**2011**	**2010**	**% Change**
Total revenue	**385.4**	207.0	+86.2%
Gross management fees	**251.0**	149.0	+68.5%
Gross performance fees	**107.0**	53.8	+98.9%
Net profit	**198.7**	91.6	+116.9%
Basic earnings per share (HK cents)	**11.3**	5.7	+98.2%
Diluted earnings per share (HK cents)	**11.1**	5.7	+94.7%
Interim dividend per share (HK cents)	**Nil**	Nil	

INTERIM 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 period ended 30 June 2011 together with respective comparative figures. The following financial information, including the comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKFRS").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	Note	**2011**	2010
		HK$'000	*HK$'000*
		Unaudited	Unaudited
Income			
Revenue	*2*	**385,427**	207,013
Other income	*2*	**13,340**	4,502
Total income		**398,767**	211,515
Expenses			
Distribution fees		**76,774**	26,073
Share-based compensation		**5,469**	3,025
Other compensation and benefit expenses		**94,488**	59,036
Operating lease rentals		**5,958**	3,623
Advisory fees		**3,888**	2,527
Other expenses		**25,661**	14,516
Total expenses		**212,238**	108,800
Other gains — net	*3*	**42,647**	5,605
Operating profit		**229,176**	108,320
Share of loss of an associate		**(158)**	—
Share of loss of a joint venture		**(2,186)**	(450)
Profit before tax		**226,832**	107,870
Tax expense	*4*	**(28,101)**	(16,262)
Profit for the period		**198,731**	91,608
Other comprehensive income for the period			
Fair value (losses)/gains on available-for-sale financial assets		**(1,310)**	181
Total comprehensive income for the period and total comprehensive income attributable to equity holders of the Company		**197,421**	91,789
Profit attributable to			
Equity holders of the Company		**198,731**	91,608
Earnings per share for profit attributable to the equity holders of the Company (HK cents per share)			
— basic	*5*	**11.3**	5.7
— diluted	*5*	**11.1**	5.7

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2011 *HK$'000* Unaudited**	31 December 2010 *HK$'000* Audited
Non-current assets			
Property, plant and equipment		**9,051**	7,951
Intangible assets		**1,374**	1,583
Investment properties		**69,000**	58,743
Investment in an associate		**552**	710
Interest in a joint venture		**4,298**	6,484
Investments	*7*	**910,354**	660,113
Other assets		**1,977**	1,847
		996,606	737,431
Current assets			
Investments	*7*	**172,510**	164,920
Fees receivable	*8*	**170,921**	654,294
Prepayments and other receivables		**13,828**	16,886
Cash and cash equivalents	*9*	**1,213,490**	1,218,561
		1,570,749	2,054,661
Current liabilities			
Accrued bonus		**48,691**	190,184
Distribution fees payable	*10*	**29,120**	33,964
Other payables and accrued expenses		**20,231**	76,479
Current tax liabilities		**100,832**	73,499
		198,874	374,126
Net current assets		**1,371,875**	1,680,535
Total assets less current liabilities		**2,368,481**	2,417,966
Non-current liabilities			
Deferred tax liabilities		**105**	32
Net assets		**2,368,376**	2,417,934
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Issued equity	*11*	**895,376**	866,717
Other reserves		**154,328**	150,169
Retained earnings			
— proposed dividends	*6*	**—**	280,351
— others		**1,318,672**	1,120,697
Total equity		**2,368,376**	2,417,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKFRS").

New and amended standards adopted by the Group:

- HKAS 24 (Revised) "Related Party Disclosures" (effective 1 January 2011)
- Amendment to HKAS 34 "Interim Financial Reporting" (effective 1 January 2011)

New standard issued but is not effective for the financial year beginning 1 January 2011 and has not been early adopted:

- HKFRS 9 "Financial Instruments" (effective 1 January 2013)

Amendment issued that is not yet mandatorily effective but has been early adopted by the Group:

- HKAS 12 (Amendment) "Deferred Tax: Recovery of Underlying Assets" (effective 1 January 2012)

2. Income

Turnover and revenue consist of fees from investment management activities and fund distribution activities. Income recognised is as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Revenue		
Management fees	**251,003**	148,959
Performance fees	**106,954**	53,796
Front-end fees	**26,713**	4,108
Back-end fees	**757**	150
Total revenue	**385,427**	207,013
Other income		
Interest income on cash and cash equivalents	**2,913**	532
Dividend income on available-for-sale financial assets	**913**	3,370
Dividend income on financial assets at fair value through profit or loss	**4,155**	238
Rental income from investment properties	**470**	—
Others	**4,889**	362
Total other income	**13,340**	4,502
Total income	**398,767**	211,515

3. Other gains — net

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Changes in fair value of investment properties	**9,694**	—
Gains on financial assets at fair value through profit or loss	**29,824**	10,614
Losses on financial assets at fair value through profit or loss	**(5,444)**	(7,290)
Net foreign exchange gains	**8,573**	2,281
Total other gains — net	**42,647**	5,605

4. 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 condensed consolidated interim financial information.

Hong Kong profits tax has been provided on the estimated assessable profit for the six months ended 30 June 2011 at the rate of 16.5% (2010: 16.5%).

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Current tax		
Hong Kong profits tax	**27,329**	15,291
Overseas tax	**699**	200
Total current tax	**28,028**	15,491
Deferred tax	**73**	771
Total tax expense	**28,101**	16,262

5. Earnings per share

The calculations of basic and diluted earnings per share are based on the profit attributable to equity holders of the Company of HK$198,731,000 (2010: HK$91,608,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,755,210,215 (2010: 1,600,962,973). The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue during the period of 1,755,210,215 (2010: 1,600,962,973) by 27,929,928 (2010: 8,140,413) to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

6. Dividends

Dividends declared by the Company of HK$281,107,000 related to the year end 31 December 2010 and were paid on 18 May 2011. No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2011 (2010: Nil).

7. Investments

Investments include the following:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Total	
	30 June 2011	31 December 2010	**30 June 2011**	31 December 2010	**30 June 2011**	31 December 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited
Listed securities (by place of listing)						
Investment funds — Hong Kong	**334,707**	284,865	**—**	—	**334,707**	284,865
Investment funds — Singapore	**7,231**	7,572	**—**	—	**7,231**	7,572
Market value of listed securities	**341,938**	292,437	**—**	—	**341,938**	292,437
Unlisted securities (by place of incorporation/establishment)						
Equity securities — Singapore	**—**	—	**869**	1,923	**869**	1,923
Investment funds — Cayman Islands	**686,357**	477,520	**—**	—	**686,357**	477,520
Investment funds — Luxembourg	**7,425**	7,435	**—**	—	**7,425**	7,435
Investment funds — United States of America	**31,539**	31,382	**14,080**	14,336	**45,619**	45,718
Fair value of unlisted securities	**725,321**	516,337	**14,949**	16,259	**740,270**	532,596
Derivative financial instruments						
Currency option contract	**656**	—	**—**	—	**656**	—
Total investments	**1,067,915**	808,774	**14,949**	16,259	**1,082,864**	825,033
Representing:						
Non-current	**895,405**	643,854	**14,949**	16,259	**910,354**	660,113
Current	**172,510**	164,920	**—**	—	**172,510**	164,920
Total investments	**1,067,915**	808,774	**14,949**	16,259	**1,082,864**	825,033

8. 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:

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	Unaudited	Audited
Fees receivable that were past due but not impaired		
1-30 days	**2,012**	2,469
31-60 days	**398**	1,267
61-90 days	**2,634**	2,559
Over 90 days	**—**	2,297
	5,044	8,592
Fees receivable that were within credit period	**165,877**	645,702
Total fees receivable	**170,921**	654,294

9. Cash and cash equivalents

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	Unaudited	Audited
Cash at bank and in hand	**549,414**	705,569
Short-term bank deposits	**662,911**	474,641
Deposits with brokers	**1,165**	38,351
Total cash and cash equivalents	**1,213,490**	1,218,561

10. Distribution fees payable

The ageing analysis of distribution fees payable is as follows:

	30 June 2011 *HK$'000* **Unaudited**	31 December 2010 *HK$'000* Audited
0-30 days	**28,714**	32,661
31-60 days	**122**	665
61-90 days	**226**	384
Over 90 days	**58**	254
Total distribution fees payable	**29,120**	33,964

11. Issued equity

	Number of shares	**Issued equity** HK$'000
Unaudited		
At 1 January 2010	1,600,000,000	53,767
Shares issued upon exercise of share options	1,742,981	9,587
At 30 June 2010	1,601,742,981	63,354
Unaudited		
At 1 January 2011	1,752,192,981	866,717
Shares issued upon exercise of share options	5,210,819	28,659
At 30 June 2011	1,757,403,800	895,376

REPORT OF THE CHIEF EXECUTIVE OFFICER

Growth amid volatile markets

For the financial markets, the first half of 2011 was a period clouded by anxiety over the "big picture" — investors worried over whether the world's economy would suffer a "double-dip"; whether the Chinese economy was heading for a hard landing and whether the debt troubles in Greece and elsewhere could crash the financial system.

We have continued to apply deep-value principles to invest through a stock-by-stock approach, and our portfolios have held firm despite the huge volatility and numerous false signals from the market. In the first half of the year, our flagship Value Partners Classic Fund[1] grew by 1.2%; for reference, the Hang Seng Index fell by 0.8% while MSCI China Index gained 0.9%.

With our strong brand and expanded distribution channels, we have continued to attract significant capital inflow to our funds. Net subscription for the first six months of 2011 amounted to US$901 million, compared to US$319 million in the first half of last year. Total assets under management ("AUM") as at 30 June 2011 were US$8.9 billion (HK$69 billion), representing an increase of 57.1% over the balance of US$5.7 billion (HK$44 billion) as at 30 June 2010, and 11.9% over the balance of US$7.9 billion (HK$61 billion) as at 31 December 2010.

The Group's revenue for the period reached HK$385.4 million — an 86.2% increase from HK$207.0 million for the same period last year — thanks to the rise of management fees and performance fees to HK$251.0 million and HK$107.0 million respectively. A net profit of HK$198.7 million was recorded, representing an increase of 116.9% over HK$91.6 million for the same period last year. The increase in net profit was primarily attributable to the increases in performance fees and management fees resulted from higher AUM.

Building our AUM

The year of 2011 has built on the strong momentum of fund inflow that started in the second half of 2010. Net fund inflow of US$901 million (HK$7.0 billion) in the first half of this year was comparable to the record inflow of US$948 million (HK$7.4 billion) in the second half of last year. Most of the net inflow added to our own branded funds.

We saw solid growth in our institutional sales, particularly from funds of funds and private banks, which was attributable to more intensive institutional sales efforts for key markets in the United States and in Europe, and expanded relationships with private banks in the region. Our equity long short hedge fund benefited from the growth in institutional sales and recorded an inflow of US$128 million in the first half of the year as institutional investors looked for equity exposure in this region with lesser volatility.

On the retail front, we sustained our leading market position with retail investors in Hong Kong, and fund inflow remained strong despite weaker market sentiment in the second quarter. We continued our expansion of distribution channels and held many marketing events including various co-branded fund promotions. For the first half of the year, our Value Partners Classic Fund remained one of the best-selling China equity funds on the HSBC retail bank platform in Hong Kong.

Enhancing our products

We continued to enhance our product features and service standards. In June 2011, new dealing arrangement and changes were implemented for some of our funds, including Value Partners High-Dividend Stocks Fund, China Convergence Fund, Chinese Mainland Focus Fund and Value Partners China Greenchip Fund Limited. Such enhancements, including increased dealing frequency and the removal of redemption notice period, were made to facilitate easier dealings in the funds and provide greater liquidity to investors.

During the period, we focused on building the AUM of our current offerings in premium, actively managed products, and did not launch any new actively managed products.

Increasing commitment to the ETF business in Asia

In July, we acquired from Ping An Insurance of China the other 50% stake in Sensible Asset Management Hong Kong Limited ("SAMHK"), manager of our ETF products. After the transaction, the Group owns the entire share capital of SAMHK. This acquisition reflects the Group's confidence in and commitment to growing its ETF business in Asia. The total asset size of ETFs has been growing rapidly in Asia at a rate above global average. As the Asian fund management markets continue to grow and Asian investors gain more understanding of investing in ETFs, we believe the ETF business in Asia offers significant business potential to the Group.

Total AUM of our ETF business was US$130 million as at 30 June 2011, representing an increase of 25% over the balance of US$104 million as at 31 December 2010. Of our two ETF offerings, Value Gold ETF enjoyed significant AUM growth and more than tripled its AUM from US$23 million at its inception in November 2010 to US$90 million at the end of June 2011. Value Gold ETF recorded a gain of 6.7% for the first half of this year and was one of the top performing Hong Kong listed ETFs for the period *(source: Bloomberg)*.

Going forward, we plan to launch more ETF products that are innovative and leverage Value Partners' value investing principles and market experience.

Recognition and awards

The achievements of our team in delivering superior performance for our funds have continued to gain recognition from industry media and fund rating agencies. In July, Institutional Investor announced in its 2011 Asia Hedge Fund 25 that Value Partners was ranked the largest hedge fund manager in Asia for the second consecutive year and, in its top Global Hedge Fund 100 announced in May, we took the 58th spot of the top global 100 fund management firms, up from last year's 79th.

We have received many other accolades, attesting to our investment success and the broad recognition from our peers and investors. Below is a list of the awards and rankings received in the first half of this year.

2011 Achievements

Organisers	Awards/Rankings	Winners
Asia Asset Management	Best of the Best Awards 2010[2]	
	• Best of the Best Performance Award — Greater China Region — 3 Years	Value Partners China Greenchip Fund Limited
	• Best of the Best Country Awards — Hong Kong — Best New ETF	Value Gold ETF
Benchmark Magazine	Top 100 Funds of the Year 2010[3]	
	• Greater China Equity category — Best in Class	Value Partners Classic Fund (A Units)
	• Asia (ex-Japan) Equity category	Value Partners High-Dividend Stocks Fund
	• China Equity category	China Convergence Fund
	• China Equity category — Best in Class	Chinese Mainland Focus Fund
Bloomberg	Global top 5 best-performing long/short equity hedge fund in Bloomberg's global database based on 5-year total returns as at 31 December 2010	Value Partners Hedge Fund Limited
Eurekahedge	Asian Hedge Fund Awards 2011 One of the top 5 best Greater China hedge funds	Value Partners Hedge Fund Limited (the only fund selected for two consecutive years — 2010 and 2011)
Institutional Investor	Top Hedge Fund 100	Value Partners (ranked 58)
	Asia Hedge Fund 25	Value Partners (ranked 1)
Lipper	2011 Lipper Fund Awards (based on returns for the year of 2010)	
	• Best Equity Group — 3 Years	Value Partners Limited
	• Best Greater China Equity Fund — 3 Years	Value Partners China Greenchip Fund Limited
Morningstar Rating	5-star rating[4]	Value Partners High-Dividend Stocks Fund
	5-star rating[4]	China Convergence Fund
	5-star rating[4]	Chinese Mainland Focus Fund
	4-star rating[4]	Value Partners Classic Fund
	4-star rating[4]	Value Partners China Greenchip Fund Limited

Financial review

As at 30 June 2011, our total AUM amounted to US$8.9 billion, up from US$7.9 billion six months ago.

With the continued growth in AUM, our gross management fees amounted to HK$251.0 million for the first six months, compared to HK$149.0 million for the same period in 2010. Our strong fund performance also allowed us to collect performance fees of HK$107.0 million, marking a 98.9% increase over the performance fees of HK$53.8 million recorded in the first half of 2010.

Total revenue for the period was HK$385.4 million, representing a growth of 86.2% over HK$207.0 million in the first half of 2010. Our fixed overheads recorded moderate growth as we expanded our headcount in selected areas to cope with business expansion. Net profit in the first six months reached HK$198.7 million, posting an increase of 116.9% over the HK$91.6 million for the same period last year.

As at 30 June 2011, our balance sheet remained strong and liquid.

Expanding our Greater China presence

We consider Greater China our core strategic market and continue to pursue opportunities to expand our presence in the region.

Pursuant to an agreement with 雲南省工業投資控股集團有限責任公司 (Yunnan Industrial Investment Holding Group Ltd.), we have set up a joint venture private equity fund management company in Kunming, Yunnan, Western China. We own 60% of the joint venture and will manage its business and operation. We intend to launch a Renminbi-denominated private equity fund in China by the end of this year with the aim of raising RMB500 million for the first fund.

We have completed the acquisition of a 55.46% stake in KBC Concord Asset Management Co., Ltd., a licensed fund management firm in Taiwan. Concord Securities Co., Ltd., a listed securities firm in Taiwan, owns a 25% stake in the company, with the balance owned by several individual investors. The company currently manages one publicly offered Taiwan domiciled fund with AUM of about NT$318.0 million (approximately HK$84.8 million), whilst it provides us the platform to expand in the domestic market in Taiwan. We are positive about the growth prospect of Taiwan's economy and fund management market, and plan to develop our new subsidiary into a premier fund management firm in Taiwan.

Since the set up of our representative office in Shanghai in 2009, we have put in substantial efforts to expand our local research capability in the A share market. In July this year, we incorporated a new wholly-owned subsidiary in Shanghai, which will become our vehicle to expand our presence in the domestic sunshine private A share fund market. We plan to build our sales team in the mainland to focus on both institutions and channels.

Value Partners Center for Investing

We have formed a partnership with the Hong Kong University of Science and Technology ("HKUST") to establish "Value Partners Center for Investing at the HKUST Business School". The objectives of the Center are to foster academic research in investing and provide courses and training to students who want to develop their future career in fund management. As the largest home grown fund management firm in Hong Kong, we hope this initiative will build a talent pool for Hong Kong's asset management industry. We have pledged up to HK$10.0 million as donation over a period of 5 years to support the operation of the Center.

The Center will become fully operational in September this year, and is the first of its kind in Hong Kong. In addition to providing training and investment courses for both undergraduate and postgraduate students, the Center will also establish a Student Managed Fund to be managed by HKUST students as analysts and investment managers under the supervision of HKUST faculty members.

Looking ahead

In the past six months, we recorded resilient fund performance and good fund inflow, notwithstanding the volatile market environment.

Stepping into the second half of 2011, however, the Eurozone debt crisis has continued to spread and the political fallouts over raising the debt ceiling in the United States have led to global sell-offs and knock-on effect across Asian stock markets. We believe global uncertainties will remain as it will take considerable time and efforts for the United States and certain European countries to deleverage their respective economies. Amid market panic, we would like to reiterate it is important that investors do not over-react. Almost always, those who panic would regret it later. So far our investors have remained calm, and net fund flow to our funds since the beginning of the second half has remained positive.

Throughout the past 18 years since our inception, Value Partners has gone through various market crises and every single time, we have emerged stronger. All along, Value Partners has been a strict value investor and emphasized a defensive approach. Our portfolios are invested in thoroughly-researched stocks with sound fundamentals. Most important of all, we place high value in the safety and liquidity of our portfolios. As a result, our funds are well diversified across different sectors and for many years, a certain percentage in many of our funds has been held in gold, providing an additional safety anchor to our portfolios. This approach has been very helpful at a time of extreme volatility.

Increasingly, the world is facing a scarcity of attractive investments. We do not think investors can put all their money into gold or Swiss francs. Asia — particularly China-related assets — will emerge as a winner from the current market jitters. While investors search for growth and sound finances globally, we see a continual shift of investment assets from the developed countries to emerging markets, with China and Renminbi being a big winner. Naturally, China-related stock markets will benefit from this trend and we believe Value Partners will be one of the beneficiaries.

Against this backdrop, we remain committed to developing the Group into a world class fund management firm in Asia. As part of this effort, we have been looking for opportunities to build our business in Greater China. We have been talking to potential partners to establish a licensed mutual fund company in the mainland, but we have not yet decided on our choice of partner and the approval process will also take considerable time. In view of the continued economic growth and the increasing importance of domestic consumption in China, we are also exploring opportunities in other financial services in the mainland that provide significant growth potential and that may complement our fund management business.

For our product offering, we will commit more resources to develop new products to meet the needs of our investors. We plan to launch new UCIT funds that are popular in Europe and in certain Asian markets. On ETFs, we also have a series of innovative ETF products in the pipeline.

As discussed in earlier reports, regulators around the world have been tightening regulations across the financial services spectrum. New rules on selling practices and fund distribution have started to be implemented in Hong Kong, which may have negative effects on fund sales but the actual impact is yet to be clearly seen.

Thanks and appreciation

Lastly, we would like to take this opportunity to express our heartfelt gratitude to our team of dedicated professionals for their commitment to excellence in delivering superior fund performance for investors. Our appreciation also goes to our investors, business partners and shareholders whose support has made our achievements possible.

CHAN Sheung Lai
Chief Executive Officer
Executive Director

[1] *Performance of Value Partners Classic Fund (A Units) over past five years: 2006: +41.8%; 2007: +41.1%; 2008: -47.9%; 2009: +82.9%; 2010: +20.2%; 2011 (YTD as at 30 June 2011): +1.2%.*

[2] *Judging for the 2010 Best of the Best Awards involved the submission of nomination forms to Asia Asset Management judges, on or before 17 December 2010. Funds are judged based on their annual performance, ending on 30 September 2010. Judging criteria for the China Greenchip Fund's performance was dependent on the nominated fund's fund size, performance against its peers, 3-year return, and monthly and year-to-date.*

[3] *The top 100 funds were selected based on fund size, track record, Morningstar's Star rating and one year absolute ranking as at month end October 2010.*

[4] *Star ratings as at 30 June 2011.*

FINANCIAL REVIEW

Despite the volatile market conditions during the first half of 2011, Value Partners Group's AUM increased to US$8.9 billion as at 30 June 2011, a net increase of 11.9% over the total of US$7.9 billion recorded six months earlier. It further climbed to US$9.1 billion at the end of July 2011 which was a record high month end in the Group's history. In addition, the Group's total revenue increased to HK$385.4 million for the six months ending 30 June 2011, compared to HK$207.0 million recorded one year earlier, an 86.2% increase. Net profit for the first half of 2011 was HK$198.7 million, which was an increase from the HK$91.6 million net profit seen in the first half of 2010, representing a 116.9% increase. The significant increase in net profit was primarily driven by the increase in management fees and performance fees.

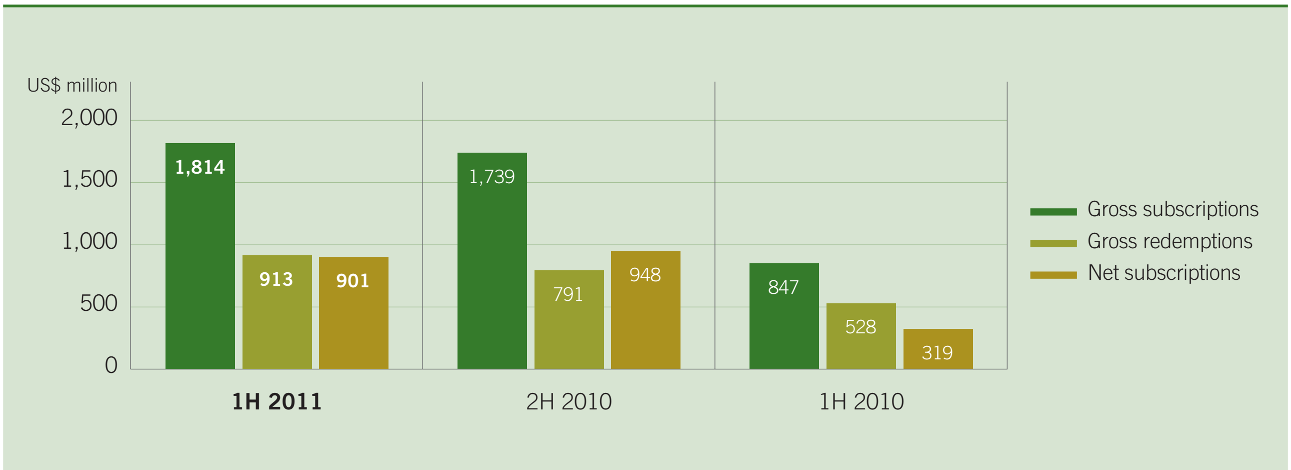
Assets Under Management

AUM and return

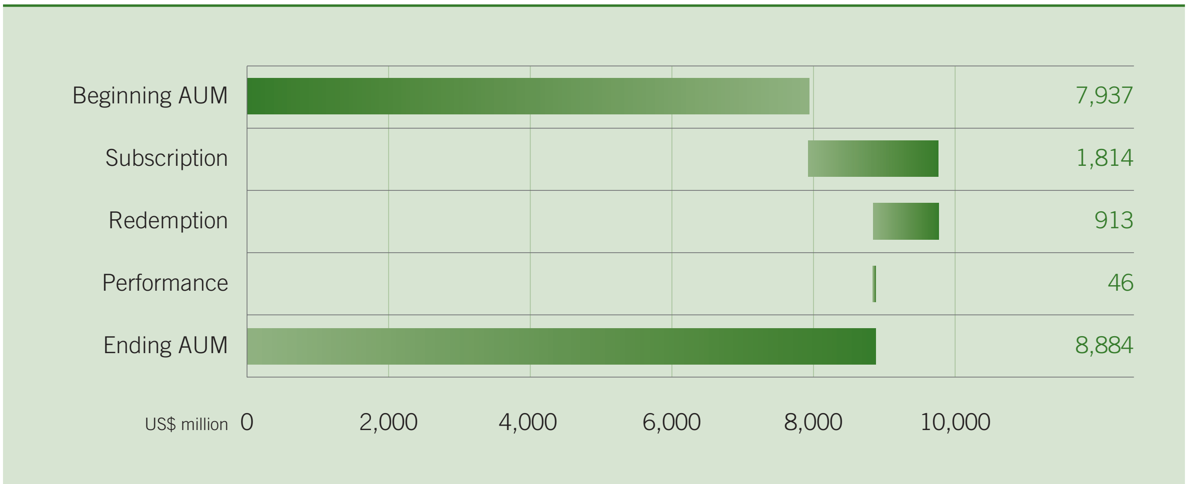
The Group's AUM amounted to US$8,884 million as at 30 June 2011, compared to US$7,937 million half a year earlier, representing an 11.9% increase. The growth was driven mainly by the strong inflow of funds along with positive fund returns, which accounted for US$901 million and US$46 million increases in AUM respectively.

In terms of fund performance, we generated an asset-weighted average return of funds under management of 0.5%, compared to the recorded loss of 0.8% and gain of 0.9% in the Hang Seng Index and MSCI China Index, respectively. In addition, our flagship Value Partners Classic Fund posted a 1.2% gain during the first half of 2011.

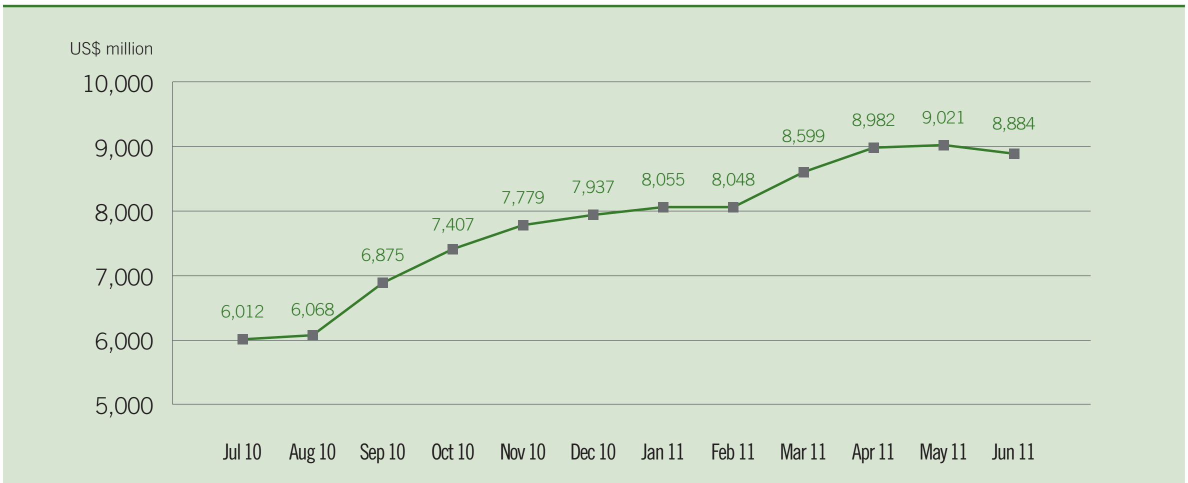
Gross subscriptions for the period under review amounted to US$1,814 million, compared to US$847 million and US$1,739 million in the first and second halves of last year, reflecting the strong momentum of positive fund inflow. Gross redemptions amounted to US$913 million during the period, which remained stable in comparison to the second half of 2010 despite the weak market sentiment during the first half of 2011. Net subscriptions amounted to US$901 million, compared to net subscriptions of US$319 million and US$948 million recorded in the first and second halves of 2010, respectively.



AUM change in the first half of 2011



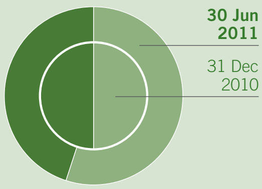
Monthly AUM in the past twelve months



AUM by category

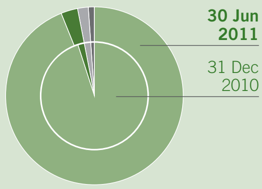
The charts below provide an analysis of the Group's AUM by different classifications, including brand, strategy and fund type, as at 30 June 2011. During the period under review, there was relatively higher fund inflow from the retail distribution channels into our Own Branded Funds such as our flagship Value Partners Classic Fund. As a result, the ratio of our Own Branded Funds increased to 55% of our total AUM at the end of the period compared with 50% in 2010. Our Absolute Return Long-biased Funds represent the majority of our funds by strategy. In terms of fund type, authorised funds accounted for 76% of our total AUM.

Classification by brand



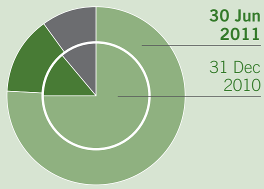
	Jun 2011	Dec 2010
Own Branded Funds	**55%**	50%
White Label & Co-branded Funds	**45%**	50%

Classification by strategy



	Jun 2011	Dec 2010
Absolute Return Long-biased Funds	**94%**	95%
Long-short Hedge Funds	**3%**	2%
Quantitative Funds & ETF	**2%**	2%
Others	**1%**	1%

Classification by type

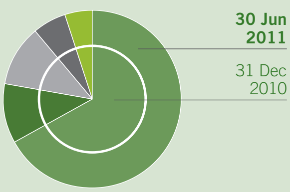


	Jun 2011	Dec 2010
Authorised Funds	**76%**	75%
Non-authorised Funds	**14%**	14%
Managed Accounts	**10%**	11%

Client base

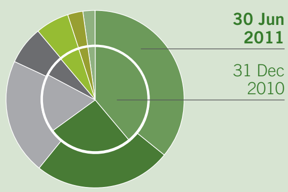
Institutional clients, the Group's primary set of fund investors, accounted for 79% of the total AUM as at 30 June 2011. Institutional clients include institutions, pension funds, endowments and foundations, high-net-worth individuals, funds of funds, and family offices and trusts. The proportion of funds coming from retail investors increased from 18% to 21% of the Group's total AUM over the past six months, as a result of the higher fund inflow from Hong Kong retail investors through our expanded retail distribution channel network which includes retail banks. The proportion of high-net-worth individuals also increased from 6% to 7% over the past six months as a result of our increased efforts in expanding business relationships with private banks in the region. By geographical region, Hong Kong clients accounted for 67% of the Group's AUM. Clients in the United States and Europe accounted for 22% of the Group's AUM, unchanged from last year.

Client analysis by geographical region



	Jun 2011	Dec 2010
Hong Kong	**67%**	67%
United States	**11%**	11%
Europe	**11%**	11%
Australia	**6%**	6%
Others	**5%**	5%

Client analysis by type



	Jun 2011	Dec 2010
Institutions	**36%**	39%
Pension funds	**25%**	26%
Retail	**21%**	18%
High-net-worth individuals	**7%**	6%
Endowments & foundations	**6%**	6%
Funds of funds	**3%**	3%
Family offices & trusts	**2%**	2%

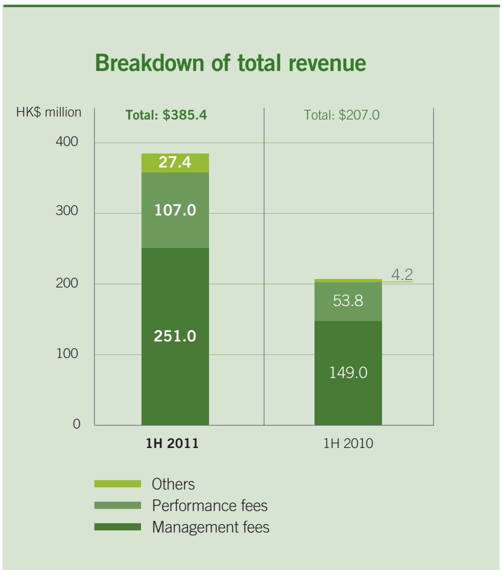
Summary of results

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

(In HK$ million)	1H 2011	1H 2010	% Change
Total revenue	**385.4**	207.0	+86.2%
Gross management fees	**251.0**	149.0	+68.5%
Gross performance fees	**107.0**	53.8	+98.9%
Net profit	**198.7**	91.6	+116.9%
Basic earnings per share (HK cents)	**11.3**	5.7	+98.2%
Diluted earnings per share (HK cents)	**11.1**	5.7	+ 94.7%
Interim dividend per share (HK cents)	**Nil**	Nil	

Revenue and fee margins

The Group's total revenue increased to HK$385.4 million for the six months ended 30 June 2011, compared to HK$207.0 million for the corresponding period one year earlier, an 86.2% increase. Gross management fees rose to HK$251.0 million from HK$149.0 million over the same period last year. These gains were mainly driven by the 53.6% increase in the Group's average AUM from US$5,538 million a year earlier to US$8,504 million this year. There was an improvement in annualised gross management fee margin to 76 basis points from 69 basis points one year earlier due to relatively higher fund inflow from retail distribution channels into our Own Branded Funds. However, the distribution fees paid to channels also increased correspondingly, and as a result, the annualised net management fee margin stood at 60 basis points, same as last year.

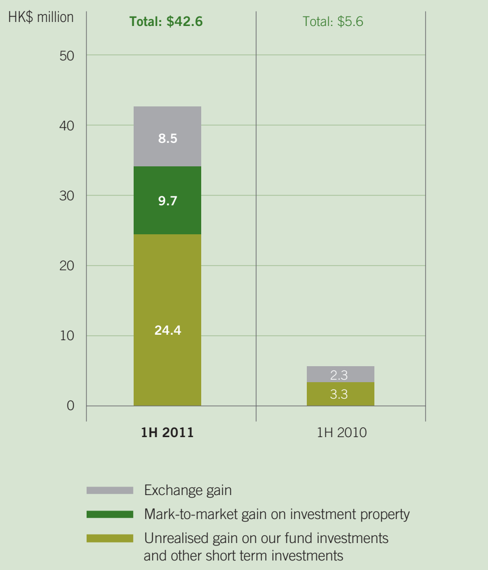


Gross performance fees amounted to HK$107.0 million. This represents an 98.9% increase compared to the HK$53.8 million recorded for the same period last year. During the period under review, performance fees were generated from funds with performances that had exceeded their benchmark returns for the respective periods ended, or their high watermarks, at the dates of their performance fee crystallization.

Other income, which mainly comprised dividend income and interest income, increased to HK$13.3 million from HK$4.5 million during the same period last year. Dividend income increased to HK$5.1 million from HK$3.6 million, while interest income increased to HK$2.9 million from HK$0.5 million due to the increase in bank deposits and higher interest rates. During the period under review, there was a recharge of management fee income from a joint venture amounting to HK$4.4 million and a corresponding share of loss on joint venture of HK$2.2 million as a result of the decrease in the net asset value of the joint venture caused by the recharge. No such income was generated in the same period last year.

Other gains and losses

Breakdown of other gains and losses



Total other gains and losses amounted to HK$42.6 million, compared to HK$5.6 million in the previous year. Other gains and losses included fair value changes in our fund investments and other short term investments, mark-to-market gain on investment property and exchange gain.

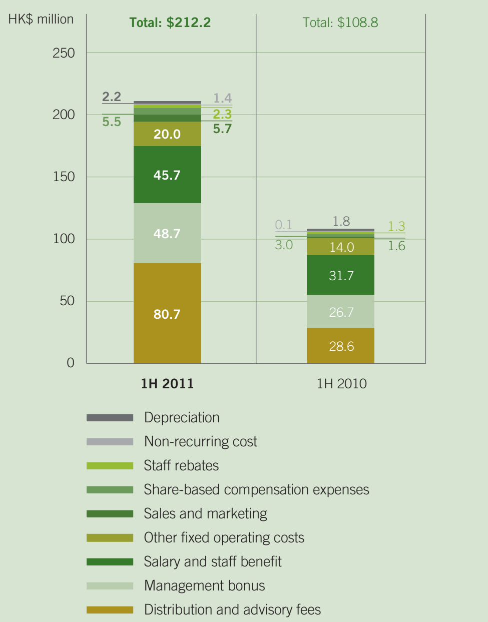
Net fair value changes in our fund investments and other short term investments amounted to HK$24.4 million, compared to HK$3.3 million in the previous year. The Group's accounting treatment of our fund investments requires changes in the fair value of our fund investments to be reflected in the consolidated statement of comprehensive income. In so doing, an unrealised gain of HK$19.3 million was recorded in the consolidated statement of comprehensive income for the period under review, compared to HK$3.6 million unrealised gain recorded in the same period last year. The Group also invested in other short term investments where an unrealized gain of HK$5.1 million was recorded for the period under review, compared to HK$0.3 million in unrealised losses for the same period last year.

The Group acquired an investment property in December 2010 for HK$58.7 million and recognised a mark-to-market gain of HK$9.7 million for the current period.

Exchange gains amounted to HK$8.5 million, compared to HK$2.3 million in the previous year. The Group converted around HK$400.0 million to Renminbi early this year as reserves for its expansion in mainland China and, as a result, exchange gains increased by HK$6.2 million from the appreciation of Renminbi for the current period.

Cost management

Breakdown of total expenses



The Group's total expenses amounted to HK$212.2 million, compared to HK$108.8 million recorded for the same period one year earlier. Total expenses included distribution and advisory fees, management bonuses, fixed operating expenses, sales and marketing expenses, share-based compensation expenses, staff rebates and other expenses.

Distribution and advisory fees increased by 182.2% to HK$80.7 million, from HK$28.6 million one year earlier, due to an increase in distribution fees paid to distribution channels as a result of higher management fee income and subscription fee income generated from distribution channels.

Management bonuses amounted to HK$48.7 million for the period under review. This is consistent with the Group's compensation policy, which distributes 20% to 23% of the net profit pool every year as a management bonus to employees. The net profit pool comprises net profit before management bonus and taxation, and after certain adjustments. This discretionary bonus promotes staff loyalty and performance, while aligning the interests of employees with those of shareholders.

Fixed operating expenses, mainly consisting of fixed salaries and benefits, and other fixed operating costs such as rent, investment research and other administrative and office expenses, amounted to HK$65.7 million, compared to HK$45.7 million recorded one year earlier. This increase was in line with the Group's continuing business expansion.

Fixed salaries and staff benefits increased by HK$14.0 million compared with the same period last year as a result of the increased headcount in selected areas to cope with business expansion as well as the salary increment. As at 30 June 2011, the Group's total headcount was 121 compared to 93 at the end of June last year.

Included in other fixed operating costs, office rental increased by HK$2.3 million as a result of the expansion of the office premises to cope with the increased headcount and business needs.

The Group's management continued to exercise stringent cost discipline and aimed to keep its fixed operating expenses well covered by its net management fee income, which is considered a relatively stable source of income. Internally the Group measures this objective with the fixed cost coverage ratio, an indicator of how many times fixed operating expenses are covered by net management fee income. For the period under review, the Group's fixed cost coverage was 3.1 times.

Sales and marketing expenses increased to HK$5.7 million from HK$1.6 million in the same period last year as a result of the increased spending on marketing events and distributor sponsorship following the expansion of the retail distribution network. In addition, more overseas travel costs were incurred by the Group's sales team to strengthen sales efforts in key overseas markets, particularly the United States and Europe.

Apart from operating expenses, the Group recorded expenses of HK$5.5 million relating to stock options granted to employees. This expense item did not impact on cash flow and is recognised in accordance with Hong Kong Financial Reporting Standards.

Staff rebates increased to HK$2.3 million from HK$1.3 million recorded in the same period last year. Staff are entitled to partial rebates of management fees and performance fees on their investments in the funds managed by the Group. The increase in staff rebates was in line with the increase in management fee and performance fee income from their investments.

Non-recurring expenses mainly consisted of donations. During the current period, the Group entered into a partnership with the Hong Kong University of Science and Technology ("HKUST"), and launched the "Value Partners Center for Investing at the HKUST Business School", for which the Group pledged a donation of up to HK$10.0 million over five years. The first HK$1.0 million was donated during the current period.

Net profit and core earnings

Net profit came to HK$198.7 million, up from HK$91.6 million in 2010, and core earnings were HK$174.6 million, an increase of 92.9% from the HK$90.5 million reported for the same period last year. Core earnings measure the Group's core operating performance and exclude non-recurring and non-operating items, such as the mark-to-market gain or loss of the Group's investments in its own funds. This year's core earnings increase was mainly due to the rise in performance fees and management fees.

Other projects and post interim events

In pursuing opportunities to expand our presence in Greater China, which is our core strategic market, the Group has extended its business stretch further in the mainland and Taiwan, including the following:

(1) the establishment of a joint venture private equity fund management company in Kunming, Yunnan, Western China. We own 60% of the joint venture and registered capital of the joint venture is RMB15.0 million;

(2) the acquisition of 55.46% stake of KBC Concord Asset Management Co., Ltd., a licensed fund management firm in Taiwan in August for NT$174.7 million. This provides us the platform to expand in the domestic market in Taiwan; and

(3) the incorporation of a new wholly-owned subsidiary in Shanghai in July which will become our vehicle to expand our presence in the domestic sunshine private A share fund market. Registered capital of this subsidiary is RMB10.0 million.

Details of these strategic moves are covered in the Report of the Chief Executive Officer section under "Expanding our Greater China presence".

In July, we acquired the other 50% stake in Sensible Asset Management Hong Kong Limited ("SAMHK") from Ping An Insurance of China. After the transaction, the Group now owns the entire share capital of SAMHK. This acquisition reflects the Group's confidence in and commitment to growing its ETF business in Asia. Total consideration for the acquisition was US$4.0 million.

Dividends

The Group has been practicing a more 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 once a year at the end of each financial year to better align them with the Group's full-year performance. Barring any unexpected changes in the market environment, we expect that a final dividend (but not interim dividend) will be declared this year.

Liquidity and financial resources

Fee income is the Group's main source of income. Other sources of income include interest income generated from bank deposits and dividend income from investments held. During the period, the Group's balance sheet and cash flow positions remained strong. As at 30 June 2011, the Group had a net cash balance of HK$1,213.5 million. During the period, net cash inflows from operating activities amounted to HK$534.4 million. The Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities during the period under review. The debt-to-equity ratio (interest bearing external borrowings divided by shareholders' equity) stood at zero, while the current ratio (current assets divided by current liabilities) came to 7.9 times.

Capital structure

As at 30 June 2011, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK$2,368.4 million and 1.76 billion, respectively.

TSE Wai Ming, CFA & FCPA
Deputy Chief Executive Officer and Chief Financial Officer
Executive Director

OTHER INFORMATION

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

Foreign Exchange

Except for its Renminbi-denominated bank deposit, which has a balance of around HK$400 million and serves as reserves for the Group's expansion in mainland China, the Group has no significant foreign currency exposure because the majority of receipts and payments as well as assets and liabilities are denominated in the Hong Kong dollar (the Company's functional and presentation currency) and the United States dollar, which is linked to the Hong Kong dollar.

Human Resources

As at 30 June 2011, the Group employed a total of 121 staff (30 June 2010: 93) in Hong Kong and mainland China. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options are granted and discretionary bonuses are also given based on the Group's and individual staff's performances.

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 six months ended 30 June 2011.

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 comprising 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 unaudited interim results of the Group for the six months ended 30 June 2011.

Independent Review of Interim Results

The unaudited interim results of the Group for the six months ended 30 June 2011 have been reviewed by PricewaterhouseCoopers, the Company's Auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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 Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

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 six months ended 30 June 2011.

Publication of Interim Results and Interim Report on the Stock Exchange

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.valuepartnersgroup.com.hk). The interim 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
Chan Sheung Lai
Chief Executive Officer and Executive Director

Hong Kong, 16 August 2011

As at the date of this Announcement, our Directors are Mr. Cheah Cheng Hye, Mr. Chan Sheung Lai, Ms. Hung Yeuk Yan Renee, Mr. So Chun Ki Louis and Mr. Tse Wai Ming as Executive Directors and Dr. Chen Shih Ta Michael, Mr. Lee Siang Chin and Mr. Nobuo Oyama as Independent Non-executive Directors.