



2013

INTERIM REPORT | 中期報告

Value Partners Group Limited
惠理集團有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊之有限責任公司)

 **惠理集團**
Value Partners Group



Stock Code 股份代號: 806

7 facts about Value Partners:

US\$8.6 billion⁽¹⁾
assets under management

16%⁽²⁾ annualized return and
1,949%⁽²⁾ cumulative return since launch in 1993
for Value Partners Classic Fund (A Units)

No. 1
in 2012 Asia Hedge Fund 25⁽³⁾

80+ top performing awards
and prizes since establishment

2,500 company visits and
research meetings every year

40 investment professionals
focusing on Greater China investments

20 years of history weathered
at least 7 financial crises regionally and globally

Footnote:

(1) As of 30 June 2013.

(2) As of 31 July 2013. Launch date was April 1993. Performance refers to that of Value Partners Classic Fund (A Units). Performance of Classic Fund (A Units) over past five years: 2008: -47.9%; 2009: +82.9%; 2010: +20.2%; 2011: -17.2%; 2012: +14.0%; 2013 (YTD): -3.2%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees. Past performance is not indicative of future results.

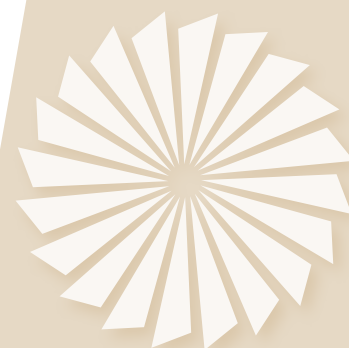
(3) Source: Institutional Investor Magazine, July 2012.

CORPORATE PROFILE

Value Partners Group is one of Asia's largest independent asset management firms with assets under management of around US\$8.6 billion as of 30 June 2013. Since our establishment in 1993, we have been a dedicated value investor with a focus on the Greater China region. In November 2007, the Value Partners Group became the only asset management firm listed on the main board of the Hong Kong Stock Exchange (Stock code: 806 HK). We manage absolute return long-biased funds, long-short hedge funds, exchange-traded funds, quantitative funds, as well as fixed income products for institutional and individual clients in Asia Pacific, Europe and the United States.

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20
YEARS

CORPORATE INFORMATION

Board of Directors

Chairman and Co-Chief Investment Officer

Mr. CHEAH Cheng Hye

Executive Directors

Ms. HUNG Yeuk Yan Renee

(Deputy Chief Investment Officer)

Mr. SO Chun Ki Louis

(Deputy Chairman and Co-Chief Investment Officer)

Mr. TSE Wai Ming, Timothy, CFA

(Chief Executive Officer)

Independent Non-executive Directors

Dr. CHEN Shih-Ta Michael

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

Non-executive Honorary Chairman

Mr. YEH V-Nee

Company Secretary

Mr. CHEUNG Kwong Chi, Aaron

Authorized Representatives

Mr. CHEUNG Kwong Chi, Aaron

Mr. TSE Wai Ming, Timothy, CFA

Members of the Audit Committee

Mr. LEE Siang Chin *(Chairman)*

Dr. CHEN Shih-Ta Michael

Mr. Nobuo OYAMA

Members of the Nomination Committee

Mr. CHEAH Cheng Hye *(Chairman)*

Dr. CHEN Shih-Ta Michael

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

Mr. TSE Wai Ming, Timothy, CFA

Members of the Remuneration Committee

Dr. CHEN Shih-Ta Michael *(Chairman)*

Mr. CHEAH Cheng Hye

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

Mr. TSE Wai Ming, Timothy, CFA

Members of the Risk Management Committee

Ms. LEE Vivienne *(Chairman)*

Mr. CHEAH Cheng Hye

Mr. SO Chun Ki Louis

Mr. TSE Wai Ming, Timothy, CFA

Members of the Valuation Committee

Ms. WONG Ngai Sze, Icy *(Chairman)*

Mr. MO Chun Wah, Jonathan

Mr. TSE Wai Ming, Timothy, CFA

Registered Office

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Office

9th Floor, Nexxus Building

41 Connaught Road Central

Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

26/F Tesbury Centre

28 Queen's Road East

Hong Kong

Auditor

PricewaterhouseCoopers

Legal Advisor

Reed Smith Richards Butler

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Website

www.valuepartners.com.hk

Stock Code

Stock Exchange of Hong Kong: 806

FINANCIAL HIGHLIGHTS

Financial highlights

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

(In HK\$ million)	For the period ended 30 June		
	2013	2012	% Change
Total revenue	358.6	266.6	+34.5%
Gross management fees	291.0	228.3	+27.5%
Gross performance fees	15.4	0.9	+1,611.1%
Operating profit (before other gains/losses)	126.1	88.8	+42.0%
Profit attributable to equity holders of the Company	3.3	88.2	-96.3%
Basic earnings per share (HK cents)	0.2	5.0	-96.0%
Diluted earnings per share (HK cents)	0.2	5.0	-96.0%
Interim dividend per share	Nil	Nil	

(In US\$ million)	30 June 2013	31 December 2012	% Change
Assets under management	8,588	8,509	+0.9%

REPORT OF THE CHIEF EXECUTIVE OFFICER

Robust business despite net profit decline

Global financial markets saw drastic movements across asset classes and geographies in the first half of 2013. In Hong Kong, the asset management industry – which concluded last year on a relative positive note with a record high of HK\$12 trillion assets – saw strong sales in the first six months.

In a period when markets were driven by monetary policy, the Group still managed to achieve a strong net inflow of US\$553 million (1H 2012: US\$71 million) in assets under management (“AUM”), which stood at US\$8.6 billion as of the end of June (up from US\$8.5 billion at the end of 2012).

Profit attributable to our equity holders recorded a substantial decline of 96.3% to HK\$3.3 million in the period, compared with HK\$88.2 million in the prior year. The decrease is driven mostly by the net fair value losses of the Group’s seed capital investments and investments in our own funds, which shrunk with the market pullback by the end of the review period. Seed capital investments are made by the Group to seed certain amount of capital to new funds which is considered necessary during the initial fund launch phase. The Group also invests further into its own funds side by side with investors where appropriate, for better alignment of interest and investment returns. During the review period, aggregate losses on investments amounted to HK\$101.8 million, but by the end of July 2013, we already recouped HK\$36.7 million that had been lost.

Excluding the net fair value losses, the Group’s fund management business remained robust with an increase of 42.0% in its operating profit (before other gains/losses)¹, which rose to HK\$126.1 million in the period from HK\$88.8 million in the first six months last year. In the first half of this year, the Group generated a net cash inflow of HK\$126.9 million from operating activities.

In fact, we saw improving performance in terms of (1) revenue, which grew 34.5% compared with the prior year (1H 2013: HK\$358.6 million; 1H 2012: HK\$266.6 million); (2) gross management fees, which climbed 27.5% (1H 2013: HK\$291.0 million; 1H 2012: HK\$228.3 million), as a result of an increase in average AUM; and (3) gross performance fees, which shot up 1,611.1% (1H 2013: HK\$15.4 million; 1H 2012: HK\$0.9 million), due to certain funds having surpassed their respective high watermarks².

We even managed to drive up our net management fee margin (1H 2013: 62 basis points; 1H 2012: 61 basis points), thanks to greater inflow into our own branded products with which we enjoy a higher profit margin. As a result of our prudent cost control, operating expenses (excluding management bonus and options) stayed flat in the period. We are confident that our stringent cost management and intensive business initiatives will bring about sustained growth for the Group’s business.

Building on strategic platform

The Group’s strategic direction set over the past years has laid the foundation for sustained and solid business growth. In the Hong Kong market, Value Partners was amongst the top 5 market leaders in *Financial Times*’ quarterly industry review on funds, in terms of net sales in the first quarter of 2013. (Note: the ranking for the second quarter this year will be released in late August 2013.) The Group’s high ranking on the list, which was rounded off by top-tier global players, attests to our strong standing in the Hong Kong fund landscape.

REPORT OF THE CHIEF EXECUTIVE OFFICER

Highlights for first half of 2013

- Our High-Dividend Stocks Fund, designed to capture strong dividend plays across Asia Pacific, drew the largest amount of net subscriptions (US\$309 million) for the Group in the period – across channels including retail banks, insurance companies via investment-linked assurance products (ILAS) and private banks in the region.
- Our Greater China High Yield Income Fund – newly authorized by the Securities and Futures Commission (“SFC”) of Hong Kong for offering to the general public in the city³ – benefited from its market position as the only public fund focused on the Greater China high yield bond space. It had an attractive yield-to-maturity and had been popular among private banking clients, drawing US\$177 million net inflow in the period. With its authorization in June, we believe the fund will see greater success in the retail market.
- For our equity funds, our China Convergence Fund (which invests in the A-, B- and H-share markets) and China Greenchip Fund (which focuses on small- and mid-cap stocks in Greater China) have gained ground in different channels. The two funds saw significant net inflows from a diverse range of channels, including retail banks, insurance companies (via ILAS) and private banks, totaling US\$122 million.
- The Mandatory Provident Fund (“MPF”, Hong Kong’s retirement scheme covering the working population) product we manage for a leading scheme provider in the field continued to see a steady net inflow of over US\$60 million in the first half of this year. The fund’s AUM amounted to US\$2.1 billion as of the end of the review period, continuing its lead as the largest fund across all active MPF fund categories.
- Leveraging the US\$100 million Qualified Foreign Institutional Investor (“QFII”) quota we received by the end of 2012, we launched in March this year an A-share product⁴ primarily for institutional investors, which proved popular and was over-subscribed. The QFII quota we received have also been used for A-share investments in our various funds.
- Our Taiwan joint venture, Value Partners Concord Asset Management Company Limited (“VP Concord”), is strategically positioned as an expert on the Island specializing in Greater China investments including RMB and A-share products. A new Greater China absolute return equity fund⁴ launched in February saw a net inflow of US\$44 million in the period.
- Also in February, we launched a Qualified Domestic Institutional Investor (“QDII”) product⁴ for private investors, in partnership with China Merchant Bank for distribution. The fund amassed RMB209 million (US\$33 million) in the initial subscription period. Similar initiatives seeking to capitalize on cross-broader fund flows are already in progress.

China development initiatives

As China restructures its economic model for a more balanced and sustainable development, we see arising opportunities for the asset management industry. China has already begun its liberalization in the financial system, starting with its interest rate as announced in July. In the years ahead, deregulation and liberalization are expected to be the key themes. While the process will take some time, we believe the China fund market will benefit as the country opens up, and asset managers who are able to ride on this tide can capture the best opportunities.

Against this backdrop, we have been strategically positioning ourselves to capture capital outflows from China, and expand our management of the mainland’s domestic wealth. We have also been broadening our product offerings across asset classes and geographies, and we have started collaborating with various top-tier mainland distributors to offer more products. We have also been in discussion with mainland institutional investors seeking to capture business in the segment.

REPORT OF THE CHIEF EXECUTIVE OFFICER

Consumer finance business

For Chengdu Vision Credit Limited (“Vision Credit”), our joint venture operating small loan business in the city, the loan balance outstanding was around HK\$77 million by the end of the review period. Focusing on the white collar, small-business entrepreneurs and small- and medium-size enterprises, Vision Credit has a healthy loan quality. Having been in operation for almost a year, Vision Credit is expected to gather pace in its business development going forward.

Awards and recognition

On our way to becoming the Temple of Value Investing in Asia, Value Partners continues to receive more recognition. In the 2013 Hedge Fund 100 ranking released in May by *Institutional Investor*, Value Partners was ranked the 62nd globally by AUM as of 2 January 2013, while taking the top spot in Asia. Meanwhile, our High-Dividend Stocks Fund made it to the Best 100 Hedge Funds⁵, compiled by the respected magazine *Barron's* and announced in May.

In the 2013 Lipper Fund Awards Hong Kong, our China Greenchip Fund and Chinese Mainland Focus Fund were named winners in the Greater China Equity (5 Years) and China Equity (5 Years) categories⁶. The recognition attests once again to the funds' superior long-term performance.

We are pleased to report that our Chairman and Co-Chief Investment Officer, Mr. Cheah Cheng Hye, has been appointed by the Hong Kong government as a member of the New Business Committee of the Financial Services Development Council, which focuses on studying ways to further develop the financial services industry in Hong Kong. Adding further to his lists of awards and accolades, Mr. Cheah received in June an Honorary Fellowship from the Hong Kong University of Science and Technology for his contribution to the university and society at large.

Appreciation

Finally, we would like to thank our diligent team for their dedication and pursuit of performance excellence. We also extend our appreciation to our investors, business partners and shareholders.

TSE Wai Ming, Timothy, CFA

Chief Executive Officer

Executive Director

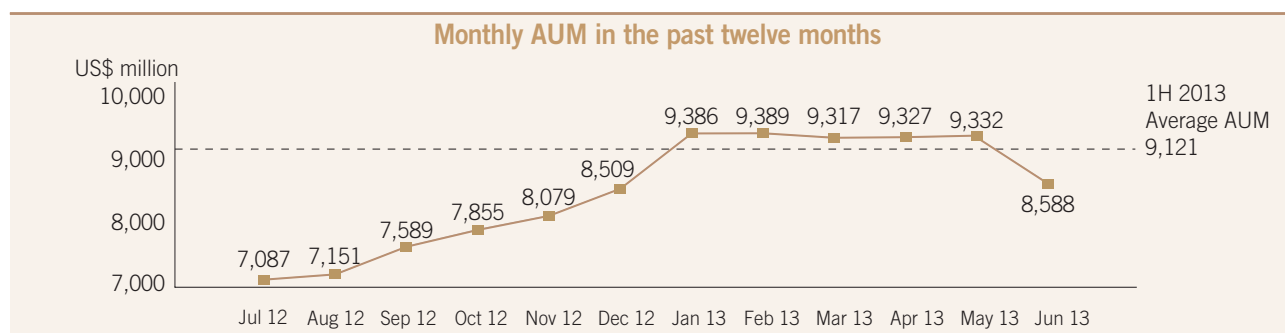
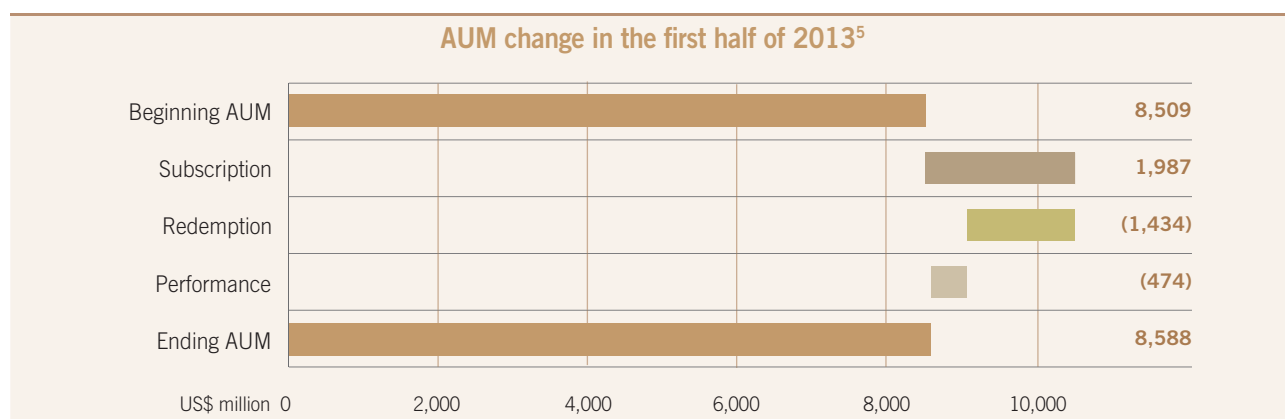
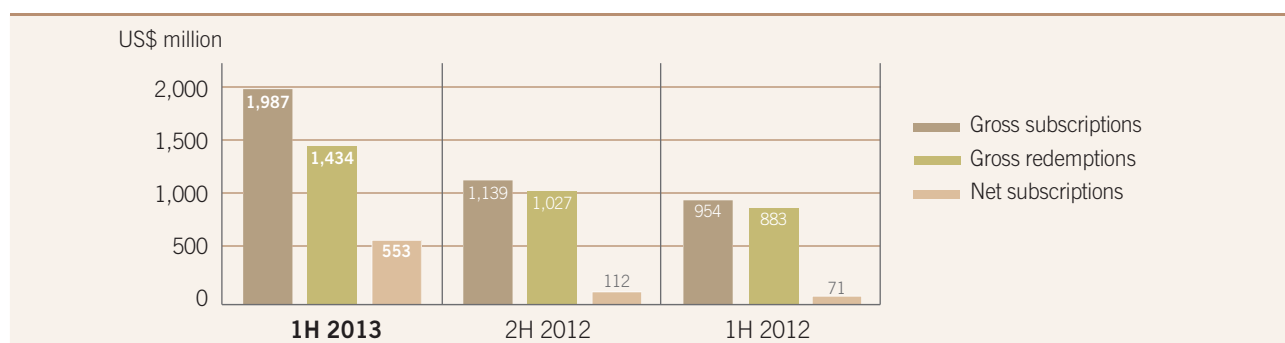
- 1 Other gains/losses mainly include fair value changes and realized gains/losses on disposal of seed capital investments, investments in own funds and other investments; and net foreign exchange gains/losses.
- 2 High watermark refers to the point of peak historical value or benchmark index hurdles, beyond which the investment manager may be entitled to performance fees.
- 3 SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.
- 4 Not authorized by the SFC and not available for public distribution in Hong Kong.
- 5 A ranking based on three-year compound annual returns and a minimum fund size of US\$300 million as at December 2012. Value Partners High-Dividend Stocks Fund is not authorized as a hedge fund by the SFC in Hong Kong according to the Code on Unit Trusts and Mutual Funds. 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.
- 6 Based on data as of year-end 2012.

Assets Under Management

AUM and return

The Group's AUM amounted to US\$8,588 million at the end of June 2013 (31 December 2012: US\$8,509 million). The slight increase was mainly driven by the net subscriptions of US\$553 million, which was partially offset by the negative fund returns of US\$474 million recorded during the period. Our overall fund performance, as calculated in asset-weighted average return of funds under management, recorded a loss of 4.7% in the first half of 2013. Value Partners High-Dividend Stocks Fund¹, the Group's second largest public fund² in Hong Kong, managed to stay resilient with a net gain of 0.6% in the six-month period, while Value Partners' flagship Classic Fund³ recorded a loss of 5.3% in the period.

Gross subscriptions in the first half of 2013 (US\$1,987 million) increased significantly from the first half of 2012 (US\$954 million). Gross redemptions in the period (US\$1,434 million)⁴ increased from the first half of 2012 (US\$883 million). All in all, we were able to achieve strong net subscriptions of US\$553 million (1H 2012: US\$71 million).



FINANCIAL REVIEW

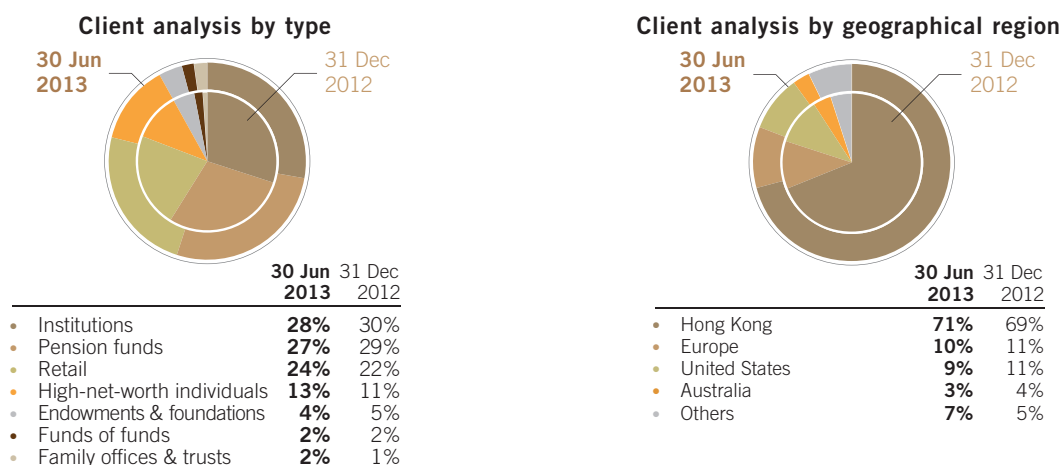
AUM by category

The charts below provide an analysis of the Group's AUM as at 30 June 2013 by three different classifications: brand, strategy and fund type. For the period under review, Own Branded Funds (59%) recorded an increase due to the higher funds inflow into our own branded products following the expansion of our distribution network. By strategy, our Absolute Return Long-biased Funds continued to represent the majority of our funds (89%), followed by our Fixed Income Funds (6%), with our Greater China High Yield Income Fund taking the largest share. In terms of fund type, Hong Kong Securities and Futures Commission ("SFC") authorized funds² (i.e. public funds in Hong Kong) maintained the largest portion of our AUM (80%).



Client base

Institutional clients – including institutions, pension funds, high-net-worth individuals (HNWs), endowments and foundations, funds of funds, and family offices and trusts – remained the Group's primary set of fund investors, accounting for 76% of our AUM. In particular, the increase in HNWs is attributable to the expanded business relationship with private banks in the region. The proportion of funds coming from retail investors increased to 24% of the AUM (31 December 2012: 22%). By geographical region, Hong Kong clients accounted for 71% of the Group's AUM (31 December 2012: 69%), while the percentage of clients in the United States and Europe was 19% (31 December 2012: 22%).



Summary of results

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

(In HK\$ million)	1H 2013	1H 2012	% Change
Total revenue	358.6	266.6	+34.5%
Gross management fees	291.0	228.3	+27.5%
Gross performance fees	15.4	0.9	+1,611.1%
Operating profit (before other gains/losses)	126.1	88.8	+42.0%
Profit attributable to equity holders of the Company	3.3	88.2	-96.3%
Basic earnings per share (HK cents)	0.2	5.0	-96.0%
Diluted earnings per share (HK cents)	0.2	5.0	-96.0%
Interim dividend per share	Nil	Nil	

Revenue and fee margin

Breakdown of total net income

(In HK\$ million)	1H 2013	1H 2012
Revenue	358.6	266.6
Management fees	291.0	228.3
Performance fees	15.4	0.9
Other revenue		
Front-end fees	47.3	37.4
Interest income from loan portfolio	4.5	–
Fee income from loan portfolio	0.4	–
Distribution and advisory fee expenses	(120.4)	(86.4)
Management fees rebate	(74.7)	(50.6)
Performance fees rebate	–	(0.0)
Front-end fees rebate	(45.7)	(35.8)
Other income	25.8	25.4
Total net income	264.0	205.6

The Group's total revenue increased by 34.5% to HK\$358.6 million for the six months ended 30 June 2013 (1H 2012: HK\$266.6 million). The major contribution to our revenue was gross management fees, which increased to HK\$291.0 million (1H 2012: HK\$228.3 million) as a result of a 20.3% increase in the Group's average AUM to US\$9,121 million (1H 2012: US\$7,580 million). With comparatively higher fund inflows from distribution channels into our Own Branded Funds, our annualized gross management fee margin increased to 83 basis points (1H 2012: 78 basis points). The distribution and advisory fee expenses paid to channels increased correspondingly by 39.4% to HK\$120.4 million (1H 2012: HK\$86.4 million), resulting in an increase of 1 basis point in annualized net management fee margin (1H 2013: 62 basis points; 1H 2012: 61 basis points).

Gross performance fees, another source of revenue, amounted to HK\$15.4 million, representing a HK\$14.5 million increase (1H 2012: HK\$0.9 million). 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 high watermarks, at the dates of their performance fee crystallization. Since the performance fee crystallization for most of our major own branded funds is at the end of the year, the performance of our funds in the second half of the year would determine whether we can collect further performance fees in 2013.

FINANCIAL REVIEW

Other revenue mainly includes front-end load, with a substantial amount of front-end load rebated to distribution channels, and such rebate is a usual market practice. Included in other revenue was also the interest and fee income from loan portfolio of HK\$4.9 million (1H 2012: nil) generated by our non-wholly owned subsidiary, which operates and develops the small loan business in Chengdu. The small loan business commenced in the second half of 2012.

Other income, which mainly comprised dividend income and interest income, slightly increased to HK\$25.8 million (1H 2012: HK\$25.4 million). Dividend income increased to HK\$7.0 million (1H 2012: HK\$2.5 million), while interest income decreased to HK\$17.6 million (1H 2012: HK\$21.7 million) due to the drop in the bank deposits and interest-bearing bonds investments.

Other gains and losses

Breakdown of other (losses)/gains – net

(In HK\$ million)	1H 2013	1H 2012
Changes in fair value of investment properties	4.0	15.0
Net (losses)/gains on investments	(84.0)	0.6
Net losses on investments held-for-sale	(17.8)	–
Net foreign exchange losses	(1.7)	(1.2)
Other (losses)/gains – net	(99.5)	14.4

Other gains or losses mainly include fair value changes and realized gains or losses on disposal of seed capital investments, investment in own funds, debt securities and other investments; and net foreign exchange gains or losses. Seed capital investments are made by the Group to seed certain amount of capital to new funds which is considered necessary during the initial fund launch phase. The Group also invests further into its own funds side by side with investors where appropriate, for better alignment of interest and investment returns. During the review period, aggregate losses on investments amounted to HK\$101.8 million, but by the end of July 2013, we already recouped HK\$36.7 million that had been lost.

Cost management

Breakdown of total expenses

(In HK\$ million)	1H 2013	1H 2012
Compensation and benefit expenses	96.3	76.1
Fixed salaries and staff benefits	59.5	58.7
Management bonus	31.2	15.4
Staff rebates	1.4	1.2
Share based compensation expenses	4.2	0.8
Other expenses	41.6	40.7
Other fixed operating costs	26.9	28.3
Sales and marketing	9.5	7.7
Depreciation	2.9	2.9
Non-recurring expenses	2.3	1.8
Total expenses	137.9	116.8

The Group's management continued to exercise stringent cost discipline and aimed to keep fixed operating expenses well covered by its net management fee income, a relatively stable income source. We measure 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 current period, the Group's fixed cost coverage (for asset management business) was 2.7 times.

Compensation and benefit expenses

Fixed salaries and staff benefits slightly increased by HK\$0.8 million to HK\$59.5 million (1H 2012: HK\$58.7 million). The increase was mainly attributable to the salary increment.

Management bonuses amounted to HK\$31.2 million for the current period (1H 2012: HK\$15.4 million). 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 including cost of capital. This discretionary bonus promotes staff loyalty and performance, while aligning the interests of employees with those of shareholders.

Staff rebates increased to HK\$1.4 million (1H 2012: HK\$1.2 million). Staff are entitled to partial rebates of management fees and performance fees when investing in the funds managed by the Group.

The Group also recorded expenses of HK\$4.2 million relating to stock options granted to employees. This expense item had no impact on cash flow and is recognized in accordance with Hong Kong Financial Reporting Standards.

Other expenses

Other non-staff-related operating costs such as rent, legal & professional fees, investment research and other administrative and office expenses, amounted to HK\$26.9 million (1H 2012: HK\$28.3 million).

Sales and marketing expenses increased to HK\$9.5 million for the current period (1H 2012: HK\$7.7 million) as a result of increased spending on advertising and distributor sponsorship.

Non-recurring expenses mainly consisted of donations. The Group entered into a partnership with the Hong Kong University of Science and Technology ("HKUST") in 2011, 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 and HK\$1.8 million was donated during the current period.

Dividends

The Group has been practising 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.

FINANCIAL REVIEW

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 interest-bearing bonds investments, and dividend income from investments held. During the period, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK\$822.9 million. Net cash inflows from operating activities amounted to HK\$126.9 million, and the Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities. 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 12.6 times.

Capital structure

As at 30 June 2013, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK\$2,428.7 million and 1.76 billion, respectively.

- 1 Performance of Value Partners High-Dividend Stocks Fund (Class A1) over past five years: 2008: -46.8%; 2009: +82.8%; 2010: +25.8%; 2011: -11.9%; 2012: +25.2%; 2013 (YTD as at 30 June 2013): +0.6%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.
- 2 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.
- 3 Performance of Value Partners Classic Fund (A Units) over past five years: 2008: -47.9%; 2009: +82.9%; 2010: +20.2%; 2011: -17.2%; 2012: +14.0%; 2013 (YTD as at 30 June 2013): -5.3%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.
- 4 Including cash distributions and return of capital which amounted to US\$20 million in the first half of 2013.
- 5 Excluding AUM of VP Goldstate, in which the Group holds an ownership interest of 49%.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF VALUE PARTNERS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 14 to 32, which comprises the condensed consolidated balance sheet of Value Partners Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2013 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 13 August 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Note	Six months ended 30 June	
		2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Income			
Fee income and other revenue	6	358,643	266,577
Distribution and advisory fee expenses	7	(120,446)	(86,438)
Net fee income		238,197	180,139
Other income	8	25,794	25,437
Total net income		263,991	205,576
Expenses			
Share-based compensation		(4,176)	(803)
Other compensation and benefit expenses		(92,091)	(75,268)
Operating lease rentals		(6,656)	(6,466)
Other expenses		(34,928)	(34,221)
Total expenses		(137,851)	(116,758)
Operating profit (before other gains/losses)		126,140	88,818
Changes in fair value of investment properties		4,000	15,000
Net (losses)/gains on investments		(84,007)	611
Net losses on investments held-for-sale	18	(17,854)	–
Net foreign exchange losses		(1,666)	(1,250)
Other (losses)/gains – net	9	(99,527)	14,361
Operating profit (after other gains/losses)		26,613	103,179
Share of loss of an associate	16	(5,981)	(4,505)
Profit before tax		20,632	98,674
Tax expense	10	(19,170)	(14,700)
Profit for the period		1,462	83,974
Other comprehensive loss for the period			
Fair value losses on available-for-sale financial assets		(16,068)	(170)
Foreign exchange translation		2,370	(2,192)
Other comprehensive loss for the period	11	(13,698)	(2,362)
Total comprehensive (loss)/income for the period		(12,236)	81,612
Profit attributable to			
Equity holders of the Company		3,348	88,158
Non-controlling interests		(1,886)	(4,184)
		1,462	83,974
Total comprehensive (loss)/income for the period attributable to			
Equity holders of the Company		(9,646)	85,726
Non-controlling interests		(2,590)	(4,114)
		(12,236)	81,612
Earnings per share for profit attributable to equity holders of the Company (HK cents per share)			
– basic		0.2	5.0
– diluted		0.2	5.0

The notes on pages 18 to 32 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2013

	Note	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
Non-current assets			
Property, plant and equipment	13	6,139	7,747
Intangible assets	14	54,899	54,404
Investment properties	15	106,000	102,000
Investment in an associate	16	84,963	90,944
Deferred tax assets		391	399
Investments	17	692,796	953,135
Other assets	21	8,741	13,987
Loan portfolio, net	22	70,102	8,024
		1,024,031	1,230,640
Current assets			
Investments	17	151,063	240,862
Investments held-for-sale	18	422,044	245,899
Fees receivable	19	83,299	179,067
Loan portfolio, net	22	6,625	337
Amounts receivable on sale of investments		13,437	164,224
Prepayments and other receivables		26,033	33,473
Cash and cash equivalents	20	822,881	888,090
		1,525,382	1,751,952
Current liabilities			
Accrued bonus		31,187	68,243
Distribution fee expenses payable	24	38,172	28,915
Amounts payable on purchase of investments		–	135,033
Other payables and accrued expenses		18,434	17,870
Current tax liabilities		32,878	15,353
		120,671	265,414
Net current assets		1,404,711	1,486,538
Net assets		2,428,742	2,717,178
Equity			
Capital and reserves attributable to equity holders of the Company			
Issued equity	23	889,213	889,213
Other reserves		173,291	181,653
Retained earnings			
– proposed dividends	12	–	280,832
– others		1,284,075	1,280,727
		2,346,579	2,632,425
Non-controlling interests		82,163	84,753
Total equity		2,428,742	2,717,178

The notes on pages 18 to 32 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Issued equity	Other reserves	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited						
As at 1 January 2012	889,213	153,671	1,287,000	2,329,884	94,130	2,424,014
Profit/(loss) for the period	–	–	88,158	88,158	(4,184)	83,974
Other comprehensive income/(loss)						
Fair value losses on available-for-sale financial assets	–	(170)	–	(170)	–	(170)
Foreign exchange translation	–	(2,262)	–	(2,262)	70	(2,192)
Total comprehensive income/(loss)	–	(2,432)	88,158	85,726	(4,114)	81,612
Transactions with owners						
Share-based compensation	–	803	–	803	–	803
Dividends to equity holders of the Company	–	–	(101,802)	(101,802)	–	(101,802)
Total transactions with owners	–	803	(101,802)	(100,999)	–	(100,999)
As at 30 June 2012	889,213	152,042	1,273,356	2,314,611	90,016	2,404,627

Unaudited						
As at 1 January 2013	889,213	181,653	1,561,559	2,632,425	84,753	2,717,178
Profit/(loss) for the period	–	–	3,348	3,348	(1,886)	1,462
Other comprehensive income/(loss)						
Fair value losses on available-for-sale financial assets	–	(16,068)	–	(16,068)	–	(16,068)
Foreign exchange translation	–	3,074	–	3,074	(704)	2,370
Total comprehensive income/(loss)	–	(12,994)	3,348	(9,646)	(2,590)	(12,236)
Regulatory reserve	–	456	–	456	–	456
Transactions with owners						
Share-based compensation	–	4,176	–	4,176	–	4,176
Dividends to equity holders of the Company	–	–	(280,832)	(280,832)	–	(280,832)
Total transactions with owners	–	4,176	(280,832)	(276,656)	–	(276,656)
As at 30 June 2013	889,213	173,291	1,284,075	2,346,579	82,163	2,428,742

The notes on pages 18 to 32 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Cash flows from operating activities		
Net cash generated from operations	112,085	35,859
Interest received	16,462	2,616
Tax paid	(1,638)	(414)
Net cash generated from operating activities	126,909	38,061
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(1,831)	(6,085)
Acquisition of an associate	–	(49,919)
Purchase of investments	(599,752)	(300,420)
Disposal of investments	671,936	97,020
Dividends received from investments	5,372	1,735
Interest received from investments	9,877	4,531
Net cash generated from/(used in) investing activities	85,602	(253,138)
Cash flows from financing activities		
Dividends paid	(280,832)	(101,802)
Net cash used in financing activities	(280,832)	(101,802)
Net decrease in cash and cash equivalents	(68,321)	(316,879)
Net foreign exchange gains/(losses) on cash and cash equivalents	3,112	(2,192)
Cash and cash equivalents at beginning of the period	888,090	1,315,348
Cash and cash equivalents at end of the period	822,881	996,277

The notes on pages 18 to 32 are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

1 General information

Value Partners Group Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office and its principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 9th Floor, Nexus Building, 41 Connaught Road Central, Hong Kong, respectively.

The Company acts as an investment holding company. The Company and its subsidiaries (together, the “Group”) principally provides investment management services to investment funds and managed accounts. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 13 August 2013.

This condensed consolidated interim financial information have been reviewed, not audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2013 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013:

- HKAS 1 (amendment) “Presentation of Financial Statements” requires entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The adoption of the amended HKAS 1 only affects the presentation of the consolidated statement of comprehensive income.
- HKAS 28 (revised 2011) “Investment in Associates and Joint Ventures” includes the requirements for joint ventures, as well as associates, to be equity accounted for following the issue of HKFRS 11 “Joint Arrangements”. The Group has already used the equity method to account for the associate, refer to Note 16 for details.
- HKFRS 10 “Consolidated Financial Statements” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group assessed HKFRS 10’s impact and considered that there is minimal impact on the Group’s financial statements.

3 Accounting policies (continued)

New standards adopted by the Group (continued)

- HKFRS 12 “Disclosures of Interests in Other Entities” includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has disclosed the relevant information for the investment in associate, refer to Note 16 for details.
- HKFRS 13 “Fair Value Measurement” aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. The Group makes additional relevant disclosures in these financial statements, refer to Note 4 for details.

New standards issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted

- HKFRS 9 “Financial Instruments” addresses the classification, measurement and recognition of financial assets and liabilities. HKFRS 9 replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9’s full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015.

4 Fair value estimation

The fair value of financial assets traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. Prior to 1 January 2013, the quoted market price used for financial assets held by the Group was the current bid price. The Group adopted HKFRS 13 “Fair Value Measurement” from 1 January 2013 and changed its fair valuation inputs to utilise the last traded market price for financial assets.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial instruments traded in active markets are based on quoted market prices for identical instruments at the reporting date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial instruments held by the Group is the last traded price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, either directly (as prices) or indirectly (derived from prices), the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted bid prices (or net asset value) provided by fund administrators for unlisted investment funds. These investment funds invest substantially in listed equities.
- Other techniques, such as valuations performed by external valuation specialists, recent arm’s length transactions or reference to other instruments that are substantially the same, for the remaining financial instruments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

4 Fair value estimation (continued)

The Group's investments are analysed into the fair value measurement hierarchy as below. As at 30 June 2013 and 31 December 2012, the majority of the Group's investments are included in levels 1 and 2. There have been no significant transfers between level 1, level 2 and level 3 of the fair value measurement hierarchy for the six months ended 30 June 2013 (year ended 31 December 2012: Nil). The Group's policy is to recognise transfers into and out of the fair value measurement hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Unaudited				
As at 30 June 2013				
Investments	521,675	322,132	52	843,859
Investments held-for-sale	–	422,044	–	422,044
	521,675	744,176	52	1,265,903
Audited				
As at 31 December 2012				
Investments	599,858	594,087	52	1,193,997
Investments held-for-sale	–	245,899	–	245,899
	599,858	839,986	52	1,439,896

Level 2 instruments comprise the investments in own investment funds and debt securities. These investments have been fair valued using the quoted prices in an active market.

The following table presents the changes in level 3 instruments.

	Investments	
	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
As at 1 January	52	1,877
Additions	–	6
Disposals	–	(2)
Return of capital from investments	–	(2,198)
Gains recognised in profit or loss	–	369
As at 30 June 2013/31 December 2012	52	52
Total gains for the period/year included in the condensed consolidated statement of comprehensive income for level 3 instruments held at the end of the period/year	–	369

The Group did not have significant level 3 instruments as at 30 June 2013 and 31 December 2012. The level 3 instruments are the investment funds managed by the Group, and its fair value is based on the book value.

There were no changes in valuation techniques during the period.

Except for the assets disclosed in the above table and the investment properties, the carrying amounts of other assets and liabilities as at 30 June 2013 and 31 December 2012 are approximation of fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

5 Segment information

The Group determines its operating segments based on the information reviewed by the Board of Directors, which is used to make strategic decisions. The Board of Directors considers the business from a product perspective.

The Group has two reportable segments – asset management business and small loan business. The two segments are managed separately and offer different products and services. The asset management business is the Group's core business. It derives revenues from the provision of investment management services to investment funds and managed accounts.

The Group set up a small loan business in Chengdu and commenced business in the second half of 2012. Major income from this small loan business includes interest income and administrative fee income.

An analysis of the Group's reportable segment profit before tax for the period by segments is as follows:

	Six months ended 30 June 2013			Six months ended 30 June 2012		
	Asset management business HK\$'000 Unaudited	Small loan business HK\$'000 Unaudited	Total HK\$'000 Unaudited	Asset management business HK\$'000 Unaudited	Small loan business HK\$'000 Unaudited	Total HK\$'000 Unaudited
Income from external customers	353,725	4,918	358,643	266,577	–	266,577
Distribution and advisory fee expenses	(120,446)	–	(120,446)	(86,438)	–	(86,438)
Net fee income	233,279	4,918	238,197	180,139	–	180,139
Other income	22,169	3,625	25,794	20,183	5,254	25,437
Total net income	255,448	8,543	263,991	200,322	5,254	205,576
Operating expenses	(129,905)	(7,946)	(137,851)	(112,788)	(3,970)	(116,758)
Operating profit (before other gains/losses)	125,543	597	126,140	87,534	1,284	88,818
Other (losses)/gains – net	(99,527)	–	(99,527)	14,361	–	14,361
Operating profit (after other gains/losses)	26,016	597	26,613	101,895	1,284	103,179
Share of loss of an associate	(5,981)	–	(5,981)	(4,505)	–	(4,505)
Reportable segment profit before tax	20,035	597	20,632	97,390	1,284	98,674

An analysis of the Group's reportable segment total assets at the reporting date by segments is as follows:

	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
Asset management business	2,166,088	2,607,764
Small loan business	383,325	374,828
Total assets	2,549,413	2,982,592

There has been no material change in total liabilities from the amount disclosed in the last annual consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

6 Turnover and revenue

Turnover and revenue consist of fees from investment management activities and fund distribution activities and interest income and fees from the loan portfolio.

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Management fees	291,015	228,302
Performance fees	15,381	905
Front-end fees	47,329	37,370
Total fee income	353,725	266,577
Interest income from loan portfolio	4,529	–
Fee income from loan portfolio	389	–
Total turnover and revenue	358,643	266,577

7 Distribution and advisory fee expenses

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Distribution fee expenses	118,815	84,434
Advisory fee expenses	1,631	2,004
Total distribution and advisory fee expenses	120,446	86,438

8 Other income

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Interest income from cash and cash equivalents and restricted bank balances	5,697	7,087
Interest income from debt securities	11,922	14,575
Dividend income from available-for-sale financial assets	4,708	992
Dividend income from financial assets at fair value through profit or loss	2,318	1,530
Rental income from investment properties	1,115	1,115
Others	34	138
Total other income	25,794	25,437

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

9 Other (losses)/gains – net

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Changes in fair value of investment properties (Note 15)	4,000	15,000
Net (losses)/gains on investments		
Gains on financial assets at fair value through profit or loss	51,887	27,876
Losses on financial assets at fair value through profit or loss	(136,786)	(27,265)
Gains on disposal of available-for-sale financial assets	1,075	–
Losses on disposal of available-for-sale financial assets	(183)	–
Losses on investments held-for-sale (Note 18)	(17,854)	–
Net foreign exchange losses	(1,666)	(1,250)
Total other (losses)/gains – net	(99,527)	14,361

10 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 2013 at the rate of 16.5% (2012: 16.5%).

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Current tax		
Hong Kong profits tax	18,239	14,574
Overseas tax	1,017	229
Adjustments in respect of prior years	–	(299)
Total current tax	19,256	14,504
Deferred tax		
Origination and reversal of temporary differences	(86)	196
Total tax expense	19,170	14,700

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

11 Other comprehensive loss

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Available-for-sale financial assets		
Fair value losses during the period	(15,093)	(170)
Reclassification adjustments for gains included in profit or loss	(975)	–
Fair value losses on available-for-sale financial assets	(16,068)	(170)
Foreign exchange translation	2,370	(2,192)
Total other comprehensive loss	(13,698)	(2,362)

12 Dividends

Dividends declared by the Company of HK\$280,832,000 related to the year ended 31 December 2012 and were paid on 29 May 2013.

No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2013 (2012: Nil).

13 Property, plant and equipment

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Opening net book amount	7,747	8,129
Additions	722	3,573
Depreciation	(2,308)	(2,512)
Exchange differences	(22)	–
Closing net book amount	6,139	9,190

14 Intangible assets

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Opening net book amount	54,404	52,670
Additions	1,109	2,512
Amortisation	(602)	(436)
Exchange differences	(12)	–
Closing net book amount	54,899	54,746

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

15 Investment properties

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Opening balance	102,000	78,000
Changes in fair value of investment properties	4,000	15,000
Closing balance	106,000	93,000

The investment properties were revalued as at 30 June 2013 on an open market value basis by CB Richard Ellis Limited, an independent firm of professional qualified valuer.

16 Investment in an associate

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Opening balance	90,944	–
Additions	–	49,918
Share of results – loss after tax	(5,981)	(4,505)
Closing balance	84,963	45,413

On 26 March 2012, the Group acquired 49% interest in Value Partners Goldstate Fund Management Company Limited (“VP Goldstate”) (formerly KBC Goldstate Fund Management Company Limited) for a consideration of HK\$49,918,000. As at 30 June 2013, the Group accounted for its investment in VP Goldstate as an associate. The Group has the ability to exercise significant influence over VP Goldstate with representation on its Board of Directors.

The Group’s share of the results of VP Goldstate and its aggregated assets and liabilities are shown below:

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Fee income	14,486	2,373
Share of loss	(5,981)	(4,505)

	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
	Assets	83,714
Liabilities	(13,211)	(4,155)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

17 Investments

Investments include the following:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Total	
	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
Listed securities (by place of listing)						
Debt securities – Hong Kong	–	–	9,690	2,477	9,690	2,477
Debt securities – Singapore	–	–	248,684	229,089	248,684	229,089
Investment funds – Hong Kong	263,301	368,292	–	–	263,301	368,292
Market value of listed securities	263,301	368,292	258,374	231,566	521,675	599,858
Unlisted securities (by place of incorporation/establishment)						
Debt securities – China	–	–	–	86,422	–	86,422
Equity securities – Singapore	–	–	2,454	5,649	2,454	5,649
Investment funds – Australia	16,345	18,358	–	–	16,345	18,358
Investment funds – Cayman Islands	286,701	471,088	–	–	286,701	471,088
Investment funds – Taiwan	3,188	–	–	–	3,188	–
Investment funds – United States	245	263	13,251	12,359	13,496	12,622
Fair value of unlisted securities	306,479	489,709	15,705	104,430	322,184	594,139
Total investments	569,780	858,001	274,079	335,996	843,859	1,193,997
Representing:						
Non-current	470,031	703,561	222,765	249,574	692,796	953,135
Current	99,749	154,440	51,314	86,422	151,063	240,862
Total investments	569,780	858,001	274,079	335,996	843,859	1,193,997

18 Investments held-for-sale

The Group classified the following interests in investment funds as held-for-sale as the Group intended to dispose of these investments as soon as practically possible.

	Fair value	
	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
Investment funds – Cayman Islands	312,338	133,262
Investment funds – Ireland	83,498	85,638
Investment funds – Taiwan	26,208	26,999
Total investments held-for-sale	422,044	245,899

As at 30 June 2013 and 31 December 2012, the major assets of the above investment funds were securities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

18 Investments held-for-sale (continued)

Cumulative loss recognized in other (losses)/gains – net relating to investments held-for-sale

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Unrealized losses on investments held-for-sale	(17,854)	–

19 Fees receivable

The carrying amounts of fees receivable approximate their fair value due to the short-term maturity. The maximum exposure to credit risk at the reporting date is the carrying amounts of the fees receivable. The Group did not hold any collateral as security as at 30 June 2013 (31 December 2012: Nil).

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

	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
Fees receivable that were past due but not impaired		
1 – 30 days	1,027	692
31 – 60 days	140	–
61 – 90 days	231	483
	1,398	1,175
Fees receivable that were within credit period	81,901	177,892
Total fees receivable	83,299	179,067

Fees receivable from investment management activities are generally deducted from the net asset value of the investment funds and managed accounts and paid directly by the administrator or custodian of the investment funds and managed accounts at the end of the relevant valuation period or credit period, as appropriate.

There was no impairment provision on fees receivable as at 30 June 2013 (31 December 2012: Nil).

20 Cash and cash equivalents

	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
Cash at banks and in hand	214,934	207,709
Short-term bank deposits	586,733	671,940
Deposits with brokers	21,214	8,441
Total cash and cash equivalents	822,881	888,090

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

21 Other assets

	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
Restricted bank balances	6,448	12,010
Other assets	2,293	1,977
Total other assets	8,741	13,987

In accordance with the Regulations Governing the Conduct of Discretionary Investment Business and the Regulations Governing Offshore Funds of Taiwan, as at 30 June 2013, Value Partners Concord Asset Management Company Limited, a subsidiary of the Group, placed a deposit of NT\$25 million (equivalent to HK\$6,448,000) (31 December 2012: NT\$45 million (equivalent to HK\$12,010,000)) as a financial guarantee with Bank Sinopac so that it can operate in the business of discretionary investment management in Taiwan.

22 Loan portfolio, net

	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
Loan portfolio in the People's Republic of China		
Corporate	14,699	4,852
Personal	62,695	3,593
	77,394	8,445
Allowance for impairment	(667)	(84)
Total loan portfolio, net	76,727	8,361
Representing:		
Non-current	70,102	8,024
Current	6,625	337
Total loan portfolio, net	76,727	8,361

As at 30 June 2013, the loan portfolio had a weighted average remaining term of 3.18 years (31 December 2012: 2.06 years) on a contractual basis, without taking into account any prepayment of loans. Final maturity of the loan portfolio is in the year 2018. Total allowance for loan impairment as a percentage of the outstanding principal balances of the loan portfolio is 0.9% (31 December 2012: 1%).

23 Issued equity

	Number of shares	Issued equity HK\$'000
Unaudited		
As at 1 January 2012 and 30 June 2012	1,755,202,800	889,213
Unaudited		
As at 1 January 2013 and 30 June 2013	1,755,202,800	889,213

Share options

The Group operates a share option scheme for directors, employees and others whom the Board of Directors considers, in its sole discretion, have contributed or will contribute to the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

23 Issued equity (continued)

Movements in the number of share options outstanding and their related exercise prices are as follows:

	Average exercise price (HK\$ per share)	Number of options (‘000)
Unaudited		
As at 1 January 2012	5.26	98,118
Granted	3.94	4,700
Forfeited	5.50	(703)
Forfeited	5.00	(2,000)
As at 30 June 2012	5.20	100,115
Unaudited		
As at 1 January 2013	5.18	104,115
Forfeited	5.00	(500)
As at 30 June 2013	5.18	103,615

Out of the 103,615,000 (31 December 2012: 104,115,000) outstanding share options, 95,315,000 (31 December 2012: 93,382,000) options were exercisable as at 30 June 2013. No (2012: nil) options were exercised during the six months ended 30 June 2013.

Share options outstanding have the following expiry date and exercise price:

Expiry date	Exercise price (HK\$ per share)	Number of options (‘000)	
		30 June 2013 Unaudited	30 June 2012 Unaudited
25 September 2014	5.50	27,464	27,464
14 November 2014	5.50	55,451	55,451
26 October 2015	2.44	6,400	6,400
22 December 2016	5.00	5,600	6,100
30 May 2022	3.94	4,700	4,700
6 December 2022	4.56	4,000	–

24 Distribution fee expenses payable

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

	30 June 2013 HK\$‘000 Unaudited	31 December 2012 HK\$‘000 Audited
0 – 30 days	37,663	28,610
31 – 60 days	135	136
Over 90 days	374	169
Total distribution fee expenses payable	38,172	28,915

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

25 Commitments

25.1 Operating lease commitments

The Group as the lessee

The Group leases various offices and office equipment under non-cancellable operating lease agreements. The lease terms are between two and five years. The majority of the lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
Not later than one year	10,123	12,569
Later than one year and not later than five years	3,457	6,349
Total operating lease commitments	13,580	18,918

The Group as the lessor

The Group has future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
Not later than one year	1,883	2,379
Later than one year and not later than five years	–	694
Total operating lease commitments	1,883	3,073

26 Contingencies

The Group has contingent assets in respect of performance fees and contingent liabilities in respect of the performance fee element of distribution fee expenses arising in the ordinary course of business.

26.1 Contingent assets

Performance fees for non-private equity fund products for each performance period are generally calculated annually with reference to a performance fee valuation day. Performance fees for private equity fund products are generally calculated at the end of the period over which the performance is measured (performance fee valuation day) and this is generally the end of the life of the private equity fund or upon each successful divestment of an investment of the private equity fund. Performance fees are only recognised when they are earned by the Group.

As a result, as at 30 June 2013 and 31 December 2012, performance fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding period/year have not been recognised. These performance fees may be receivable in cash if a positive performance results (for non-private equity fund products) or a performance threshold is exceeded (for private equity fund products) on the performance fee valuation days, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2013

26 Contingencies (continued)

26.2 Contingent liabilities

The performance fee element of distribution fee expenses is based on the performance fees earned by the Group. These distribution fee expenses are recognised when the performance fees are earned by the Group and the Group is obliged to pay the corresponding distribution fee expenses.

As a result, as at 30 June 2013 and 31 December 2012, the performance fee element of distribution fee expenses in respect of performance periods ending on a performance fee valuation day not falling within the corresponding period/year have not been recognised. These distribution fee expenses may be payable in cash if the performance fees are subsequently earned on the performance fee valuation days.

27 Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Apart from those disclosed elsewhere in the condensed consolidated interim financial information, the Group has also entered into the following significant related-party transactions which, in the opinion of the directors, were carried out in the ordinary and usual course of the Group's business.

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

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Rental expenses paid by a subsidiary to an associate	157	–

27.2 Key management compensation

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

	Six months ended 30 June	
	2013 HK\$'000 Unaudited	2012 HK\$'000 Unaudited
Salaries and other short-term employee benefits	7,448	7,480
Share-based compensation	2,205	301
Pension costs – mandatory provident fund scheme	30	30
Total key management compensation	9,683	7,811

27.3 Investments in own investment funds

The Group had investments in the following investment funds under its management and from which the Group earns fees from investment management activities and fund distribution activities:

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For the six months ended 30 June 2013

27 Related-party transactions (continued)

27.3 Investments in own investment funds (continued)

	Fair value	
	30 June 2013 HK\$'000 Unaudited	31 December 2012 HK\$'000 Audited
Premium Asia Income Fund	16,345	18,358
Value China ETF	4,457	5,168
Value Gold ETF	132,815	183,185
Value Japan ETF	8,610	7,574
Value Korea ETF	8,145	8,565
Value Partners Asia Fund, LLC	244	263
Value Partners China A Share Opportunity Fund ^(a)	180,458	–
Value Partners China Greenchip Fund Limited ^(b)	131,880	133,262
Value Partners Classic Equity Fund ^{(a), (c)}	83,498	85,638
Value Partners Classic Fund ^(d)	66,268	70,032
Value Partners Concord China Dim Sum High Yield Bond Fund	3,188	–
Value Partners Concord Taiwan Home Run Fund ^(a)	26,208	26,999
Value Partners Credit Fund ^(e)	1	192,230
Value Partners Greater China High Yield Income Fund ^(f)	21,363	–
Value Partners Hedge Fund Limited ^(g)	2	16,742
Value Partners Intelligent Funds – China Convergence Fund ^(h)	54,395	57,672
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	144,621	134,360
Value Partners Strategic Equity Fund ⁽ⁱ⁾	52	52
Value Taiwan ETF	9,525	9,360
Total investments in own investment funds	892,075	949,460

(a) The Group has waived its voting rights in respect of its holdings.

(b) The shares held were redeemable Class A shares.

(c) The shares held were USD Class shares.

(d) The units held were “C” units.

(e) The shares held were management shares on 30 June 2013, and management shares and Class A shares – Series 1 on 31 December 2012.

(f) The shares held were management shares and Class P HKD MDis shares.

(g) The shares held were participating redeemable preference shares on 30 June 2013, and participating redeemable preference shares and Series 1 shares on 31 December 2012.

(h) The units held were Class A units.

(i) The shares held were non-voting shares.

27.4 Investments in an investment fund managed by a related company and receivable from a related company

As at 30 June 2013, the Group had investments in Malabar India Fund, LP amounted to HK\$13,251,000 (31 December 2012: HK\$12,359,000) which is managed by Malabar Investment LLC in which the Group had an interest of 7.96% (31 December 2012: 8.80%). The Group also had a receivable of HK\$194,000 (31 December 2012: HK\$1,163,000) from Malabar Investment LLC as at 30 June 2013.

28 Cyclicity

Performance fee valuation days of investment funds and managed accounts under management are mostly concentrated in December of each financial year. Therefore, the recognition of performance fees for the Group may be subject to cyclical fluctuation.

Directors' interests in shares, underlying shares and debentures

As at 30 June 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which had required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange, were as follows:

(a) Long position in shares of the Company ("Shares")

Name of Director	Nature of interest	Number of Shares	Number of underlying Shares in which the Directors hold under the share option scheme ⁽⁴⁾	Approximate percentage of issued Shares
Mr. CHEAH Cheng Hye	Founder of trust/beneficial ⁽¹⁾	499,730,484	–	28.47%
	Beneficial	–	57,050,828	3.25%
Ms. HUNG Yeuk Yan Renee	Founder of trust ⁽²⁾	26,704,583	–	1.52%
	Beneficial	–	8,436,140	0.48%
Mr. SO Chun Ki Louis	Beneficial	26,641,583	10,336,140	2.10%
Mr. TSE Wai Ming, Timothy	Beneficial	100,000	3,300,000	0.19%
Dr. CHEN Shih-Ta Michael	Beneficial	–	200,000	0.01%
Mr. LEE Siang Chin	Corporate ⁽³⁾	500,000	–	0.02%
	Beneficial	–	200,000	0.01%
Mr. Nobuo OYAMA	Beneficial	390,000	200,000	0.03%

Notes:

- (1) These Shares are directly held by Cheah Capital Management Limited ("CCML") which is wholly-owned by Cheah Company Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. CHEAH Cheng Hye and certain members of his family.
- (2) These Shares are directly held by Bright Starlight Limited which is wholly-owned by Scenery Investments Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. HUNG Yeuk Yan Renee.
- (3) These Shares are directly held by Stenying Holdings Limited, whose entire issued share capital is held by Mr. LEE Siang Chin and Ms. KOO Yoon Kin in equal shares. Ms. KOO Yoon Kin is the spouse of Mr. LEE Siang Chin.
- (4) The number of underlying Shares in which the Directors hold under the share option scheme are detailed in "Share options" section below.

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(b) Interest in associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares	Approximate percentage of issued shares of the relevant associated corporation
Mr. CHEAH Cheng Hye	Value Partners Strategic Equity Fund	Beneficial	74,000 non-voting shares	0.49% of the total issued non-voting shares
Ms. HUNG Yeuk Yan Renee	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Mr. LEE Siang Chin	Value Partners Strategic Equity Fund	Corporate (Note)	50,000 non-voting shares	0.33% of the total issued non-voting shares

Note: These non-voting shares are directly held by Stenyng Holdings Limited, whose entire issued share capital is held by Mr. LEE Siang Chin and Ms. KOO Yoon Kin in equal shares. Ms. KOO Yoon Kin is the spouse of Mr. LEE Siang Chin.

(c) Share options

The Company adopted a share option scheme on 24 October 2007 (and as amended on 15 May 2008) (the "Scheme"). A summary of the movements of the outstanding share options during the six months ended 30 June 2013 are as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2013	Number of Share Options			As at 30/06/2013
					Granted	Exercised	Lapsed	
Directors								
Mr. CHEAH Cheng Hye	26/03/2008	26/03/2008-25/09/2014	5.50	1,600,000	-	-	-	1,600,000
	15/05/2008	15/05/2008-14/11/2014	5.50	55,450,828	-	-	-	55,450,828
Ms. HUNG Yeuk Yan Renee	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	-	-	-	4,036,140
	27/04/2009	27/10/2011-26/10/2015	2.436	3,200,000	-	-	-	3,200,000
	07/12/2012	31/12/2013-06/12/2022	4.56	400,000	-	-	-	400,000
		07/12/2014-06/12/2022	4.56	400,000	-	-	-	400,000
07/12/2012	07/12/2015-06/12/2022	4.56	400,000	-	-	-	400,000	
Mr. SO Chun Ki Louis	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	-	-	-	4,036,140
	27/04/2009	27/10/2011-26/10/2015	2.436	3,200,000	-	-	-	3,200,000
	23/06/2010	23/06/2011-22/12/2016	5.00	500,000	-	-	-	500,000
		23/06/2012-22/12/2016	5.00	500,000	-	-	-	500,000
		23/06/2013-22/12/2016	5.00	500,000	-	-	-	500,000
	07/12/2012	31/12/2013-06/12/2022	4.56	533,334	-	-	-	533,334
		07/12/2014-06/12/2022	4.56	533,333	-	-	-	533,333
07/12/2015-06/12/2022	4.56	533,333	-	-	-	533,333		

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Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2013	Number of Share Options			As at 30/06/2013
					Granted	Exercised	Lapsed	
Mr. TSE Wai Ming, Timothy	26/03/2008	25/03/2010-25/09/2014	5.50	266,668	-	-	-	266,668
		25/03/2011-25/09/2014	5.50	283,332	-	-	-	283,332
	23/06/2010	23/06/2011-22/12/2016	5.00	250,000	-	-	-	250,000
		23/06/2012-22/12/2016	5.00	250,000	-	-	-	250,000
		23/06/2013-22/12/2016	5.00	250,000	-	-	-	250,000
	31/05/2012	31/12/2013 -30/05/2022	3.94	666,667	-	-	-	666,667
		31/05/2014 -30/05/2022	3.94	666,667	-	-	-	666,667
31/05/2015 -30/05/2022		3.94	666,666	-	-	-	666,666	
Dr. CHEN Shih-Ta Michael	31/05/2012	31/05/2013 -30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2014 -30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2015 -30/05/2022	3.94	66,666	-	-	-	66,666
Mr. LEE Siang Chin	31/05/2012	31/05/2013 -30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2014 -30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2015 -30/05/2022	3.94	66,666	-	-	-	66,666
Mr. Nobuo OYAMA	31/05/2012	31/05/2013 -30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2014 -30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2015 -30/05/2022	3.94	66,666	-	-	-	66,666
Employees	26/03/2008	26/03/2008-25/09/2014	5.50	13,812,923	-	-	-	13,812,923
		25/03/2009-25/09/2014	5.50	1,010,335	-	-	-	1,010,335
		25/03/2010-25/09/2014	5.50	1,084,335	-	-	-	1,084,335
		25/03/2011-25/09/2014	5.50	1,334,330	-	-	-	1,334,330
	23/06/2010	23/06/2011-22/12/2016	5.00	1,283,336	-	-	(166,667)	1,116,669
		23/06/2012-22/12/2016	5.00	1,283,336	-	-	(166,667)	1,116,669
		23/06/2013-22/12/2016	5.00	1,283,328	-	-	(166,666)	1,116,662
	31/05/2012	31/12/2013 -30/05/2022	3.94	500,000	-	-	-	500,000
		31/05/2014 -30/05/2022	3.94	500,000	-	-	-	500,000
		31/05/2015 -30/05/2022	3.94	500,000	-	-	-	500,000
	31/05/2012	31/05/2013 -30/05/2022	3.94	200,000	-	-	-	200,000
		31/05/2014 -30/05/2022	3.94	200,000	-	-	-	200,000
		31/05/2015 -30/05/2022	3.94	200,000	-	-	-	200,000
	07/12/2012	31/12/2013-06/12/2022	4.56	400,000	-	-	-	400,000
		07/12/2014-06/12/2022	4.56	400,000	-	-	-	400,000
07/12/2015-06/12/2022		4.56	400,000	-	-	-	400,000	
Total				104,115,031	-	-	(500,000)	103,615,031

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Notes:

1. The closing prices of the Shares immediately before the share options granted on 26 March 2008, 15 May 2008, 27 April 2009, 23 June 2010, 31 May 2012 and 7 December 2012 were HK\$5.50, HK\$7.56, HK\$2.20, HK\$5.00, HK\$3.90 and HK\$4.54 respectively.
2. No share option was cancelled during the period under review.
3. The share options granted to Mr. CHEAH Cheng Hye were in excess of his individual limit under the Listing Rules. The grant of excess share options to Mr. CHEAH was approved in the annual general meeting of the Company held on 15 May 2008.

Save as disclosed above, at no time during the period under review was the Company or its subsidiaries a party to any arrangement that enabled the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

All the options forfeited before expiry of the Scheme will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Scheme.

Share Option Expenses

According to HKFRS 2, the fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. In addition, employee forfeiture rate is also considered in determining the amount of share option expenses.

Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest or lapse.

Since the Black-Scholes option pricing model requires input of highly subjective assumptions, any change in the subjective input assumptions may materially affect the estimation of the fair value of an option.

Substantial Shareholders' Interests

As at 30 June 2013, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Position in the Shares under the SFO

Name	Nature of interest	Number of Shares	Approximate percentage of issued Shares
Ms. TO Hau Yin ⁽¹⁾	Spouse	556,781,312	31.72%
Mr. YEH V-Nee	Beneficial	298,689,324	17.01%
Mrs. YEH Mira ⁽²⁾	Spouse	298,689,324	17.01%
Cheah Capital Management Limited ⁽³⁾	Beneficial	499,730,484	28.47%
Cheah Company Limited ⁽³⁾	Corporate	499,730,484	28.47%
Hang Seng Bank Trustee International Limited ^{(3) (4)}	Trustee	526,435,067	29.99%
Hang Seng Bank Limited ^{(3) (4)}	Interest of controlled corporation	526,435,067	29.99%
HSBC Holdings plc ^{(3) (4)}	Interest of controlled corporation	526,735,067	30.00%
Affiliated Managers Group, Inc ⁽⁵⁾	Interest of controlled corporation	137,244,000	7.81%
Legg Mason Inc. ⁽⁶⁾	Interest of controlled corporation	104,750,900	5.96%
State Street Corporation ⁽⁷⁾	Corporate (lending pool)	104,697,765	5.96%

Notes:

- (1) Ms. TO Hau Yin is the spouse of Mr. CHEAH Cheng Hye.
- (2) Mrs. YEH Mira is the spouse of Mr. YEH V-Nee.
- (3) Cheah Capital Management Limited (“CCML”) is wholly-owned by Cheah Company Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Mr. CHEAH Cheng Hye is the founder of this trust.
- (4) This includes 499,730,484 Shares held by CCML and 26,704,583 Shares held by Bright Starlight Limited. Bright Starlight Limited is wholly-owned by Scenery Investments Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. HUNG Yeuk Yan Renee. For the purposes of the SFO, Ms. HUNG Yeuk Yan Renee is the founder of this trust. Hang Seng Bank Trustee International Limited is wholly-owned by Hang Seng Bank Limited and the ultimate holding company is HSBC Holdings plc.
- (5) These Shares are held by AKH Holding LLC and the ultimate holding company is by Affiliated Managers Group, Inc.
- (6) These Shares are held by Royce & Associates, LLC and the ultimate holding company is Legg Mason Inc.
- (7) The 104,697,765 Shares were held in lending pool.

Save as aforesaid and as disclosed in the “Directors’ Interests in Shares, Underlying Shares and Debentures” and “Substantial Shareholders’ Interests” sections of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 30 June 2013 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Foreign Exchange

Except for its Renminbi-denominated bank deposit and loan portfolio in China, which has a balance of around HK\$385 million, 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 2013, the Group employed a total of 116 staff (30 June 2012: 114) in Hong Kong and the research office in Shanghai, 23 staff (30 June 2012: 23) in Taiwan and 36 staff (30 June 2012: 10) in Chengdu. 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 2013.

OTHER INFORMATION

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 2013.

Independent Review of Interim Results

The unaudited interim results of the Group for the six months ended 30 June 2013 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 Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013.

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 2013.

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.valuepartners.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

TSE Wai Ming, Timothy, CFA

Chief Executive Officer and Executive Director

Hong Kong, 13 August 2013

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