

2016

INTERIM REPORT

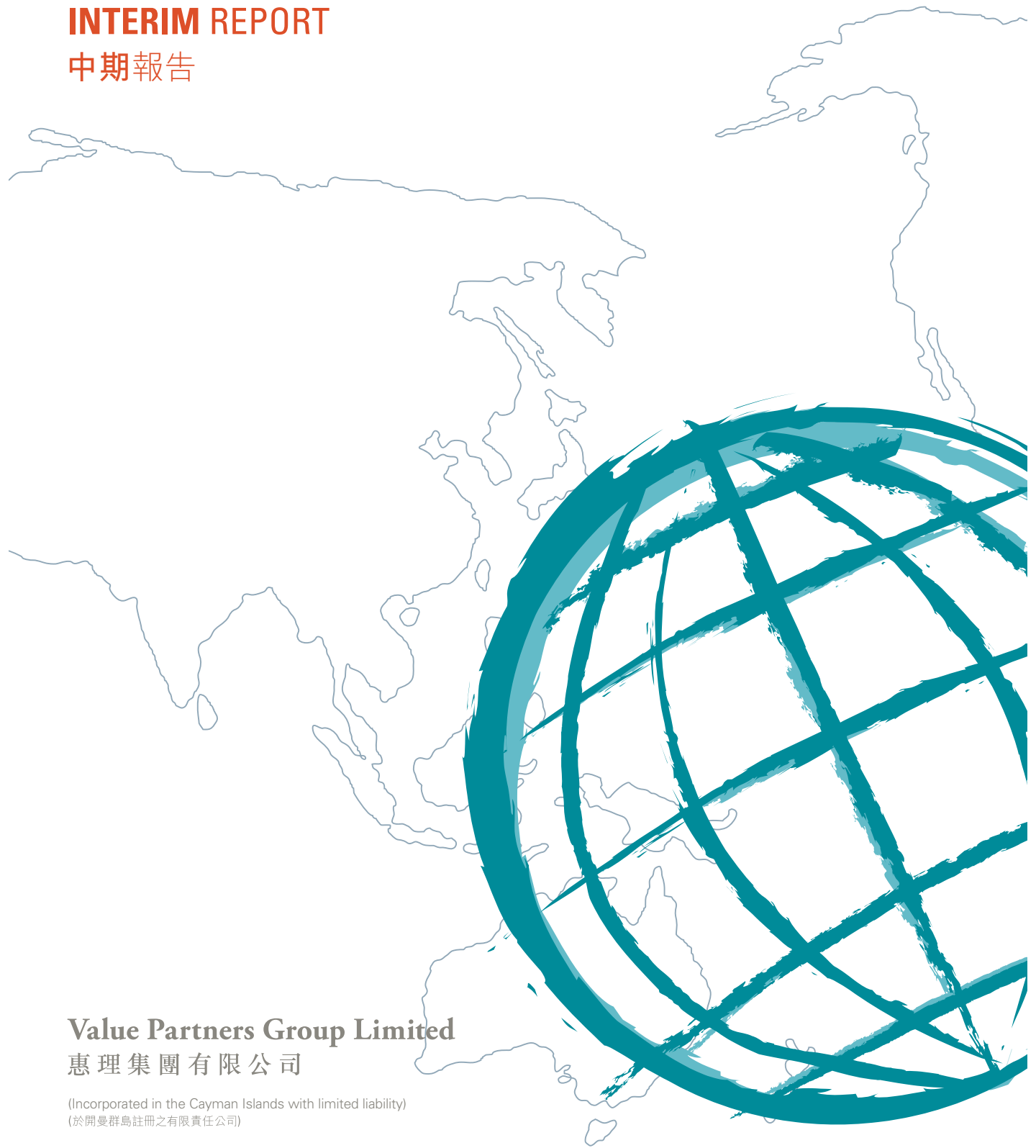
中期報告

 惠理集團
Value Partners Group

Value Partners Group Limited
惠理集團有限公司

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

Stock Code 股份代號: 806



Corporate profile

Value Partners Group is one of Asia's largest independent asset management firms that seeks to offer world-class investment services and products. Assets under management of the firm stood at US\$13.3 billion as of 30 June 2016.

Since its establishment in 1993, the firm has been a dedicated value investor in Asia and the world. In November 2007, Value Partners Group became the first asset management firm listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 806 HK). In addition to its Hong Kong headquarters, the firm operates in Shanghai, Beijing, Singapore, Taiwan and Chengdu. Value Partners' investment strategies cover absolute return long biased, fixed income, multi asset, alternative, relative return and thematic for institutional and individual clients in Asia Pacific, Europe and the United States. The Group also offers exchange-traded funds under the brand of Value ETF.

Contents

- 2** Corporate Information
- 3** Financial Highlights
- 4** Report of the Chief Executive Officer
- 8** Financial Review
- 14** Independent Review Report
- 15** Condensed Consolidated Interim Financial Information
- 38** Other Information

7 facts about Value Partners

US\$13.3 billion⁽¹⁾ assets under management

14.6% annualized return and 2,292% cumulative return since launch in 1993 for Value Partners Classic Fund (A Units)⁽²⁾

2016 Fund House of the Year⁽³⁾

120+ top performing awards and prizes since establishment

2,500 company visits and research meetings every year

50+ investment professionals focusing on Greater China and Asia investments

23 years of history weathered various financial crises regionally and globally

Footnote:

(1) As of 30 June 2016.

(2) As of 30 June 2016. Performance of Value Partners Classic Fund (A Units) over past five years: 2011: -17.2%; 2012: +14.0%; 2013: +11.2%; 2014: +13.5%; 2015: -1.5%; 2016 (Year to date as at 30 June: -9.0%).

(3) Refer to "Fund House of the Year – Hong Kong" award by *AsianInvestor's* Asset Management Awards 2016

Corporate information

Board of Directors

Chairman and Co-Chief Investment Officer

Dato' Seri 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

Ms. WONG Ngai Sze, Icy

Authorized Representatives

Mr. TSE Wai Ming, Timothy CFA

Ms. WONG Ngai Sze, Icy

Members of the Audit Committee

Mr. LEE Siang Chin *(Chairman)*

Dr. CHEN Shih-Ta Michael

Mr. Nobuo OYAMA

Members of the Nomination Committee

Dato' Seri 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)*

Dato' Seri CHEAH Cheng Hye

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

Mr. TSE Wai Ming, Timothy CFA

Members of the Risk Management Committee

Mr. Roger Anthony HEPPER

Ms. LEE Vivienne

Mr. MO Chun Wah, Jonathan

Mr. SO Chun Ki Louis

Mr. TSE Wai Ming, Timothy CFA

Ms. WONG York Ying, Ella

Registered Office

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Office

9th Floor, Nexus 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

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Auditor

PricewaterhouseCoopers

Legal Advisor

Reed Smith Richards Butler

PRC Legal Advisor

LLinks Laws Offices

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Website

www.valuepartners-group.com

Stock Code

Stock Exchange of Hong Kong: 806

Financial highlights

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

(In HK\$ million)	For the period ended 30 June		
	2016	2015	% Change
Total revenue	729.6	924.8	-21.1%
Gross management fees	529.2	548.8	-3.6%
Gross performance fees	5.2	229.2	-97.7%
Operating profit (before other gains/losses)	110.4	361.7	-69.5%
Profit attributable to owners of the Company	5.0	445.7	-98.9%
Basic earnings per share (HK cents)	0.3	24.2	-98.8%
Diluted earnings per share (HK cents)	0.3	24.1	-98.8%
Interim dividend per share	Nil	Nil	

(In US\$ million)	30 June 2016	31 December 2015	% Change
Assets under management	13,330	15,576	-14.4%

Report of the Chief Executive Officer

Financial highlights

The first six months of 2016 featured a volatile market challenged by heightened uncertainty and soured investment sentiments. Against this backdrop, we recorded a net outflow of US\$1.3 billion in the first half of 2016, compared with a robust net inflow of US\$3.2 billion a year earlier. Assets under management (“AUM”) of the Group stood at US\$13.3 billion as at 30 June 2016, compared with US\$15.6 billion at end-2015.

Profit attributable to owners of the Company ended at HK\$5 million during the period (1H 2015: HK\$446 million). The fall was caused by a reduction in gross performance fee income (which is relatively dependent on market performance), as well as mark-to-market losses of the Group’s treasury operations.

Operating profit before other gains or losses, which reflects the Group’s core business, stood at HK\$110 million (1H 2015: HK\$362 million). Total revenue decreased by 21% year-on-year to HK\$730 million (1H 2015: HK\$925 million), due to a reduction in gross performance fees which fell to HK\$5 million (1H 2015: HK\$229 million). Performance fees are generated when our funds deliver returns that exceed high watermarks. Meanwhile, gross management fees, our major revenue contributor, slid 4% to HK\$529 million (1H 2015: HK\$549 million).

In terms of the Group’s treasury operations (which include seed capital investments, investments in its own funds and other investments), a net fair value loss of HK\$87 million was recorded during the period, compared to a gain of HK\$126 million a year earlier. In early August, the net fair value loss was substantially reduced to about HK\$30 million on the back of further enhancement in investment and fund performance.

Given the adverse market conditions, we have taken prudent measures to tighten cost control. Total expenses decreased to HK\$241 million in the first half of 2016 from HK\$258 million a year earlier. In particular, fixed operating expenses continued to be well covered by net management fee income, a relatively stable income source. Fixed cost coverage ratio was 2.3 times during the period (1H 2015: 3.0 times).

Long-term value creation

In the 23 years of history of Value Partners, we have experienced many market ups and downs. This is not the first time we face a challenging environment, and we have emerged stronger each time. Today’s market setbacks are temporary. We will not compromise our commitment to delivering long-term value for our investors and shareholders.

As China becomes one of the world’s largest exporters of capital, Asian fund managers are entering a golden age of opportunities and Value Partners is in a sweet spot to benefit from this.

Report of the Chief Executive Officer

Hong Kong headquarters

In Hong Kong, Value Partners is one of the biggest independent fund managers enjoying strong franchise and high market penetration. We are highly recognized by international, regional and local distributors for our core competence in investment management and distinctive product offerings. Our strong ties with international and regional distributors have also helped us venture into strategic overseas markets, especially Asia and Europe.

Looking forward, we will further deepen our penetration of existing distributors by adding more products onto their product shelves. We will also expand our network amongst private banks. By leveraging the solid foundation of our home market, we seek to serve the increasing needs of foreign investors seeking China exposures, as well as mainland Chinese investors looking for overseas investment diversification.

China business

China is a strategic market to Value Partners. In the 2016 China Rankings released by Z-Ben Advisors (a Shanghai-based consulting firm), Value Partners was named one of the top 10 foreign asset managers in China in terms of operating inbound and outbound businesses.

On capturing China's inbound capital, we have long been a gateway for financial institutions outside China to invest in the onshore market. We have the Qualified Foreign Institutional Investor ("QFII") and Renminbi Qualified Foreign Institutional Investor ("RQFII") quotas to channel investments into the country. More importantly, we have been investing in China's stockmarket since the 1990s and we have investment professionals on the ground carrying out bottom-up research work and originating stock-pick ideas.

On the outbound front, mainland Chinese investors are actively looking to invest in overseas markets to diversify their portfolios amid the depreciation of RMB and the further opening of China's capital market. Since our wholly foreign-owned enterprise ("WFOE") in Shanghai won the Qualified Domestic Limited Partner ("QDLP") qualification in 2015, we have launched a number of QDLP products and customized solutions that meet the needs of institutions and high-net-worth individuals ("HNWIs") in mainland China. In addition, we are also seeking to introduce our Hong Kong products to China's retail investors via the Mainland-Hong Kong Mutual Recognition of Funds ("MRF") scheme.

To capitalize on China's gradual opening of its onshore fund market, we are exploring ways to further build out our local business strategy and platform.

Report of the Chief Executive Officer

Diversified product suite

Over the years, expanding our product offerings in terms of asset class, geographical exposure and risk appeal is a top priority for us. We have made deliberate effort to meet the changing needs of a broadening clientele, as well as to deliver value across different market cycles.

From the asset class perspective, we started off with equity capability when we launched in 1993 Value Partners Classic Fund, our first product which is also our flagship equity fund. Following the success of a couple of equity offerings, we added a fixed income product – Value Partners Greater China High Yield Income Fund – onto our platform in 2012. Last year, we further enriched our asset allocation capability with the launch of Value Partners Multi-Asset Fund, a product that provides investors with a more balanced investment approach in a risk-off environment. Meanwhile, we are also deepening the offerings within each of our existing asset class. For example, we have strengthened our fixed income offerings in the first half of 2016 by launching a fund that mainly invests in Greater China preference shares. The fund has been well received among Chinese investors as it offers attractive risk-adjusted returns despite prevailing market volatility. With investors turning to the fixed income market from the equity space, a number of fixed income products are in our pipeline.

In terms of investment geography, we have been evolving from a China-centric focus to cover Greater China, Asia, or even the global market with the launch of differentiated global funds. We are currently looking to further broaden our global product offerings which will appeal to mainland Chinese investors craving for overseas exposures as well as investors interested in getting Asia exposures. In particular, global emerging markets are on our watch list. An increasing number of investors are turning to emerging markets from the developed market in the wake of Brexit.

Lastly, in order to meet the regulatory requirements from different jurisdictions around the world, we will continue to look to broaden our products offered through Undertakings for the Collective Investment of Transferable Securities (“UCITS”) as this is one of the most recognized vehicles around the world especially in Europe.

Investing for the future

As one of the leading asset management firms in Asia, we face an unending challenge to achieve and maintain world standards. That is why even during this difficult period, we still took in new professional staff to ensure that our talents, a vital driver for our business, remain competitive.

At the Group level, we have further strengthened our management team to cope with the increasing scale and complexity of our business. In August, we appointed Mr. Roger HEPPEL as Group Chief Operating Officer, who is mandated to lead and enhance business operations and risk controls of Value Partners. Roger is an industry veteran who has extensive experience in building infrastructure and internal control systems for leading asset management firms in the region.

In Singapore, the Group set up a wholly owned subsidiary – Value Partners Asset Management Singapore Pte. Ltd. (“VPAMS”) – in 2014, seeking to offer full-fledged fund management service in the country and nearby markets. With VPAMS receiving the license in 2015 to offer investment products and services to accredited investors and institutional investors in Singapore, we have strengthened the on-the-ground investment team to increase our local presence and offer more products to Southeast Asian investors. In June 2016, we appointed Mr. Kenny TJAN as Country Head of VPAMS to oversee the Group’s business activities in Singapore. He is also a Senior Fund Manager leading investment and portfolio management activities there. His extensive experience in managing Asia Pacific and global emerging markets equity portfolios will also help develop the Group’s investment capability in these areas.

Elsewhere in the UK, the Group is also considering to set up an office with local investment management and business staff. The office is planned to act as the western hub of the Group.

Report of the Chief Executive Officer

Outlook

As one of the success stories in the fund management industry in Asia, Value Partners has emerged from a boutique firm and become one of the leading players in Asia. In the most recent Best of the Best Regional Awards organized by *Asia Asset Management*, Value Partners was crowned “Best Asset Management House over the last 20 years”¹. We were also named “Fund House of the Year – Hong Kong”² in *AsianInvestor*’s Asset Management Awards 2016.

Although the outlook remains challenging and volatile, we are hopeful that the second half of 2016 will bring an improvement in our operating environment. We expect the new Shenzhen-Hong Kong Stock Connect scheme to be announced soon, adding liquidity and a new source of support to China-related stocks in the market. Importantly, such an announcement would signify that China remains committed to its programme of capital account opening and market reform – a bullish situation for the financial services industry. We will continue to work hard to prepare Value Partners for the opportunities arising from the China situation.

Appreciation

I would like to take this opportunity to thank our clients for their continued trust, our shareholders for their enduring support and our staff for their dedicated commitments. We will remain resolute in delivering long-term value for our clients and shareholders.

TSE Wai Ming, Timothy, CFA
Chief Executive Officer
Executive Director

1. *Based on performance and achievements as of 30 November 2015.*

2. *Based on performance and achievements for 2015.*

Financial Review

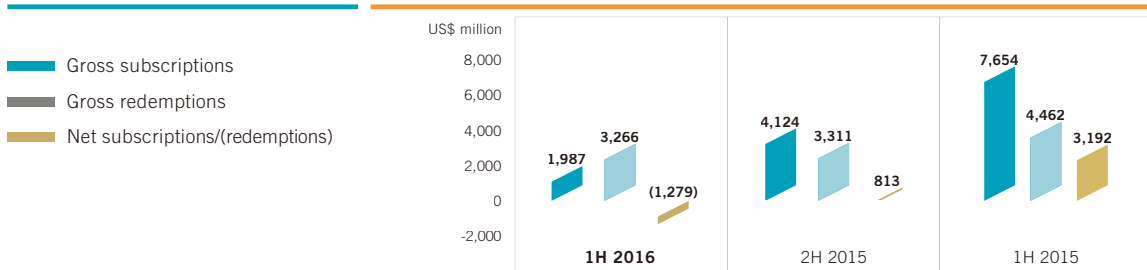
Assets Under Management

AUM and return

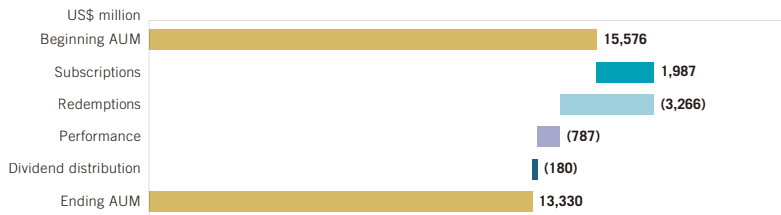
The Group's AUM stood at US\$13,330 million at the end of June 2016 (31 December 2015: US\$15,576 million). The decline was mainly due to the Group's net redemptions of US\$1,279 million in the first half of 2016 and less robust fund performance which dragged AUM by US\$787 million.

Overall fund performance, calculated in asset-weighted average return of funds under management, retreated 5.0% in the period under review. Among all, Value Partners Classic Fund¹, our flagship product, fell 9.0% during the period. Meanwhile, Value Partners High-Dividend Stocks Fund², the Group's largest public fund³ in Hong Kong, dipped 3.2% during the period.

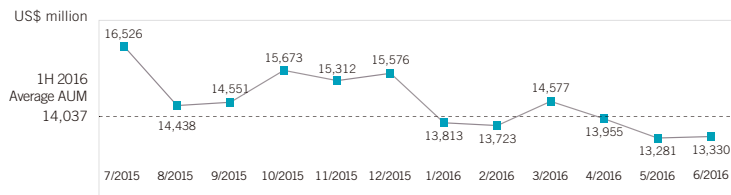
In the first half of 2016, gross subscriptions decreased to US\$1,987 million from US\$4,124 million in the second half of 2015 as investment sentiments turned sour. Meanwhile, gross redemptions for the first half of 2016 came down to US\$3,266 million from US\$3,311 million in the second half of 2015. All in all, we had net redemptions of US\$1,279 million (2H 2015: net subscriptions of US\$813 million).



AUM change in the first half of 2016



Monthly AUM in the past twelve months



Financial Review

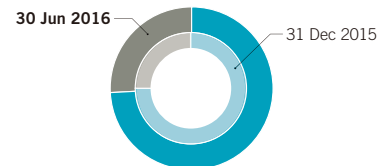
AUM by category

The charts below illustrated the breakdown of the Group's AUM as at 30 June 2016 in two different classifications: by brand and strategy. During the period, Own Branded Funds (74%) remained the major contributor to the Group's AUM by brand amid our expansion in distribution network. In terms of strategy, Absolute Return Long-biased Funds (82%) continued to represent the majority of the Group's AUM, followed by Fixed Income Funds (16%), in which the largest share was taken up by our Greater China High Yield Income Fund.

Classification by brand

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

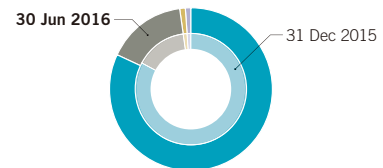
	30 Jun 2016	31 Dec 2015
Own Branded Funds	74%	75%
White Label & Co-branded Funds	26%	25%



Classification by strategy

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

	30 Jun 2016	31 Dec 2015
Absolute Return Long-biased Funds	82%	83%
Fixed Income Funds	16%	15%
Alternative Funds	1%	1%
Quantitative Funds & ETF	1%	1%



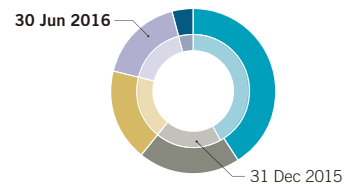
Client base

During the period, institutional clients – including institutions, pension funds, high-net-worth individuals (“HNWIs”), endowments and foundations, funds of funds, together with family offices and trusts – remained the Group's primary set of fund investors, accounting for 59% of total AUM (31 December 2015: 58%). Meanwhile, retail clients contributed to 41% of total AUM (31 December 2015: 42%). In terms of geographical location, Hong Kong clients accounted for 79% of the Group's AUM (31 December 2015: 78%) while United States and Europe took up a combined 10% (31 December 2015: 11%).

Client analysis by type

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

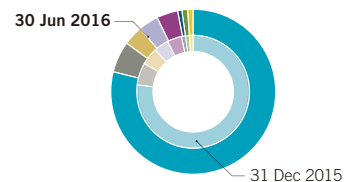
	30 Jun 2016	31 Dec 2015
Retail	41%	42%
Pension funds	20%	19%
Institutions	18%	18%
High-net-worth individuals	17%	17%
Others	4%	4%



Client analysis by geographical region

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

	30 Jun 2016	31 Dec 2015
Hong Kong	79%	78%
United States	6%	6%
Europe	4%	5%
Singapore	4%	4%
China	4%	4%
Australia	1%	1%
Taiwan	1%	1%
Others	1%	1%



Financial Review

Summary of results

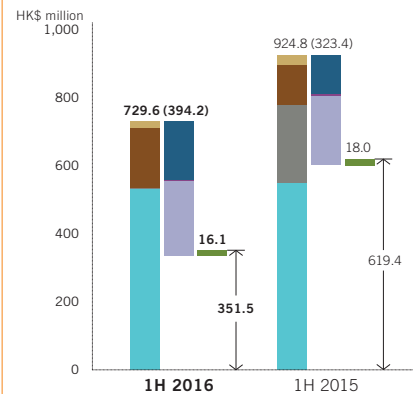
The key financial highlights for the reporting period are as follows:

(In HK\$ million)	1H 2016	1H 2015	% Change
Total revenue	729.6	924.8	-21.1%
Gross management fees	529.2	548.8	-3.6%
Gross performance fees	5.2	229.2	-97.7%
Operating profit (before other gains/losses)	110.4	361.7	-69.5%
Profit attributable to owners of the Company	5.0	445.7	-98.9%
Basic earnings per share (HK cents)	0.3	24.2	-98.8%
Diluted earnings per share (HK cents)	0.3	24.1	-98.8%
Interim dividend per share	Nil	Nil	

Revenue and fee margin

Breakdown of total net income

(In HK\$ million)	1H 2016	1H 2015
Revenue		
Management fees	529.2	548.8
Performance fees	5.2	229.2
Front-end fees	174.7	115.7
Interest and fee income from loan portfolio	20.5	31.1
Distribution and advisory fee expenses		
Management fee rebates	(219.8)	(201.1)
Performance fee rebates	(0.2)	(7.2)
Other revenue rebates	(174.2)	(115.1)
Other income		
Other income	16.1	18.0



The Group's profit attributable to owners amounted to HK\$5.0 million for the six months ended 30 June 2016 (1H 2015: HK\$445.7 million) amid a volatile stockmarket. Total revenue decreased by 21.1% to HK\$729.6 million (1H 2015: HK\$924.8 million). Gross management fees, the major contributor to our revenue, dropped 3.6% to HK\$529.2 million (1H 2015: HK\$548.8 million) as a result of an 8.3% decrease in the Group's average AUM to US\$14,037 million (1H 2015: US\$15,301 million).

During the period, annualized gross management fee margin increased to 98 basis points (1H 2015: 93 basis points), driven by relatively strong inflows into our Own Branded Funds in the second half of 2015. As management fee rebates for distribution channels increased to HK\$219.8 million (1H 2015: HK\$201.1 million), annualized net management fee margin was compressed slightly to 57 basis points (1H 2015: 59 basis points).

Gross performance fees, another source of revenue, decreased by HK\$224.0 million to HK\$5.2 million (1H 2015: HK\$229.2 million). Performance fees are generated when funds, at the dates of their performance fee crystallization, report returns exceeding their benchmarks or high watermarks for the respective period ended. As the dates of performance fee crystallization for most of our major own branded funds are at the end of the year, fund performance in the second half of the year will determine our ability to collect more performance fees in 2016.

Financial Review

Meanwhile, other revenue mainly included front-end load, of which a substantial amount was rebates to distribution channels (a usual practice in the market). Other revenue also included HK\$20.5 million (1H 2015: HK\$31.1 million) of interest and fee income generated from the loan portfolio of our non-wholly owned subsidiary, which operates small loan business in Chengdu city in China.

Other income, which mainly comprised interest income and dividend income, was HK\$16.1 million (1H 2015: HK\$18.0 million). Interest income decreased to HK\$8.5 million (1H 2015: HK\$10.0 million) while dividend income decreased to HK\$6.0 million (1H 2015: HK\$7.9 million).

Other gains or losses

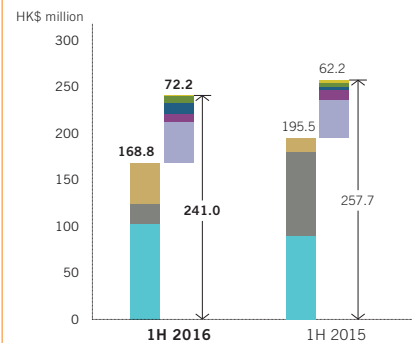
Breakdown of other (losses)/gains – net	(In HK\$ million)	1H 2016	1H 2015
	Net (losses)/gains on investments	(81.0)	129.7
	Net (losses)/gains on investments held-for-sale	(10.9)	2.3
	Others	0.6	(5.4)
		(91.3)	126.6

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

Cost management

Breakdown of total expenses

(In HK\$ million)	1H 2016	1H 2015
Compensation and benefit expenses		
Fixed salaries and staff benefits	102.6	90.4
Management bonus	21.2	89.6
Staff rebates	0.9	1.0
Share-based compensation expenses	44.1	14.5
Other expenses		
Other fixed operating costs	43.5	39.9
Sales and marketing	9.4	12.2
Loan impairment allowances	11.6	2.5
Depreciation	6.9	5.1
Non-recurring expenses	0.8	2.5



In terms of cost management, the Group continued to exercise stringent cost discipline and aimed to keep fixed operating expenses well covered by net management fee income, a relatively stable income source. The Group's efforts in cost control can be measured by "fixed cost coverage ratio", an indicator showing the number of times that fixed operating expenses are covered by net management fee income. For the current period, the Group reported a fixed cost coverage ratio (for asset management business) of 2.3 times (1H 2015: 3.0 times).

Financial Review

Compensation and benefit expenses

Fixed salaries and staff benefits rose by HK\$12.2 million to HK\$102.6 million (1H 2015: HK\$90.4 million). The increase was mainly attributable to salary increments and the addition of headcounts to support the Group's business growth.

In line with the Group's compensation policy – which distributes 20% to 23% of the annual net profit pool as management bonus to employees – management bonus for the period decreased to HK\$21.2 million (1H 2015: HK\$89.6 million). The profit pool is derived by deducting certain adjustments, including cost of capital, from net profit before management bonus and taxation. Discretionary bonus was maintained as they promote staff loyalty and performance while aligning employee interests with shareholders'.

Meanwhile, staff of Value Partners are entitled to partial rebates of management fees and performance fees when investing in funds managed by the Group. Staff rebates for the period amounted to HK\$0.9 million (1H 2015: HK\$1.0 million).

During the period, the Group recorded expenses of HK\$44.1 million (1H 2015: HK\$14.5 million) relating to stock options granted to employees. This expense item had no impact on cash flow and was recognized in accordance with Hong Kong Financial Reporting Standards.

Other expenses

Other non-staff operating costs, such as rents, legal and professional fees, investment research fees, as well as other administrative and office expenses, amounted to HK\$43.5 million for the period (1H 2015: HK\$39.9 million), while sales and marketing expenses decreased to HK\$9.4 million (1H 2015: HK\$12.2 million).

Dividends

The Group has been adopting a consistent dividend distribution policy that takes into account of the relatively volatile nature of asset management income streams. This policy states that dividends (if any) will be declared annually at the end of each financial year to better align dividend payments with the Group's full-year performance. Barring any unexpected changes in the market environment, a final dividend (but not interim dividend) is expected to be declared this year.

Liquidity and financial resources

Fee income is the Group's main source of income while other income sources include interest income generated from bank deposits and dividend income from investments held. During the period, the Group's balance sheet and cash flow positions remained strong with a net cash balance of HK\$2,100.6 million. Net cash inflows from operating activities amounted to HK\$224.7 million, and the Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities. The Group's debt-to-equity ratio (interest-bearing external borrowings divided by shareholders' equity) was zero while current ratio (current assets divided by current liabilities) was 13.5 times.

Financial Review

Capital structure

As at 30 June 2016, the Group's shareholders' equity and total number of shares in issue for the Company were HK\$3,603.8 million and 1.85 billion, respectively.

1. *Performance of Value Partners Classic Fund (A Units) over past five years: 2011: -17.2%; 2012: +14.0%; 2013: +11.2%; 2014: +13.5%; 2015: -1.5%; 2016 (Year to date as at 30 June 2016): -9.0%.*
2. *Performance of Value Partners High-Dividend Stocks Fund (Class A1) over past five years: 2011: -11.9%; 2012: +25.2%; 2013: +8.1%; 2014: +9.4%; 2015: -3.7%; 2016 (Year to date as at 30 June 2016): -3.2%.*
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.*

Source for performance figures: HSBC Institutional Trust Services (Asia) Limited. Performance figures are calculated in the funds' respective base currencies, NAV to NAV, with dividends reinvested and net of all fees. Past performance is not indicative of future performance.

Independent Review Report

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 15 to 37, which comprises the condensed consolidated balance sheet of Value Partners Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2016 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, 16 August 2016

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Income			
Fee income and other revenue	6	729,594	924,842
Distribution and advisory fee expenses	7	(394,201)	(323,405)
Net fee income		335,393	601,437
Other income	8	16,081	17,957
Total net income		351,474	619,394
Expenses			
Share-based compensation	22	(44,109)	(14,457)
Other compensation and benefit expenses		(124,691)	(181,038)
Operating lease rentals		(14,792)	(12,401)
Other expenses		(57,433)	(49,798)
Total expenses		(241,025)	(257,694)
Operating profit (before other gains/losses)		110,449	361,700
Net (losses)/gains on investments		(81,041)	129,692
Net (losses)/gains on investments held-for-sale	17	(10,869)	2,301
Net foreign exchange gains/(losses)		649	(5,423)
Other (losses)/gains – net	9	(91,261)	126,570
Operating profit (after other gains/losses)		19,188	488,270
Share of profit of an associate	15	–	132
Profit before tax		19,188	488,402
Tax expense	10	(15,826)	(43,634)
Profit for the period		3,362	444,768
Other comprehensive (loss)/income for the period			
– Items that may be subsequently reclassified to profit or loss			
Fair value losses on available-for-sale financial assets		(360)	(776)
Foreign exchange translation		(7,967)	1,406
Other comprehensive (loss)/income for the period	11	(8,327)	630
Total comprehensive (loss)/income for the period		(4,965)	445,398
Profit attributable to			
Owners of the Company		5,017	445,733
Non-controlling interests		(1,655)	(965)
		3,362	444,768
Total comprehensive (loss)/income for the period attributable to			
Owners of the Company		(2,960)	445,821
Non-controlling interests		(2,005)	(423)
		(4,965)	445,398
Earnings per share for profit attributable to owners of the Company (HK cents per share)			
– basic		0.3	24.2
– diluted		0.3	24.1

The notes on pages 19 to 37 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2016

	Note	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
Non-current assets			
Property, plant and equipment	13	14,306	16,461
Intangible assets	14	16,205	13,878
Deferred tax assets		13,418	10,153
Investments	16	1,035,231	1,061,122
Other assets	20	8,611	8,583
Loan portfolio, net	21	77,369	104,275
		1,165,140	1,214,472
Current assets			
Investments	16	131,167	154,832
Investments held-for-sale	17	105,725	209,394
Fees receivable	18	100,963	206,042
Loan portfolio, net	21	99,280	146,036
Amounts receivable on sale of investments		54,765	7,227
Prepayments and other receivables		29,283	28,919
Time deposits		11,856	70,073
Cash and cash equivalents	19	2,100,600	2,228,784
		2,633,639	3,051,307
Current liabilities			
Accrued bonus		23,092	142,111
Distribution fee expenses payable	23	105,345	116,963
Other payables and accrued expenses		26,036	30,816
Short-term loan	24	–	59,800
Current tax liabilities		40,060	54,882
		194,533	404,572
Net current assets		2,439,106	2,646,735
Non-current liabilities			
Accrued bonus		435	746
Net assets		3,603,811	3,860,461
Equity			
Equity attributable to owners of the Company			
Issued equity	22	1,377,533	1,377,533
Other reserves		299,215	263,083
Retained earnings		1,858,806	2,149,583
		3,535,554	3,790,199
Non-controlling interests		68,257	70,262
Total equity		3,603,811	3,860,461

The notes on pages 19 to 37 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 2016

	Note	Attributable to owners of the Company			Non-controlling		Total equity HK\$'000
		Issued equity HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total interests HK\$'000	Total equity HK\$'000	
Unaudited							
As at 1 January 2015		1,336,979	191,186	2,281,423	3,809,588	76,617	3,886,205
Profit/(loss) for the period		-	-	445,733	445,733	(965)	444,768
Other comprehensive income/(loss)							
Fair value losses on available-for-sale financial assets		-	(776)	-	(776)	-	(776)
Foreign exchange translation		-	864	-	864	542	1,406
Total comprehensive income/(loss)		-	88	445,733	445,821	(423)	445,398
Transactions with owners							
Exercise of share options	22	32,593	-	-	32,593	-	32,593
Acquisition of additional interest in a subsidiary		-	(841)	-	(841)	(916)	(1,757)
Share-based compensation	22	-	14,457	-	14,457	-	14,457
Dividends to owners of the Company	12	-	-	(405,426)	(405,426)	-	(405,426)
Total transactions with owners		32,593	13,616	(405,426)	(359,217)	(916)	(360,133)
As at 30 June 2015		1,369,572	204,890	2,321,730	3,896,192	75,278	3,971,470
Unaudited							
As at 1 January 2016		1,377,533	263,083	2,149,583	3,790,199	70,262	3,860,461
Profit/(loss) for the period		-	-	5,017	5,017	(1,655)	3,362
Other comprehensive income/(loss)							
Fair value losses on available-for-sale financial assets		-	(360)	-	(360)	-	(360)
Foreign exchange translation		-	(7,617)	-	(7,617)	(350)	(7,967)
Total comprehensive income/(loss)		-	(7,977)	5,017	(2,960)	(2,005)	(4,965)
Transactions with owners							
Share-based compensation	22	-	44,109	-	44,109	-	44,109
Dividends to owners of the Company	12	-	-	(295,794)	(295,794)	-	(295,794)
Total transactions with owners		-	44,109	(295,794)	(251,685)	-	(251,685)
As at 30 June 2016		1,377,533	299,215	1,858,806	3,535,554	68,257	3,603,811

The notes on pages 19 to 37 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Cash flows from operating activities		
Net cash generated from operations	228,307	798,496
Interest received	8,741	11,515
Interest received from loan portfolio	21,574	29,915
Tax paid	(33,913)	(22,811)
Net cash generated from operating activities	224,709	817,115
Cash flows from investing activities		
Acquisition of additional interest in a subsidiary	–	(1,757)
Purchase of property, plant and equipment and intangible assets	(7,052)	(14,697)
Purchase of investments	(1,382)	(223,607)
Disposal of investments	15,708	3,310
Dividends received from investments	5,171	7,665
Net cash generated from/(used in) investing activities	12,445	(229,086)
Cash flows from financing activities		
Dividends paid	(295,794)	(405,426)
Repayment of borrowings	(59,800)	–
Proceeds from shares issued upon exercise of share options	–	32,593
Net cash used in financing activities	(355,594)	(372,833)
Net (decrease)/increase in cash and cash equivalents	(118,440)	215,196
Net foreign exchange (losses)/gains on cash and cash equivalents	(9,744)	5,621
Cash and cash equivalents at beginning of the period	2,228,784	1,551,001
Cash and cash equivalents at end of the period	2,100,600	1,771,818

The notes on pages 19 to 37 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 2016

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, Nexxus 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 16 August 2016.

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

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, 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 2015, 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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2016 that would be expected to have a material impact on the Group.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

3 Accounting policies (continued)

New standards issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted

- HKFRS 9 “Financial instruments” addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9’s full impact.
- HKFRS 15 “Revenue from contracts with customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 “Revenue” and HKAS 11 “Construction contracts” and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is yet to assess the impact of HKFRS 15.

There are no other HKFRS or HK(IFRIC) Interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 Fair value estimation

The following table presents the Group’s financial instruments that are measured at fair value at the end of the reporting period by level of the fair value measurement hierarchy.

	Level 1		Level 2		Level 3		Total	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	HK\$'000 Unaudited	HK\$'000 Audited	HK\$'000 Unaudited	HK\$'000 Audited	HK\$'000 Unaudited	HK\$'000 Audited	HK\$'000 Unaudited	HK\$'000 Audited
Investments (Note 16)								
Listed securities	172,466	301,505	–	–	131,167	–	303,633	301,505
Unlisted securities								
Investment funds – Cayman Islands	–	–	494,236	519,506	3,590	3,015	497,826	522,521
Others	–	–	328,899	354,671	–	–	328,899	354,671
Derivative financial instruments	–	–	–	–	36,040	37,257	36,040	37,257
Investments held-for-sale (Note 17)	–	–	105,725	209,394	–	–	105,725	209,394

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

4 Fair value estimation (continued)

The fair value of financial instruments traded in active markets is 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. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is 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. These investments include the Group's investments in investment funds.

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.

The following table presents the movement in level 3 instruments.

	Investments	
	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
As at 1 January	40,272	3,326
Addition to level 3	1,172	39,391
Transfer to level 3	131,167	–
Return of capital from investment	–	(243)
Losses recognized in profit or loss	(1,900)	(2,026)
Gains/(losses) recognized in other comprehensive income	86	(176)
As at 30 June 2016/31 December 2015	170,797	40,272
Total losses 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	(1,814)	(2,202)
Change in unrealized gains or losses for level 3 instruments held at period/year end and included in profit or loss	(1,900)	(2,026)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

4 Fair value estimation (continued)

The level 3 instruments include investment funds and a derivative financial instrument which are lack of marketability. Such investment funds are stated with reference to the net asset value provided by the respective administrators of the investment funds. If the net asset value of the investment funds is not available or the Group considers that such net asset value is not reflective of fair value, the Group may exercise its judgment and discretion to determine the fair value of the investment funds. The fair value of the derivative financial instrument is determined using discounted cash flow analysis. There were no changes in valuation techniques during the period.

For those level 3 investments, no quantitative unobservable inputs are used to determine their fair value. No quantitative analysis would be presented.

As at 30 June 2016 and 31 December 2015, the majority of the Group's investments are included in level 1 and 2. For the period ended 30 June 2016, the Group transferred a listed security from level 1 to level 3 since its suspension of trading. There were no transfers between levels of the fair value measurement hierarchy for the period ended 30 June 2015. Transfer between levels of the fair value measurement hierarchy are recognized as of the date of the event or change in circumstances that caused the transfer.

The maturities of fees receivable, amounts receivable on sale of investments, other receivables, restricted bank balances, time deposits, cash and cash equivalents and financial liabilities are within one year, and the carrying value approximates their fair value.

5 Segment information

The Board of Directors reviews the Group's internal financial reporting and other information and also obtains other relevant external information in order to assess performance and allocate resources and operating segments are identified with reference to these.

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 has a small loan business in Chengdu. Major income from this small loan business includes interest income and administrative fee income.

The Board of Directors assesses the performance of the operating segments based on the measure of profit before tax.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

5 Segment information (continued)

Profit or loss

The revenue and profit before tax reported to the Board of Directors is measured in a manner consistent with that in the condensed consolidated interim financial information. An analysis of the Group's reportable segment profit before tax for the period by segments is as follows:

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	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	709,102	20,492	729,594	893,759	31,083	924,842
Distribution and advisory fee expenses	(394,201)	-	(394,201)	(323,405)	-	(323,405)
Net fee income	314,901	20,492	335,393	570,354	31,083	601,437
Other income	14,491	1,590	16,081	16,087	1,870	17,957
Total net income	329,392	22,082	351,474	586,441	32,953	619,394
Operating expenses	(219,169)	(21,856)	(241,025)	(239,535)	(18,159)	(257,694)
Operating profit (before other gains/losses)	110,223	226	110,449	346,906	14,794	361,700
Other (losses)/gains – net	(91,261)	-	(91,261)	126,570	-	126,570
Operating profit (after other gains/losses)	18,962	226	19,188	473,476	14,794	488,270
Share of profit of an associate	-	-	-	132	-	132
Reportable segment profit before tax	18,962	226	19,188	473,608	14,794	488,402

Assets and liabilities

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

	Assets		Liabilities	
	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
Asset management business	3,416,351	3,811,463	(192,133)	(304,815)
Small loan business	382,428	454,316	(2,835)	(100,503)
Total assets/(liabilities)	3,798,779	4,265,779	(194,968)	(405,318)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

6 Revenue

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

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Management fees	529,169	548,826
Performance fees	5,186	229,242
Front-end fees	174,747	115,691
Total fee income	709,102	893,759
Interest income from loan portfolio	20,153	29,970
Fee income from loan portfolio	339	1,113
Total revenue	729,594	924,842

7 Distribution and advisory fee expenses

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Distribution fee expenses	394,201	318,883
Advisory fee expenses	–	4,522
Total distribution and advisory fee expenses	394,201	323,405

8 Other income

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Interest income from cash and cash equivalents, time deposits and restricted bank balances	8,536	9,958
Dividend income from available-for-sale financial assets	1,830	6,814
Dividend income from financial assets at fair value through profit or loss	4,220	1,090
Others	1,495	95
Total other income	16,081	17,957

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

9 Other (losses)/gains – net

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Net (losses)/gains on investments		
Gains on financial assets at fair value through profit or loss	31,338	133,726
Losses on financial assets at fair value through profit or loss	(112,379)	(4,034)
Net (losses)/gains on investments held-for-sale (Note 17)		
Gains on investments held-for-sale	–	5,101
Losses on investments held-for-sale	(10,869)	(2,800)
Net foreign exchange gains/(losses)	649	(5,423)
Total other (losses)/gains – net	(91,261)	126,570

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 2016 at the rate of 16.5% (2015: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Current tax		
Hong Kong profits tax	14,527	34,582
Overseas tax	4,235	14,653
Adjustments in respect of prior years	329	(6,031)
Total current tax	19,091	43,204
Deferred tax		
Origination and reversal of temporary differences	(3,265)	430
Total tax expense	15,826	43,634

11 Other comprehensive (loss)/income

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Items that may be subsequently reclassified to profit or loss:		
Fair value losses on available-for-sale financial assets	(360)	(776)
Foreign exchange translation	(7,967)	1,406
Total other comprehensive (loss)/income	(8,327)	630

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

12 Dividends

Dividends declared by the Company of HK\$295,794,000 are related to the year ended 31 December 2015 and were paid on 10 June 2016. No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2016 (2015: Nil).

13 Property, plant and equipment

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Opening net book amount	16,461	13,753
Additions	2,233	6,271
Depreciation	(4,403)	(3,385)
Exchange differences	15	9
Closing net book amount	14,306	16,648

14 Intangible assets

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Opening net book amount	13,878	32,406
Additions	4,819	8,426
Amortization	(2,499)	(1,705)
Exchange differences	7	27
Closing net book amount	16,205	39,154

15 Investment in an associate

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Beginning of the period	–	102,651
Share of results – gain after tax	–	132
End of the period	–	102,783

In 2012, the Group acquired 49% interests in Goldstate Capital Fund Management Company Limited (“Goldstate Capital”), a China incorporated licensed mutual fund management company headquartered in Shanghai, and accounted for its investment in Goldstate Capital as an associate.

In 2015, the Group entered into a sale and purchase agreement with a third party to sell its 49% interests of Goldstate Capital for RMB45 million (equivalent to HK\$55 million). The carrying amount of the investment in an associate was then written down to HK\$54,765,000. As at 31 December 2015, the Group reclassified its interests in Goldstate Capital from “Investment in an associate” to “Investments held-for-sale”. Refer to Note 17.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

15 Investment in an associate (continued)

In February 2016, the transaction was approved by relevant Chinese government authorities. As at 30 June 2016, the proceeds from the disposal of Goldstate Capital was outstanding, and was included in “Amounts receivable on sale of investments”.

The Group also invested in certain investment funds that it manages or advises. The Group has applied the measurement exemption within HKAS 28 “Investment in Associates and Joint Ventures” for mutual funds, unit trusts and similar entities. Details of such investment funds are summarized in Note 16.

16 Investments

Investments include the following:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Total	
	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
Listed securities (by place of listing)						
Equity securities – China	131,167	154,832	–	–	131,167	154,832
Investment funds – Hong Kong	172,466	146,673	–	–	172,466	146,673
Market value of listed securities	303,633	301,505	–	–	303,633	301,505
Unlisted securities (by place of incorporation/establishment)						
Equity securities – Singapore	–	–	4,927	6,463	4,927	6,463
Investment funds – Australia	17,242	16,056	–	–	17,242	16,056
Investment funds – Cayman Islands	494,301	519,863	3,525	2,658	497,826	522,521
Investment funds – China	13,084	27,727	–	–	13,084	27,727
Investment funds – Ireland	134,132	145,584	–	–	134,132	145,584
Investment funds – Luxembourg	–	–	74,748	74,811	74,748	74,811
Investment funds – Taiwan	–	1,127	–	–	–	1,127
Investment funds – United States	59,456	58,767	25,310	24,136	84,766	82,903
Fair value of unlisted securities	718,215	769,124	108,510	108,068	826,725	877,192
Derivative financial instruments						
Equity swap	36,040	37,257	–	–	36,040	37,257
Fair value of derivative financial instruments	36,040	37,257	–	–	36,040	37,257
Total investments	1,057,888	1,107,886	108,510	108,068	1,166,398	1,215,954
Representing:						
Non-current	926,721	953,054	108,510	108,068	1,035,231	1,061,122
Current	131,167	154,832	–	–	131,167	154,832
Total investments	1,057,888	1,107,886	108,510	108,068	1,166,398	1,215,954

In addition to the above, some investments were classified as held-for-sale as at 30 June 2016 and 31 December 2015. Refer to Note 17 for details.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

16 Investments (continued)

Interests in unconsolidated structured entities

The Group acts as an investment manager or investment advisor to a number of investment funds. As at 30 June 2016 and 31 December 2015, the Group determined that all of these investment funds are unconsolidated structured entities. Refer to Note 27.3 for details.

The maximum exposure to loss for all interests in structured entities is the carrying value of the investments in investment funds (refer to Note 27.3) and fees receivable as shown in the condensed consolidated balance sheet. The size of the investment funds ranges from US\$0.4 million to US\$3.5 billion (31 December 2015: US\$0.7 million to US\$3.9 billion). During the period, the Group did not provide financial support to unconsolidated structured entities and had no intention of providing financial or other support.

17 Investments held-for-sale

The Group classified some of its interests in investment funds as held-for-sale as the Group intends to market these funds and dilute its holdings as soon as practically possible to a level where its aggregate economic interest does not constitute a control. As at 30 June 2016 and 31 December 2015, the major assets of these investment funds were securities.

	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
Investment in an associate (Note 15)	–	54,765
Investment funds – Cayman Islands	85,112	131,425
Investment funds – Taiwan	20,613	23,204
Total investments held-for-sale	105,725	209,394

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

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Change in unrealized gains/losses on investments held-for-sale	(10,869)	(2,800)
Realized gains on investments held-for-sale	–	5,101
Net (losses)/gains on investments held-for-sale	(10,869)	2,301

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

18 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 2016 (31 December 2015: 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 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
Fees receivable that were past due but not impaired		
1 – 30 days	573	692
31 – 60 days	20	162
61 – 90 days	344	406
Over 90 days	842	16,006
	1,779	17,266
Fees receivable that were within credit period	99,184	188,776
Total fees receivable	100,963	206,042

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 2016 (31 December 2015: Nil).

19 Cash and cash equivalents

	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
Cash at banks and in hand	100,706	369,068
Short-term bank deposits	1,998,745	1,857,296
Deposits with brokers	1,149	2,420
Total cash and cash equivalents	2,100,600	2,228,784

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

20 Other assets

	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
Restricted bank balances	6,018	5,984
Other assets	2,593	2,599
Total other assets	8,611	8,583

In accordance with the Regulations Governing the Conduct of Discretionary Investment Business and the Regulations Governing Offshore Funds of Taiwan, as at 30 June 2016, Value Partners Concord Asset Management Company Limited, a subsidiary of the Group, placed a deposit of NT\$25 million (equivalent to HK\$6,008,000) (31 December 2015: NT\$25 million (equivalent to HK\$5,900,000)) as a financial guarantee with Bank Sinopac so that it can operate in the business of discretionary investment management and sales of offshore funds in Taiwan.

In addition, bank deposits of RMB9,000 (equivalent to HK\$10,000) (31 December 2015: RMB70,000 (equivalent to HK\$84,000)) were placed as a minimum reserve for the Group's investment in equity securities in China.

21 Loan portfolio, net

21.1 Loan portfolio less allowance

	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
Loan portfolio in the People's Republic of China		
Corporate	55,551	51,918
Personal	164,698	230,984
	220,249	282,902
Allowance for impairment	(43,600)	(32,591)
Total loan portfolio, net	176,649	250,311
Representing:		
Non-current	77,369	104,275
Current	99,280	146,036
Total loan portfolio, net	176,649	250,311

The fair value of the loan portfolio approximates its carrying value and it is short-term in nature.

As at 30 June 2016, the loan portfolio had a weighted average remaining term of 2.1 years (31 December 2015: 2.2 years) on a contractual basis, without taking into account any prepayment of loans. Final maturity of the loan portfolio is in the year 2020.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

21 Loan portfolio, net (continued)**21.2 Allowance for loan impairment**

	Collective assessment		Individual assessment	
	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
As at 1 January 2016/1 January 2015	3,081	3,470	29,510	6,398
Charged to the consolidated statement of comprehensive income	(659)	(242)	12,267	24,523
Exchange differences	(41)	(147)	(558)	(1,411)
As at 30 June 2016/31 December 2015	2,381	3,081	41,219	29,510

As at 30 June 2016, the allowance for collectively assessed loan impairment amounted to 1% of the outstanding balances of the loan portfolio (31 December 2015: 1%), and the allowance for individually assessed loan impairment amounted to 60% of the impaired loan portfolio (31 December 2015: 56%).

22 Issued equity

	Number of shares	Issued equity HK\$'000
Unaudited		
As at 1 January 2015	1,836,664,831	1,336,979
Share issued upon exercise of share options	9,800,000	32,593
As at 30 June 2015	1,846,464,831	1,369,572
Unaudited		
As at 1 January 2016 and 30 June 2016	1,848,714,831	1,377,533

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. The share option scheme is effective for a period of ten years from the date it was adopted, after which no new share options will be granted but the provisions of the scheme will remain in full force and effect in all other respects. The share options are subject to terms as the Board of Directors may determine. Such terms may include the exercise price of the share options, the minimum period for which the share options must be held before they can be exercised in whole or in part, the conditions that must be reached before the share options can be exercised. The Group has no legal or constructive obligation to repurchase or settle the share options in cash. No options (2015: 140,920,000) were granted under the share option scheme during the six months ended 30 June 2016.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

22 Issued equity (continued)

Share options (continued)

The total expense recognized in the condensed consolidated statement of comprehensive income for share options granted to directors and employees during the six months ended 30 Jun 2016 was HK\$44,109,000 (2015: HK\$14,457,000) which has no impact to the Group's cash flow. The weighted average fair value of options granted during the six months ended 30 June 2016 was determined using the Black-Scholes valuation model. The total fair value of options granted is amortized over the vesting period. The significant inputs into the model included share price at the grant date, exercise price, estimated volatility, estimated dividend yield based on historical dividend per share, expected option life, and annual risk-free interest rate. The volatility was measured based on historic average share price volatility over a period of similar maturity to those of the share options.

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 2015	3.82	19,650
Exercised	2.44	(5,200)
Exercised	5.00	(1,700)
Exercised	3.94	(2,900)
Granted	13.60	44,500
Granted	14.09	96,420
As at 30 June 2015	13.31	150,770
Unaudited		
As at 1 January 2016	13.46	148,120
Forfeited	13.60	(1,950)
Forfeited	14.09	(50)
As at 30 June 2016	13.45	146,120

Out of the 146,120,000 (31 December 2015: 148,120,000) outstanding share options, 39,680,000 (31 December 2015: 39,680,000) options were exercisable as at 30 June 2016 with weighted average exercise price of HK\$12.26 (2015: HK\$12.26). No (2015: 12,050,000) option was exercised during the six months ended 30 June 2016.

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

Expiry date	Exercise price (HK\$ per share)	Number of options (‘000)	
		30 June 2016 Unaudited	30 June 2015 Unaudited
26 October 2015	2.44	–	1,200
22 December 2016	5.00	2,000	2,850
11 November 2021	13.60	42,280	44,500
16 December 2021	14.09	96,240	96,420
30 May 2022	3.94	1,600	1,800
6 December 2022	4.56	4,000	4,000

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

22 Issued equity (continued)**Share options (continued)**

The measurement dates of the share options were 17 June 2015, 12 May 2015, 7 December 2012, 31 May 2012, 23 June 2010, 27 April 2009, being the dates of grant of the share options, and 27 July 2015, being the date of the Group's extraordinary general meeting approving the grant of 54,800,000 share options to Dato' Seri CHEAH. Where the grantees 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. Forfeiture rate is also considered in determining the amount of share option expenses.

23 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 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
0 – 30 days	105,238	116,866
Over 90 days	107	97
Total distribution fee expenses payable	105,345	116,963

24 Short-term loan

The Group had no short-term loan as at 30 June 2016. As at 31 December 2015, the Group had a short-term loan of RMB50,000,000 (equivalent to HK\$59,800,000) bearing an annual interest rate of 4.45% and was repayable in January 2016. Such loan was secured by the time deposit of Brilliant Star Capital Limited, a subsidiary of the Company.

25 Commitments**25.1 Operating lease commitments**

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 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
Not later than one year	22,944	24,255
Later than one year and not later than five years	18,275	24,939
Total operating lease commitments	41,219	49,194

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

25 Commitments (continued)

25.2 Capital commitments

As at 30 June 2016, the Group has unfunded capital commitments in a private equity fund amounted to US\$500,000 (equivalent to HK\$3,880,000) (31 December 2015: US\$600,000 (equivalent to HK\$4,656,000)). The Group also has a capital commitment to purchase licensed software amounted to HK\$3,000,000 (31 December 2015: HK\$3,000,000).

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 recognized when they are earned by the Group.

As a result, as at 30 June 2016 and 31 December 2015, performance fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding period/year have not been recognized. These performance fees may be receivable in cash if a positive performance results or a performance threshold is exceeded on the performance fee valuation days, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

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 recognized 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 2016 and 31 December 2015, 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 recognized. These distribution fee expenses may be payable in cash if the performance fees are subsequently earned on the performance fee valuation days.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

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	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Consultancy fee to a close family member of key management personnel	(145)	(145)
Rental expenses paid by a subsidiary to an associate	–	(159)

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	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
Management bonus, salaries and other short-term employee benefits	8,001	7,874
Share-based compensation	22,729	10,088
Pension costs	36	36
Total key management compensation	30,766	17,998

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

27 Related-party transactions (continued)**27.3 Investments in investment funds which are managed/advised by the Group**

The Group had investments in the following investment funds under its management or advisory and from which the Group earns fees from investment or advisory activities and fund distribution activities. These investment funds manage pools of assets from third party investors which are managed/advised by the Group and generate fees for the Group. The funds are financed through the issue of units/shares to investors.

	Fair value	
	30 June 2016 HK\$'000 Unaudited	31 December 2015 HK\$'000 Audited
ASTON/Value Partners Asia Dividend Fund	59,189	58,474
Premium Asia Income Fund	17,243	16,056
Value China ETF	4,471	4,816
Value Gold ETF	144,108	117,003
Value Japan ETF	7,252	8,624
Value Korea ETF	7,740	7,890
Value Partners Asia Fund, LLC	266	293
Value Partners Big Data Fund	85,112	93,372
Value Partners China A-Share Select Fund ^(a)	74	83
Value Partners China Greenchip Fund Limited ^(b)	125,844	138,405
Value Partners Classic Equity Fund ^{(c), (d)}	99,483	108,267
Value Partners Classic Fund ^(e)	78,508	86,402
Value Partners Concord Greater China Value Fund	20,614	23,204
Value Partners Concord ETF Income Fund of Funds ^(a)	–	1,127
Value Partners Credit Fund ^(g)	1	1
Value Partners Global Contrarian Fund ^(c)	13,502	13,252
Value Partners Greater China High Yield Income Fund ^(f)	19,515	19,116
Value Partners Health Care Fund	34,648	37,316
Value Partners Hedge Fund Limited ^(g)	2	2
Value Partners High-Dividend Stocks Fund ^(h)	264	264
Value Partners Intelligent Funds – China Convergence Fund ^(a)	61,029	71,856
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	157,706	190,126
Value Partners Multi-Asset Fund	37,791	38,052
Value Partners Strategic Equity Fund ⁽ⁱ⁾	65	357
Value Taiwan ETF	8,895	8,340
中信•金元惠理金融投資集合資金信託計劃	–	14,080
金海九號證券投資集合資金信託計劃	13,084	13,647
Total investments in investment funds which are managed/advised by the Group	996,406	1,070,425

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

27 Related-party transactions (continued)

27.3 Investments in investment funds which are managed/advised by the Group (continued)

- (a) The units held were Class A units.
- (b) The shares held were redeemable Class A shares.
- (c) The Group has waived its voting rights in respect of its holdings.
- (d) The shares held were USD Class shares.
- (e) The units held were Class C units.
- (f) The shares held were management shares, Class P MDis shares and Class A MDis shares.
- (g) The shares held were management shares.
- (h) The units held were Class A2 MDis units.
- (i) The shares held were non-voting shares.

27.4 Investments in an investment fund managed by a related company

As at 30 June 2016, the Group had investments in Malabar India Fund, LP amounted to HK\$25,289,000 (31 December 2015: HK\$24,136,000) which is managed by Malabar Investment LLC in which the Group had an interest of 6.62% (31 December 2015: 6.62%).

28 Cyclicalities

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.

Other Information

Directors' interests in shares, underlying shares and debentures

As at 30 June 2016, 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 ⁽³⁾	Approximate percentage of issued Shares
Dato' Seri CHEAH Cheng Hye	Founder of trust/beneficial ⁽¹⁾	403,730,484	–	21.83%
	Beneficial	57,470,828	56,620,000	6.17%
Ms. HUNG Yeuk Yan Renee	Founder of trust ⁽²⁾	16,870,583	–	0.91%
	Beneficial	–	11,370,000	0.61%
Mr. SO Chun Ki Louis	Beneficial	12,665,723	18,490,000	1.68%
Mr. TSE Wai Ming, Timothy	Beneficial	–	5,690,000	0.30%
Dr. CHEN Shih-Ta Michael	Beneficial	–	500,000	0.02%
Mr. LEE Siang Chin	Beneficial	200,000	300,000	0.02%
Mr. Nobuo OYAMA	Beneficial	500,000	300,000	0.04%

Notes:

- (1) These Shares are directly held by Cheah Capital Management Limited ("CCML") which is wholly-owned by Cheah Company Limited ("CCL") which is in turn wholly-owned by BNP Paribas Jersey Nominee Company Limited, a company incorporated in Jersey, Channel Islands, holding the shares in CCL as nominee for BNP Paribas Jersey Trust Corporation Limited as trustee for a discretionary trust, the discretionary objects of which include Dato' Seri CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Dato' Seri CHEAH Cheng Hye is the founder of this trust. The ultimate holding company of BNP Paribas Jersey Trust Corporation Limited is BNP Paribas SA.
- (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 East Asia International Trustees Limited, a company incorporated in the British Virgin Islands, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. HUNG Yeuk Yan Renee.
- (3) The number of underlying Shares in which the Directors hold under the share option scheme are detailed in "Share options" section below.

Other Information

(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
Dato' Seri 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 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 2016 are as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2016	Number of Share Options			As at 30/06/2016
					Granted	Exercised	Lapsed	
Dato' Seri CHEAH Cheng Hye	17/06/2015 ⁽³⁾	17/12/2015-16/12/2021	14.092	18,873,333	-	-	-	18,873,333
		17/12/2016-16/12/2021	14.092	18,873,333	-	-	-	18,873,333
		17/12/2017-16/12/2021	14.092	18,873,334	-	-	-	18,873,334
Ms. HUNG Yeuk Yan Renee	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
	12/05/2015	12/05/2018-11/11/2021	13.60	1,016,666	-	-	-	1,016,666
		12/05/2019-11/11/2021	13.60	1,016,666	-	-	-	1,016,666
		12/05/2020-11/11/2021	13.60	1,016,668	-	-	-	1,016,668
	17/06/2015	17/12/2015-16/12/2021	14.092	2,373,333	-	-	-	2,373,333
		17/12/2016-16/12/2021	14.092	2,373,333	-	-	-	2,373,333
		17/12/2017-16/12/2021	14.092	2,373,334	-	-	-	2,373,334

Other Information

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2016	Number of Share Options			As at 30/06/2016
					Granted	Exercised	Lapsed	
Mr. SO Chun Ki Louis	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
	12/05/2015	12/05/2018-11/11/2021	13.60	1,716,666	-	-	-	1,716,666
		12/05/2019-11/11/2021	13.60	1,716,666	-	-	-	1,716,666
		12/05/2020-11/11/2021	13.60	1,716,668	-	-	-	1,716,668
17/06/2015	17/12/2015-16/12/2021	14.092	3,413,333	-	-	-	3,413,333	
	17/12/2016-16/12/2021	14.092	3,413,333	-	-	-	3,413,333	
	17/12/2017-16/12/2021	14.092	3,413,334	-	-	-	3,413,334	
Mr. TSE Wai Ming, Timothy	12/05/2015	12/05/2018-11/11/2021	13.60	1,290,000	-	-	-	1,290,000
		12/05/2019-11/11/2021	13.60	1,290,000	-	-	-	1,290,000
		12/05/2020-11/11/2021	13.60	1,290,000	-	-	-	1,290,000
	17/06/2015	17/12/2015-16/12/2021	14.092	606,666	-	-	-	606,666
		17/12/2016-16/12/2021	14.092	606,666	-	-	-	606,666
		17/12/2017-16/12/2021	14.092	606,668	-	-	-	606,668
Dr. CHEN Shih-Ta Michael	31/05/2012	31/12/2013-30/05/2022	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
	17/06/2015	17/12/2015-16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2016-16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2017-16/12/2021	14.092	100,000	-	-	-	100,000
Mr. LEE Siang Chin	17/06/2015	17/12/2015-16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2016-16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2017-16/12/2021	14.092	100,000	-	-	-	100,000
Mr. Nobuo OYAMA	17/06/2015	17/12/2015-16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2016-16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2017-16/12/2021	14.092	100,000	-	-	-	100,000

Other Information

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2016	Number of Share Options			As at 30/06/2016
					Granted	Exercised	Lapsed	
Employees	23/06/2010	23/06/2011-22/12/2016	5.00	166,667	-	-	-	166,667
		23/06/2012-22/12/2016	5.00	166,667	-	-	-	166,667
		23/06/2013-22/12/2016	5.00	166,666	-	-	-	166,666
	31/05/2012	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	100,000	-	-	-	100,000
		31/05/2014-30/05/2022	3.94	100,000	-	-	-	100,000
		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
	12/05/2015	12/05/2018-11/11/2021	13.60	10,719,987	-	-	(649,999)	10,069,988
		12/05/2019-11/11/2021	13.60	10,719,987	-	-	(649,999)	10,069,988
		12/05/2020-11/11/2021	13.60	10,720,026	-	-	(650,002)	10,070,024
	17/06/2015	17/12/2015-16/12/2021	14.092	6,529,987	-	-	(16,666)	6,513,321
17/12/2016-16/12/2021		14.092	6,529,987	-	-	(16,666)	6,513,321	
17/12/2017-16/12/2021		14.092	6,530,026	-	-	(16,668)	6,513,358	
Total				148,120,000	-	-	(2,000,000)	146,120,000

Notes:

- (1) The closing prices of the Shares immediately before the share options granted on 27 April 2009, 23 June 2010, 31 May 2012, 7 December 2012, 12 May 2015 and 17 June 2015 were HK\$2.20, HK\$5.00, HK\$3.90, HK\$4.54, HK\$13.68 and HK\$13.50 respectively.
- (2) No share option was cancelled during the period under review.
- (3) Out of a total of 56,620,000 share options, the grant of 54,800,000 share options to Dato' Seri CHEAH was approved in the extraordinary general meeting of the Company held on 27 July 2015.

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.

Other Information

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 2016, 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	517,821,312	28.00%
Mr. YEH V-Nee	Beneficial	300,159,324	16.23%
Mrs. YEH Mira ⁽²⁾	Spouse	300,159,324	16.23%
Cheah Capital Management Limited ⁽³⁾	Beneficial	403,730,484	21.83%
Cheah Company Limited ⁽³⁾	Corporate	403,730,484	21.83%
BNP Paribas Jersey Nominee Company Limited ⁽³⁾	Nominee	403,730,484	21.83%
BNP Paribas Jersey Trust Corporation Limited ⁽³⁾	Trustee	403,730,484	21.83%
Affiliated Managers Group, Inc. ⁽⁴⁾	Interest of controlled corporation	110,875,000	5.99%

Notes:

- (1) Ms. TO Hau Yin is the spouse of Dato' Seri 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 ("CCL") which in turn is wholly-owned by BNP Paribas Jersey Nominee Company Limited, a company incorporated in Jersey, Channel Islands, holding the shares in CCL as nominee for BNP Paribas Jersey Trust Corporation Limited as trustee for a discretionary trust, the discretionary objects of which include Dato' Seri CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Dato' Seri CHEAH Cheng Hye is the founder of this trust. The ultimate holding company of BNP Paribas Jersey Trust Corporation Limited is BNP Paribas SA.
- (4) These Shares are held by two wholly-owned subsidiaries of Affiliated Managers Group, Inc.

Other Information

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 2016 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 2016 (six months ended 30 June 2015: Nil).

Foreign exchange

Except for its Renminbi-denominated bank deposit and loan portfolio in China, which has a balance of around HK\$539.9 million as at 30 June 2016 (30 June 2015: HK\$954.5 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 2016, the Group employed a total of 205 staff (30 June 2015: 175) in Hong Kong and Shanghai, 10 staff (30 June 2015: 8) in Singapore, 17 staff (30 June 2015: 25) in Taiwan and 79 staff (30 June 2015: 87) in Chengdu. 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 2016.

Audit committee

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Company has an audit committee which comprises three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Group for the six months ended 30 June 2016.

Independent review of interim results

The unaudited interim results of the Group for the six months ended 30 June 2016 have been reviewed by the Company’s external Auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

Other Information

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 2016.

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 2016.

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-group.com). The interim report will be despatched to the 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 the 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, 16 August 2016

Value Partners Group Limited
惠理集團有限公司

9th Floor, Nexxus Building
41 Connaught Road Central, Hong Kong
香港中環干諾道中四十一號盈置大廈九樓
Tel 電話: (852) 2880 9263 Fax 傳真: (852) 2564 8487

www.valuepartners-group.com