



AN AWARD-WINNING
ASSET MANAGER

Value Partners has won **200+**
performance awards since 1993
for investment excellence.



Our investment capabilities:

Equities | Fixed income | Alternatives

Multi-asset | Quantitative Investment Solutions

Value Partners Group Limited
惠理集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 806

2019 Interim Report

Corporate profile

Established in 1993, Value Partners is one of Asia's largest independent asset management firms offering world-class investment services and products for institutional and individual clients globally. The firm has been a dedicated value investor in Asia and around the world. Its investment strategies cover equities, fixed income, alternatives, multi-asset and Quantitative Investment Solutions. In addition to its Hong Kong headquarters, the firm has offices in Beijing, Shanghai, Shenzhen, Kuala Lumpur, Singapore, London and Boston.

Value Partners was the first and only asset management firm listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 806 HK) after it went public in November 2007. The firm had US\$18.1 billion of assets under management as of 30 June 2019.

Contents

2	Corporate information
3	Financial highlights
4	Management discussion and analysis
7	Financial review
13	Independent review report
14	Condensed consolidated interim financial information
42	Other information

Key facts about Value Partners

One of Asia's most established asset managers with **assets under management of US\$18.1 billion¹** across equities, fixed income, alternatives, multi-asset portfolios and quantitative investment solutions

Temple of Value Investing, where the "ideals of value investing are implemented and transmitted to future generations"

We provide an award-winning menu of funds. For example, our flagship **Value Partners Classic Fund** offers 26 years of outstanding returns

Fundamental investment approach with about 70 investment professionals focusing on Greater China and Asia ex-Japan investments **conducting over 6,500 due diligence meetings every year**

200+ coveted performance awards and prizes won since 1993

Headquartered in Hong Kong, with offices in Beijing, Shanghai, Shenzhen, Kuala Lumpur, Singapore, London and Boston providing localized research and client servicing

Dedicated client services and commits to resolving clients' queries in an effective and timely manner

Footnote:

1. As of 30 June 2019 (unaudited).

Corporate information

Board of Directors

Co-Chairmen and Co-Chief Investment Officers

Dato' Seri CHEAH Cheng Hye
Mr. SO Chun Ki Louis

Executive Directors

Ms. HUNG Yeuk Yan Renee
(Deputy Chief Investment Officer)
Mr. Ho Man Kei, Norman
(Senior Investment Director)

Independent Non-executive Directors

Dr. CHEN Shih-Ta Michael
Mr. Nobuo OYAMA
Mr. WONG Poh Weng

Non-executive Honorary Chairman

Mr. YEH V-Nee

Company Secretary

Mr. CHEUNG Kwong Chi, Aaron

Authorized Representatives

Mr. CHEUNG Kwong Chi, Aaron
Mr. HO Man Kei, Norman

Members of the Audit Committee

Mr. WONG Poh Weng *(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. HO Man Kei, Norman
Mr. Nobuo OYAMA
Mr. WONG Poh Weng

Members of the Remuneration Committee

Dr. CHEN Shih-Ta Michael *(Chairman)*
Dato' Seri CHEAH Cheng Hye
Mr. Nobuo OYAMA
Mr. SO Chun Ki Louis
Mr. WONG Poh Weng

Members of the Risk Management Committee

Dr. AU King Lun MH, PhD *(Chairman)*
Mr. CHENG Tsz Chung
Ms. CHEUNG Hor Yee, Patricia
Mr. Roger Anthony HEPPER
Ms. LEE Vivienne
Mr. SO Chun Ki Louis
Ms. WONG York Ying, Ella

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Office

43rd Floor, The Center
99 Queen's Road Central
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House-3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, 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		
	2019	2018	% Change
Total revenue	815.1	958.1	-14.9%
Gross management fees	679.5	712.9	-4.7%
Gross performance fees	3.4	50.7	-93.3%
Operating profit (before other gains/losses)	162.0	246.1	-34.2%
Profit attributable to owners of the Company	250.9	194.3	+29.1%
Basic earnings per share (HK cents)	13.5	10.5	+28.6%
Diluted earnings per share (HK cents)	13.5	10.5	+28.6%
Interim dividend per share	Nil	Nil	

(In US\$ million)	30 June 2019	31 December 2018	% Change
Assets under management	18,052	15,025	+20.1%

Management discussion and analysis

Global financial markets experienced a turbulent ride in the first half of 2019 primarily due to the U.S.-China trade overhang and sluggish global economic growth. However, notwithstanding the jump in market volatility since early May, the Group was able to continue its strategic development and to maintain a solid financial profile. We recorded a double-digit year-on-year increase in profit attributable to owners of the Company and ended the first half with a healthy growth in assets under management (“AUM”). We are pleased to report that we have made further progress on the mainland of China. Value Partners Classic Fund was approved as an eligible fund under the Mainland-Hong Kong Mutual Recognition of Fund (“MRF”) scheme, our first offering under the MRF scheme. The successful first closing of our private debt fund¹ in January 2019 was another major milestone for us.

Despite the choppy markets, our AUM registered good growth in the first half of 2019 as a result of both positive fund returns and net subscriptions. As at 30 June 2019, our AUM was US\$18.1 billion, a steady increase from US\$15.0 billion as at 31 December 2018 and US\$17.2 billion as at 30 June 2018. During the first half of 2019, we recorded net subscriptions of US\$1.8 billion, compared to the US\$1.2 billion net inflows for full-year 2018. The resilient performance was supported by both market recovery in the first quarter of 2019 and investors’ continuing demands for our fixed income funds, especially the Greater China High Yield Income Fund, which generated stable income amid heightened geopolitical uncertainties and a prolonged low interest rate era. Our fast-expanding mainland China business also contributed to the net inflows.

Meanwhile, a dip in performance fees in the year to June sent our operating profit lower to HK\$162.0 million. With stringent cost control and mark-to-market gains booked by the Group’s investments in its own funds, we delivered a 29.1% rise in profit attributable to owners of the Company in the first half of 2019.

For details of the Group’s financial performance, please refer to the Financial Review section.

Mainland China related business

Despite China is facing macro headwinds, including its ongoing trade disputes with the U.S., we still see mainland China offering historical opportunities to asset managers like us as the Chinese market continues with its rapid accumulation of household assets and financial market reforms.

The opening-up of financial market by mainland China has been endorsed by global major index providers with the inclusion and weighting increase of mainland China in the respective indices since the beginning of the year. We see these positive factors as golden opportunities to further expand our business on the mainland of China as foreign investors are expected to gradually allocating their investments in the Chinese market in the coming years.

This year not only signifies a new chapter of China’s capital market, but it also has been a decade since we established our first Shanghai office in 2009.

During the past decade, we have identified and participated in many opportunities in China, making them a crucial part of our success story. The positive momentum continued well into the first half of 2019, with our AUM on the mainland of China and related business increasing by more than 35% to finish at US\$1.5 billion.

As a pioneer investor in the Greater China markets since 1993, we are delighted to see our capability and expertise being recognized as the best-in-class among global peers. We are pleased to highlight that Value Partners was ranked as a Top 10 Wholly Foreign Owned Enterprise (“WFOE”) operating on the mainland of China by Z-Ben Advisors. In addition, our mainland China business was also awarded as one of the “Most Promising WFOE Private Fund Houses” at the 10th Golden Sunshine Award by *Shanghai Securities News* and the “China – Best WFOE House” by *Asia Asset Management*.

Furthermore, we achieved another milestone in March 2019. With the launch of our flagship Classic Fund on the mainland of China under the MRF program, we are able to meet Chinese investors’ growing demand for overseas investments. Tianhong Asset Management is the master agent of the fund on the mainland of China. Two more China onshore funds from us had completed the registration with the Asset Management Association of China under the private fund management (“PFM”) license during the first half of 2019, making us managing a total of six PFM funds on the mainland.

As mainland China quickens the pace of financial reforms, we will continue to seize every opportunity to further develop our mainland China business and expand our services.

Business and product expansions

Geographically, we have expanded our presence farther afield with the opening of our U.S. office in Boston at the beginning of the year. With this latest overseas office, our global footprints have extended beyond Hong Kong and the mainland of China to the U.S., the U.K., Singapore and Malaysia. We have seen encouraging inflows and business opportunities across all our overseas offices since the beginning of the year.

In Europe, we recently completed the restructuring of our UCITS fund platform and are now planning to register selected UCITS funds for sales in Hong Kong and other parts of Asia.

In Taiwan, we have received good inflows from institutional investors into our fixed income and equities products. To further broaden our distribution, we recently appointed a local master agent to help introduce our flagship funds to local investors.

Southeast Asia, an important component of China’s Belt and Road initiative, is another business focus for us in 2019. For the past year, we have been proactively preparing for business expansion in Malaysia, where we will be launching new innovative products, including Shariah-compliant funds and Southeast Asia-focused smart ETFs. We have also gained good traction with our private banking partners in Singapore.

On the alternatives space, we have made significant strides in expanding our product suite. We completed successfully the first closing of our Asia Pacific-focused private debt fund¹ in January 2019 and aim to complete our inaugural onshore private equity fund¹ on the mainland of China focusing on the higher education sector in the near future.

Finally, we have further broadened our multi-asset solution by launching the Asian Innovation Opportunities Fund² in February this year. It is a public fund authorized in Hong Kong that targets to invest in Asian companies benefiting from business and product innovation.

Management discussion and analysis

Senior executive appointments and other matters

As part of the Group's ongoing succession planning initiatives and to ensure the continuity of strong business stewardship, we previously announced in March 2019 the re-designation of Dato' Seri Cheah Cheng Hye and the appointment of Mr. Louis So Chun Ki as Co-Chairmen of the Board. As a co-founder and a Co-Chairman, Dato' Seri Cheah has been playing an active role in steering the Group's overall business and investment strategies. He is also responsible for appointments of key staffs and the overall positioning of the Group as a financial services platform.

Mr. So has been with the Group since he graduated from university in 1999. He has 20 years of experience in the financial services industry, and has been playing an important role in managing our investment research and portfolio management functions jointly with Dato' Seri Cheah over the years. Mr. So works closely with Dato' Seri Cheah on all aspects of providing leadership to Value Partners.

We also announced in July 2019 that Mr. Norman Ho Man Kei, our Senior Investment Director, has re-joined our Board as an Executive Director and we are delighted to welcome him to the Board. Mr. Ho is the second-longest-serving staff member of Value Partners after Dato' Seri Cheah. He has been with the Group for almost 25 years and has extensive experience in the financial services industry. He is in a strong position to provide guidance on matters of strategy and operations to the Group.

On 26 July 2019, Dr. Au King Lun had retired from the Board and as a Chief Executive Officer ("CEO"). He has expressed his desire to step down from the role as an Executive Director of the Board, and has taken up a new role as a President of the Group. Dr. Au oversees the Group's corporate affairs, and he remains as the Chairman of the Group's Risk Management Committee. The CEO function is now taken up by the Leadership Committee of the Group, currently comprising Dato' Seri Cheah, Mr. So and Dr. Au. Our Leadership Committee is supported by a distinctive senior management team with strong vision and expertise.

Appreciation

Looking forward, headwinds from trade tensions and geopolitics will continue to put pressure on financial markets in the foreseeable future. In light of this, we will continue to strengthen our fund management capability and develop investment solutions to help investors navigate the challenging market environment.

Last but not least, we would like to thank all of our shareholders, clients and business partners for their continued support despite heightened economic uncertainty. We would also like to recognize our colleagues' dedication, commitment and contributions towards the success of Value Partners.

1. *The funds are not authorized by the Securities and Futures Commission ("SFC") and are not available to the general public in Hong Kong.*
2. *SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*

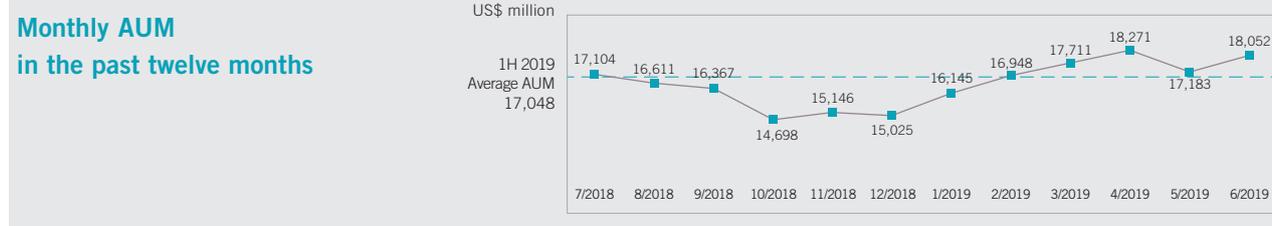
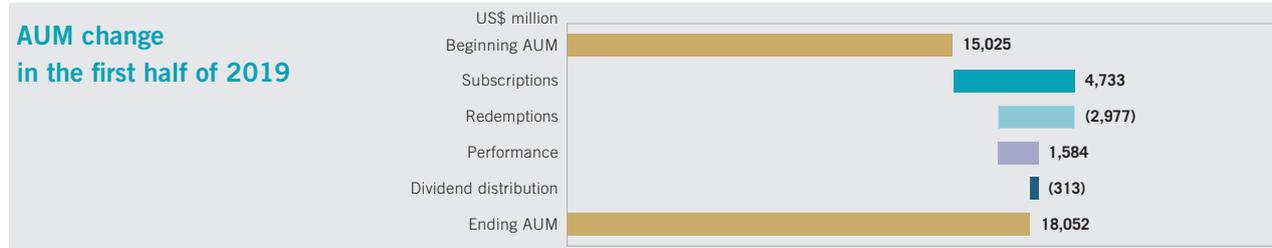
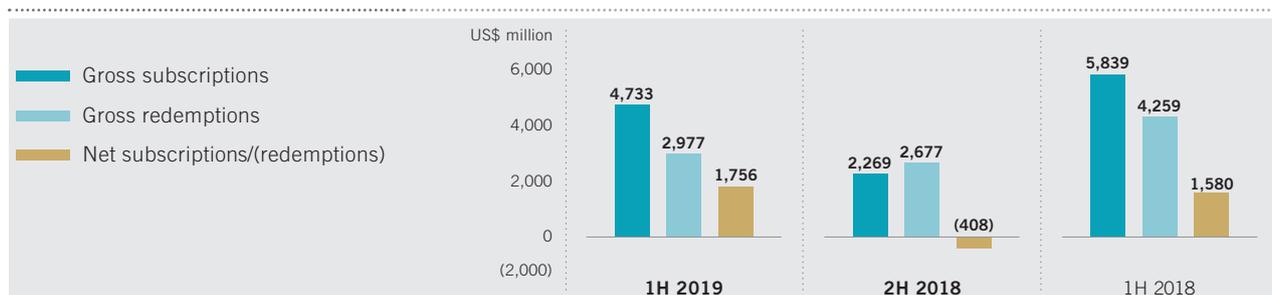
Assets Under Management

AUM and return

The Group's AUM stood at US\$18,052 million at the end of June 2019 (31 December 2018: US\$15,025 million). The growth was mainly bolstered by positive fund returns of US\$1,584 million and net subscriptions of US\$1,756 million in the first half of 2019.

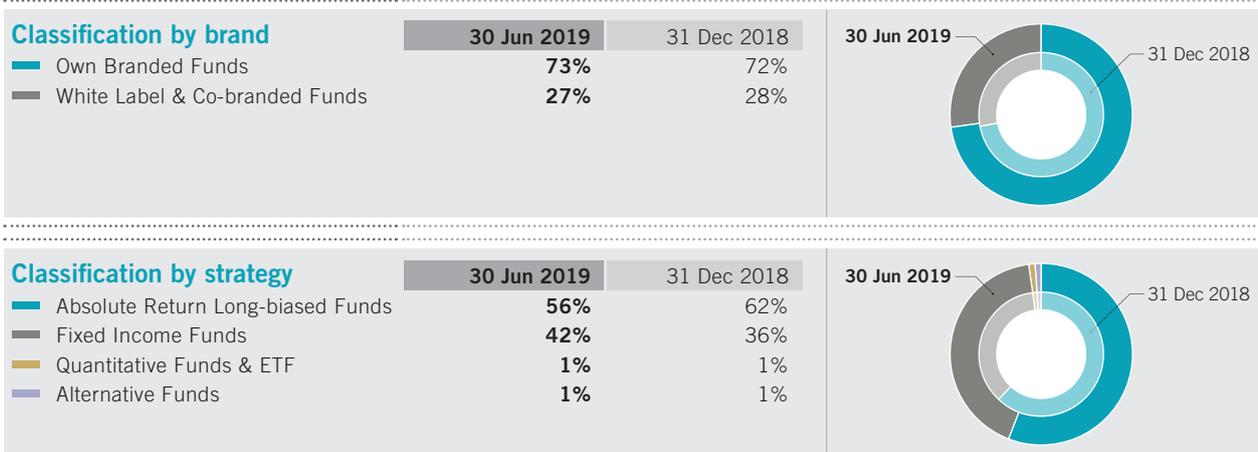
Overall fund performance¹, calculated as the asset-weighted average return of funds under management, was a gain of 10.5% in the period under review. Among our funds, the Value Partners Greater China High Yield Income Fund², the Group's largest public fund³ in Hong Kong, generated a solid return of 8.3% during the period. The Value Partners Classic Fund⁴, our flagship product, rose 18.3% during the period, while the Value Partners High-Dividend Stocks Fund⁵ gained 10.8% during the period.

Benefiting from the market recovery, we recorded a net inflow of US\$1,756 million in the first half of 2019, which swung from a net outflow of US\$408 million in the second half of 2018. The net inflows in the first half of 2019 was accounted for by gross subscriptions of US\$4,733 million (2H 2018: US\$2,269 million; 1H 2018: US\$5,839 million) and gross redemptions of US\$2,977 million (2H 2018: US\$2,677 million; 1H 2018: US\$4,259 million).



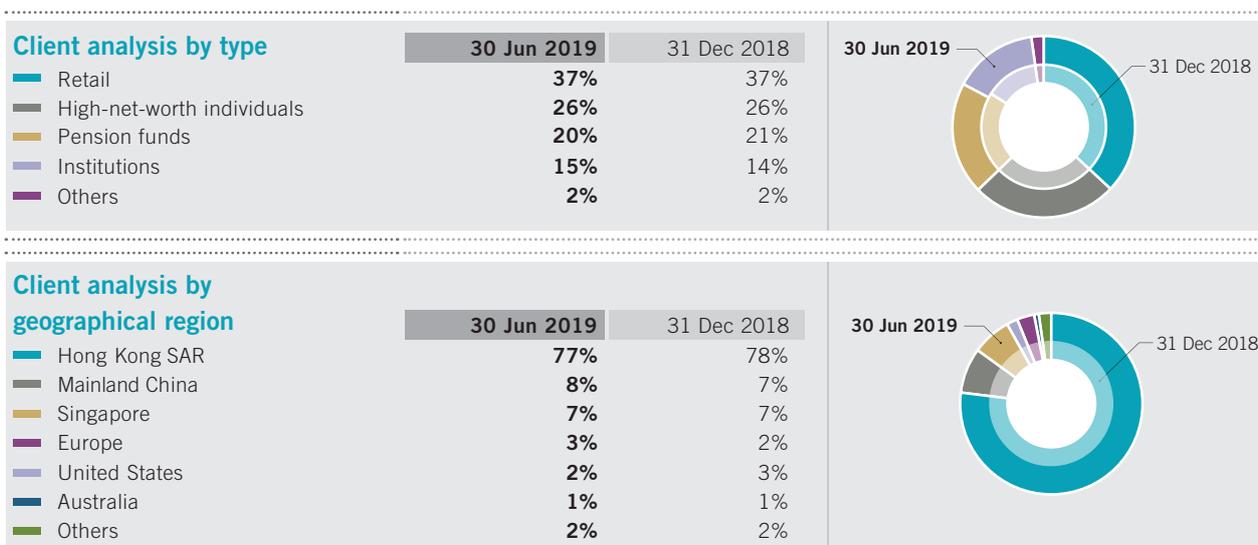
AUM by category

The charts below show breakdowns of the Group's AUM as at 30 June 2019 using two different classifiers: brand and strategy. Own Branded Funds (73%) remained the biggest contributor to the Group's AUM. By strategy, Absolute Return Long-biased Funds (56%) continued to represent the largest share of the Group's AUM, followed by Fixed Income Funds (42%), where the majority of AUM was contributed by the Value Partners Greater China High Yield Income Fund. The share of Group AUM accounted for by the Value Partners Greater China High Yield Income Fund increased steadily during the period.



Client base

During the period, institutional clients – including institutions, pension funds, high-net-worth individuals (“HNWIs”), endowments and foundations, funds of funds, and family offices and trusts – remained the Group's primary set of fund investors, accounting for 63% of total AUM (31 December 2018: 63%). Meanwhile, retail clients contributed 37% of total AUM (31 December 2018: 37%). In terms of geographic location, Hong Kong clients continued to be the largest segment, contributing 77% of the Group's AUM (31 December 2018: 78%). There was a notable rise in the share of AUM attributable to clients from mainland China, which increased to 8% (31 December 2018: 7%) as the Group's China and related business saw solid growth in the first half of 2019. The share of AUM contributed by clients in Singapore remained at 7% (31 December 2018: 7%), while clients from the United States and Europe took up a combined 5% (31 December 2018: 5%).



Summary of results

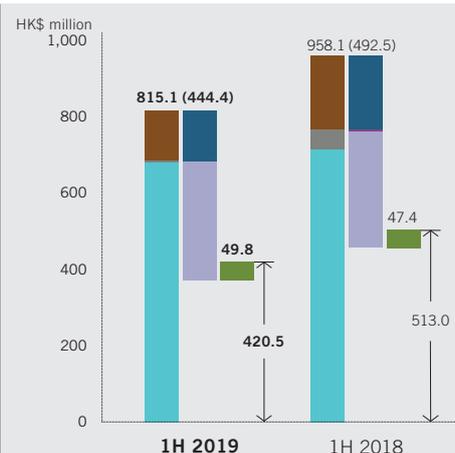
Key financial highlights for the reporting period are as follows:

(In HK\$ million)	1H 2019	1H 2018	% Change
Total revenue	815.1	958.1	-14.9%
Gross management fees	679.5	712.9	-4.7%
Gross performance fees	3.4	50.7	-93.3%
Operating profit (before other gains/losses)	162.0	246.1	-34.2%
Profit attributable to owners of the Company	250.9	194.3	+29.1%
Basic earnings per share (HK cents)	13.5	10.5	+28.6%
Diluted earnings per share (HK cents)	13.5	10.5	+28.6%
Interim dividend per share	Nil	Nil	

Revenue and fee margin

Breakdown of total net income

(In HK\$ million)	1H 2019	1H 2018
Revenue		
Management fees	679.5	712.9
Performance fees	3.4	50.7
Front-end fees	132.2	194.5
Distribution fee expenses		
Management fee rebate	(312.0)	(303.4)
Performance fee rebate	(0.2)	5.0
Other revenue rebate	(132.2)	(194.1)
Other income		
Other income	49.8	47.4



The Group's profit attributable to owners of the Company increased to HK\$250.9 million for the six months ended 30 June 2019 (1H 2018: HK\$194.3 million). Gross management fees, the Group's largest revenue contributor, dropped 4.7% to HK\$679.5 million (1H 2018: HK\$712.9 million) on a 3.9% decrease in the Group's average AUM to US\$17,048 million (1H 2018: US\$17,737 million).

During the period, our annualized gross management fee margin remained stable at 103 basis points (1H 2018: 104 basis points). Our annualized net management fee margin was narrowed down to 57 basis points (1H 2018: 60 basis points) as management fee rebates for distribution channels increased to HK\$312.0 million (1H 2018: HK\$303.4 million).

Financial review

Gross performance fees, another source of revenue, decreased to HK\$3.4 million (1H 2018: HK\$50.7 million), as most of the Group's funds that attract performance fees finished the period below their high watermarks. Performance fees are generated when eligible funds, at their performance fee crystallization dates, report returns exceeding their high watermarks for the respective period up to the crystallization date. 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 fee in 2019.

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

Other income, which mainly comprised of interest income, dividend income and rental and other income from an investment property, totaled HK\$49.8 million (1H 2018: HK\$47.4 million). The change was mainly due to a rise in the rental and other income of an investment property to HK\$7.5 million (1H 2018: Nil), net with the drop in interest income to HK\$32.2 million (1H 2018: HK\$33.4 million) and dividend income to HK\$7.8 million (1H 2018: HK\$13.9 million).

Other gains and losses

(In HK\$ million)	1H 2019	1H 2018
Net gains/(losses) on investments	101.5	(66.6)
Fair value gain on an investment property	6.3	–
Gains on disposal of property, plant and equipment	0.5	–
Net foreign exchange (losses)/gains	(0.9)	11.2
Other gains/(losses) – net	107.4	(55.4)

Other gains or losses mainly included fair value changes and realized gains or losses on seed capital investments, investments in our own funds and other investments, as well as net foreign exchange gains or losses. Seed capital investments are made by the Group to provide capital that was considered necessary to new funds during the initial phase of fund launches. The Group also invests in its own funds alongside investors, where appropriate, for better alignment of interests and investment returns. Other gains on a net basis totaled HK\$107.4 million in the period, swinging from losses of HK\$55.4 million in the first half of 2018 as some of our seed capital investments booked mark-to-market gains as a result of the improved market sentiment.

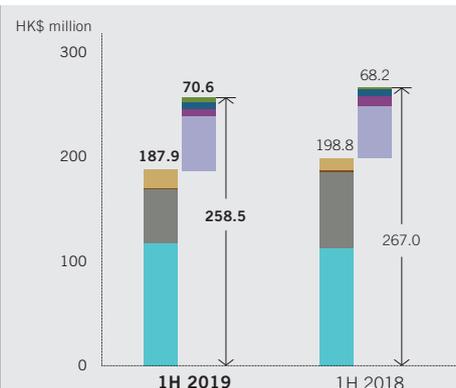
Investments in joint ventures

Investments in joint ventures represent the Group's 50% equity interest in Value Investing Group Company Limited and its 50% equity interest in Clear Miles Hong Kong Limited. Value Investing Group Company Limited has trust beneficiary interests in three Japanese logistics centers, while Clear Miles Hong Kong Limited has 100% indirect interest in an Australian industrial property. The Group's share of gains amounted to HK\$11.4 million (1H 2018: HK\$50.0 million), which consisted of revaluation gains on properties that totaled HK\$2.2 million (1H 2018: HK\$31.3 million) and rental income of HK\$9.2 million (1H 2018: HK\$14.4 million).

Cost management

Breakdown of total expenses

(In HK\$ million)	1H 2019	1H 2018
Compensation and benefit expenses		
Fixed salaries and staff benefits	117.2	112.4
Management bonus	51.6	72.8
Staff rebates	1.6	2.4
Share-based compensation expenses	17.5	11.2
Other expenses		
Other fixed operating costs	52.6	49.5
Sales and marketing	7.0	10.8
Depreciation excluding depreciation of right-of-use assets-properties	7.3	6.2
Non-recurring expenses	3.7	1.7



In terms of cost management, the Group continued to exercise stringent cost discipline and kept fixed operating expenses well covered by net management fee income, which is a relatively stable source of income. Such coverage is measured by the “fixed cost coverage ratio”, an indicator showing the number of times that fixed operating expenses (excluding discretionary and non-recurring expenses) are covered by net management fee income. The Group aims to maintain a fixed cost coverage ratio of around 2 times. For the current period, the Group reported a fixed cost coverage ratio of 2.2 times (1H 2018: 2.6 times).

Compensation and benefit expenses

During the period, fixed salaries and staff benefits rose by HK\$4.8 million to HK\$117.2 million (1H 2018: HK\$112.4 million). The increase was mainly attributable to salary increments.

As part of its compensation policy, the Group distributes 20% to 23% of its annual net profit pool as a management bonus to employees. The management bonus for the first half of 2019 totaled HK\$51.6 million (1H 2018: HK\$72.8 million). The profit pool is calculated by deducting certain adjustments from net profit before the management bonus and taxation. This discretionary bonus is maintained to promote staff loyalty and performance while aligning employee and shareholder interests.

The staff of Value Partners is entitled to partial rebates of management fees and performance fees when investing in funds managed by the Group. Staff rebates for the year amounted to HK\$1.6 million (1H 2018: HK\$2.4 million).

During the period, the Group recorded expenses of HK\$17.5 million (1H 2018: HK\$11.2 million), which were related to stock options granted to employees. This expense item had no impact on cash flows and was recognized in accordance with Hong Kong Financial Reporting Standards.

Other expenses

Other non-staff operating costs – such as rent, legal and professional fees, investment research fees, and other administrative and office expenses – amounted to HK\$52.6 million for the period (1H 2018: HK\$49.5 million), while sales and marketing expenses decreased to HK\$7.0 million (1H 2018: HK\$10.8 million).

Dividends

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

Liquidity and financial resources

Fee income is the Group's main source of income, while other income sources include interest income generated from bank deposits and dividend income from investments held. At the end of the first half of 2019, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK\$2,116.8 million. Net cash inflows from operating activities amounted to HK\$143.5 million, while the Group had no corporate bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities. The Group's debt-to-equity ratio, measured by interest bearing external borrowings (excluding borrowings by investment funds where the Group has a controlling interest) divided by shareholders' equity, was zero, while its current ratio (current assets divided by current liabilities) was 7.2 times.

Capital structure

As at 30 June 2019, the Group's shareholders' equity and total number of shares issued were HK\$4,133.3 million and 1.86 billion, respectively.

1. *Overall fund performance is calculated by taking an asset-weighted average of returns of the most representative share class of all funds managed by Value Partners.*
2. *Annual calendar returns of Value Partners Greater China High Yield Income Fund (Class P Acc USD) over the past five years: 2014: +1.1%; 2015: +6.1%; 2016: +15.9%; 2017: +10.1%; 2018: -4.9%; 2019 (Year to date as at 30 June): +8.3%.*
3. *SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*
4. *Annual calendar returns of Value Partners Classic Fund (A Units) over the past five years: 2014: +13.5%; 2015: -1.5%; 2016: -3.2%; 2017: +44.9%; 2018: -23.1%; 2019 (Year to date as at 30 June): +18.3%.*
5. *Annual calendar returns of Value Partners High-Dividend Stocks Fund (Class A1) over the past five years: 2014: +9.4%; 2015: -3.7%; 2016: -0.2%; 2017: +32.9%; 2018: -14.2%; 2019 (Year to date as at 30 June): +10.8%.*

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

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

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 14 to 41, which comprises the condensed consolidated balance sheet of Value Partners Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2019 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of 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 of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 19 August 2019

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Income			
Fee income and other revenue	6	815,059	958,100
Distribution fee expenses		(444,352)	(492,451)
Net fee income		370,707	465,649
Other income	7	49,834	47,357
Total net income		420,541	513,006
Expenses			
Share-based compensation	21	(17,543)	(11,194)
Other compensation and benefit expenses		(170,369)	(187,630)
Operating lease rentals	3	(4,616)	(18,560)
Depreciation of right-of-use assets – properties	3	(14,742)	–
Other expenses		(51,278)	(49,560)
Total expenses		(258,548)	(266,944)
Operating profit (before other gains/losses)		161,993	246,062
Net gains/(losses) on investments		101,536	(66,638)
Fair value gain on an investment property	12, 17	6,299	–
Others		(407)	11,250
Other gains/(losses) – net	8	107,428	(55,388)
Operating profit (after other gains/losses)		269,421	190,674
Finance costs	3	(3,084)	–
Share of gain on joint ventures	14, 17	11,382	49,969
Profit before tax		277,719	240,643
Tax expense	9	(26,812)	(46,382)
Profit for the period attributable to owners of the Company		250,907	194,261

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Other comprehensive loss for the period		
<i>– Items that may be subsequently reclassified to profit or loss</i>		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	295	(2,213)
Foreign exchange translation	(2,596)	1,981
Other comprehensive loss for the period	(2,301)	(232)
Total comprehensive income for the period attributable to owners of the Company	248,606	194,029
Earnings per share attributable to owners of the Company (HK cents per share)		
Basic earnings per share	13.5	10.5
Diluted earnings per share	13.5	10.5

The notes on pages 19 to 41 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2019

	Note	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Non-current assets			
Property, plant and equipment	3, 11	22,363	26,543
Right-of-use assets – properties	3	55,471	–
Investment property	12, 17	168,002	167,663
Intangible assets	13	14,606	16,146
Investments in joint ventures	14, 17	302,076	302,483
Deferred tax assets		82	–
Investments	16, 17	1,601,903	1,311,333
Other assets	20	43,979	44,012
		2,208,482	1,868,180
Current assets			
Investments	16	71,216	516,661
Fees receivable	18	141,197	128,993
Amounts receivable on sale of investments		–	197,948
Prepayments and other receivables		47,727	54,888
Deposits with broker		30	30
Cash and cash equivalents	19	2,116,795	1,629,166
		2,376,965	2,527,686
Current liabilities			
Accrued bonus		73,571	129,612
Distribution fee expenses payable	22	173,932	129,765
Other payables and accrued expenses	3	35,478	48,351
Lease liabilities	3	28,017	–
Current tax liabilities		20,867	7,905
		331,865	315,633
		2,045,100	2,212,053
Net current assets			
Non-current liabilities			
Accrued bonus		12,045	18,175
Borrowing	17	80,287	83,168
Lease liabilities	3	27,989	–
Deferred tax liabilities		–	429
		120,321	101,772
		4,133,261	3,978,461
Net assets			
Equity			
Equity attributable to owners of the Company			
Issued equity	21	1,410,107	1,410,107
Other reserves		246,849	231,912
Retained earnings		2,476,305	2,336,442
		4,133,261	3,978,461

The notes on pages 19 to 41 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 2019

	Note	Attributable to owners of the Company			Total equity HK\$'000
		Issued equity HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	
Unaudited					
As at 1 January 2018		1,391,473	255,182	3,993,368	5,640,023
Adoption of new accounting standards		–	(33,455)	34,433	978
As at 1 January 2018 (Restated)		1,391,473	221,727	4,027,801	5,641,001
Profit for the period		–	–	194,261	194,261
Other comprehensive income/(loss)					
Fair value losses on financial assets at fair value through other comprehensive income		–	(2,213)	–	(2,213)
Foreign exchange translation		–	1,981	–	1,981
Total comprehensive income/(loss)		–	(232)	194,261	194,029
Transactions with owners					
Exercise of share options		18,634	–	–	18,634
Share-based compensation	21	–	11,194	–	11,194
Transfer of share-based compensation reserve upon exercise or forfeiture of share options		–	(8,391)	8,391	–
Dividends to owners of the Company	10	–	–	(1,929,961)	(1,929,961)
Total transactions with owners		18,634	2,803	(1,921,570)	(1,900,133)
As at 30 June 2018		1,410,107	224,298	2,300,492	3,934,897
Unaudited					
As at 1 January 2019		1,410,107	231,912	2,336,442	3,978,461
Profit for the period		–	–	250,907	250,907
Other comprehensive income/(loss)					
Fair value gains on financial assets at fair value through other comprehensive income		–	295	–	295
Foreign exchange translation		–	(2,596)	–	(2,596)
Total comprehensive income/(loss)		–	(2,301)	250,907	248,606
Transactions with owners					
Share-based compensation	21	–	17,543	–	17,543
Transfer of share-based compensation reserve upon exercise or forfeiture of share options		–	(305)	305	–
Dividends to owners of the Company	10	–	–	(111,349)	(111,349)
Total transactions with owners		–	17,238	(111,044)	(93,806)
As at 30 June 2019		1,410,107	246,849	2,476,305	4,133,261

The notes on pages 19 to 41 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Cash flows from operating activities		
Net cash generated from operations	122,826	2,150,522
Interest received	35,064	33,388
Tax paid	(14,361)	(23,487)
Net cash generated from operating activities	143,529	2,160,423
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(3,878)	(9,155)
Purchase of investments	(265,741)	(1,029,359)
Disposal of investments	721,287	261,826
Dividends received from investments	5,897	7,482
Return of shareholder's loans	11,789	–
Net cash generated/(used in) from investing activities	469,354	(769,206)
Cash flows from financing activities		
Dividends paid	(111,349)	(1,929,961)
Proceeds from share issued upon exercise of share options	–	18,634
Principal elements of lease payments	(16,328)	–
Interest expense on borrowing	(1,636)	–
Net cash used in financing activities	(129,313)	(1,911,327)
Net increase/(decrease) in cash and cash equivalents	483,570	(520,110)
Net foreign exchange gains on cash and cash equivalents	4,059	1,530
Cash and cash equivalents at beginning of the period	1,629,166	2,204,704
Cash and cash equivalents at end of the period	2,116,795	1,686,124

The notes on pages 19 to 41 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 2019

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 43rd Floor, The Center, 99 Queen’s 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 19 August 2019.

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 2019 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 2018, 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 2018. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 New standard adopted by the Group

The Group has adopted the following new standard which became effective for the Group’s financial year beginning 1 January 2019.

- HKFRS 16 “Leases”

Except for those disclosed below, the adoption of this new standard had no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies as at and for the six months ended 30 June 2019.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

3 Accounting policies (continued)

3.1 New standard adopted by the Group (continued)

(a) HKFRS 16 “Leases”

(i) *Impact of adoption*

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019 and are as follows:

Consolidated balance sheet (extract)	31 December 2018 As originally presented HK\$'000	Adjustments recognised on adoption of HKFRS 16 HK\$'000	1 January 2019 As adjusted HK\$'000
Non-current assets			
Right-of-use assets – properties	–	67,801	67,801
Property, plant and equipment - leasehold improvements	26,543	(2,375)	24,168
Non-current liabilities			
Lease liabilities	–	38,413	38,413
Current liabilities			
Other payables and accrued expenses - accrued lease payments	48,351	(3,050)	45,301
Lease liabilities	–	30,063	30,063

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.62%.

	HK\$'000
Audited	
Operating lease commitments disclosed as at 31 December 2018	73,771
Unaudited	
Discounted using incremental borrowing rate as at 1 January 2019	69,750
Less: short-term leases recognized on a straight-line basis as expense	(1,274)
Lease liabilities recognized as at 1 January 2019	68,476
Of which are:	
Current lease liabilities	30,063
Non-current lease liabilities	38,413
	68,476

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognized right-of-use assets relate to properties is HK\$55,471,000 as at 30 June 2019 (1 January 2019: HK\$67,801,000).

3 Accounting policies (continued)

3.1 New standard adopted by the Group (continued)

(a) HKFRS 16 “Leases” (continued)

(i) Impact of adoption (continued)

There is no net impact on retained earnings on 1 January 2019.

We have summarized the rental and relevant expenses as follows:

	Six months ended 30 June	
	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Operating lease rentals	4,616	18,560
Depreciation of right-of-use assets – properties	14,742	–
Finance costs	1,448	–
Total rental and relevant expenses	20,806	18,560

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17.

(iii) Accounting policies applied from 1 January 2019

The Group leases various offices, carpark and equipment. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

3 Accounting policies (continued)

3.1 New standard adopted by the Group (continued)

(a) HKFRS 16 “Leases” (continued)

(iii) Accounting policies applied from 1 January 2019 (continued)

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- variable lease payment that are based on an index or a rate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment.

3.2 New standards issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted

There are no 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 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited						
Investments (Note 16)								
Listed securities	258,725	244,786	-	-	-	178	258,725	244,964
Unlisted securities								
Investment funds	-	-	786,684	720,928	203,831	6,968	990,515	727,896
Loan note	-	-	-	-	403,884	390,856	403,884	390,856
Quoted debt securities	-	-	19,995	464,278	-	-	19,995	464,278
Sub-total	258,725	244,786	806,679	1,185,206	607,715	398,002	1,673,119	1,827,994

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for the financial assets held by the Group is the current last traded price. 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, which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- 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 recent arm's length transactions, discounted cash flow analysis or reference to other instruments that are substantially the same, for the remaining financial instruments.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

4 Fair value estimation (continued)

The following table presents the movement in level 3 instruments.

	Period ended 30 June 2019				Year ended 31 December 2018				
	Listed securities	Unlisted securities – investment funds	Unlisted securities – loan note	Total	Listed securities	Unlisted securities – investment funds	Unlisted securities – loan note	Derivative financial instruments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited	Audited	Audited
As at 1 January	178	6,968	390,856	398,002	–	5,055	413,208	53,305	471,568
Additions	–	196,250	–	196,250	178	557	–	827	1,562
Disposal	–	–	–	–	–	–	–	(41,780)	(41,780)
Gains/(losses) recognized in profit or loss	(178)	613	13,028	13,463	–	1,356	(22,352)	(12,352)	(33,348)
As at 30 June 2019/31 December 2018	–	203,831	403,884	607,715	178	6,968	390,856	–	398,002
Total gains/(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	(178)	613	13,028	13,463	–	1,356	(22,352)	(12,352)	(33,348)
Change in unrealized gains or losses for level 3 instruments held at period/year end and included in profit or loss	(178)	613	13,028	13,463	–	1,356	(22,352)	(12,352)	(33,348)

As at 30 June 2019 and 31 December 2018, the level 3 instruments include a suspended listed security, two investment funds, and a loan note with a related call option (Note 16).

As at 30 June 2019 and 31 December 2018, the investment funds were stated with reference to the net asset value provided by the respective administrator of the investment funds.

As at 30 June 2019, the suspended listed security was marked to zero as a result of illiquidity adjustment. As at 31 December 2018, the suspended listed security was valued with reference to its last transacted price, subject to further illiquidity adjustment. The Group considers that the change in the input to the valuation model would not have a significant effect on the condensed consolidated interim financial information. No quantitative analysis has been presented.

For the investment fund and derivative financial instrument that are classified in level 3 investments, no significant quantitative unobservable inputs are used to determine their fair value. No quantitative analysis would have been presented.

As at 30 June 2019 and 31 December 2018, the loan note with a related call option was valued using discounted cash flow analysis with expected market yield of 5.25% (the discount rate) (2018: 5.25%) as the unobservable input. Sensitivity analysis is not presented as a reasonable possible shift in the discount rate would not result in significant change in the fair value of the loan note with a related call option. No significant quantitative unobservable inputs are used to determine their fair value and no quantitative analysis would be presented.

4 Fair value estimation (continued)

The Group uses its judgement to select appropriate methods and make assumptions based on market conditions existing at the end of each reporting period.

There were no transfers between levels of the fair value measurement hierarchy for the period ended 30 June 2019 (2018: Nil).

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

The carrying amount of borrowing recorded at amortized cost in the condensed consolidated interim financial information approximate its 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 one reportable segment – asset management business as at 30 June 2019 and 31 December 2018. The asset management business derives revenues from the provision of investment management services to investment funds and managed accounts.

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

The revenue, profit/(loss) before tax, total assets and total liabilities reported to the Board of Directors is measured in a manner consistent with that in the condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

6 Revenue

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

	Six months ended 30 June	
	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Management fees	679,537	712,931
Performance fees	3,368	50,684
Front-end fees	132,154	194,485
Total fee income	815,059	958,100

7 Other income

	Six months ended 30 June	
	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Interest income from cash and cash equivalents	17,213	17,040
Interest income from financial assets at fair value through profit or loss	10,414	11,895
Interest income from financial assets at fair value through other comprehensive income	4,559	4,423
Dividend income from financial assets at fair value through profit or loss	7,751	13,853
Rental income from an investment property	6,006	–
Others	3,891	146
Total other income	49,834	47,357

8 Other gains/(losses) – net

	Six months ended 30 June	
	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Net gains/(losses) on investments		
Net gains/(losses) on financial assets at fair value through profit or loss	101,536	(66,638)
Net fair value gain on an investment property	6,299	–
Others		
Net foreign exchange (losses)/gains	(907)	11,250
Gains on disposal of property, plant and equipment	500	–
Total other gains/(losses) – net	107,428	(55,388)

9 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 2019 at the rate of approximately 16.5% (2018: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	Six months ended 30 June	
	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Current tax		
Hong Kong profits tax	22,372	30,551
Overseas tax	5,480	12,542
Adjustments in respect of prior years	(529)	3,893
Total current tax	27,323	46,986
Deferred tax		
Origination and reversal of temporary differences	(511)	(604)
Total tax expense	26,812	46,382

10 Dividends

Final dividend of HK\$111,349,000 declared by the Company is related to the year ended 31 December 2018 and was paid on 22 May 2019. No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2019 (2018: Nil).

11 Property, plant and equipment

	30 June	31 December
	2019 HK\$'000 Unaudited	2018 HK\$'000 Audited
Opening net book amount	26,543	7,710
Adjustment for change in accounting policy (Note 3)	(2,375)	–
Opening net book amount (adjusted)	24,168	7,710
Additions	3,380	27,143
Disposals	(16,768)	–
Depreciation	(5,212)	(8,201)
Write back of depreciation on disposals	16,768	–
Exchange differences	27	(109)
Closing net book amount	22,363	26,543

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

12 Investment property

	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Beginning of the period/year	167,663	–
Additions	–	146,390
Fair value gain	6,299	17,134
Foreign exchange translation	(5,960)	4,139
End of the period/year	168,002	167,663

On 21 September 2018, the Group acquired the entire interest in a student accommodation investment property located in New Zealand with a consideration of HK\$146,390,000, which was subsequently revalued by the Group as at 30 June 2019 and 31 December 2018.

The Group measures its investment property at fair value, with the help of an independent qualified valuer, Colliers International (Wellington Valuation) Limited. The fair value assessment is derived using the income approach and by making reference to recent transacted price or comparable sales transaction available in the relevant property market. The income approach applies a capitalization rate on market rent for deriving the capital value.

The Group's investment property is related to the investment in Value Partners Asia Pacific Real Estate Limited Partnership (the "Real Estate Partnership"). Refer to Note 17 for further information.

13 Intangible assets

	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Opening net book amount	16,146	17,529
Additions	498	2,755
Amortization	(2,038)	(4,136)
Exchange differences	–	(2)
Closing net book amount	14,606	16,146

14 Investments in joint ventures

As at 30 June 2019 and 31 December 2018, “Investments in joint ventures” represents the Group’s 50% equity interest in Value Investing Group Company Limited (“Value Investing”) and Clear Miles Hong Kong Limited (“Clear Miles HK”), Value Investing has trust beneficiary interests in three logistics centers in Japan, and Clear Miles HK holds an Australian industrial property through its subsidiary.

	30 June 2019 HK\$’000 Unaudited	31 December 2018 HK\$’000 Audited
Beginning of the period/year	302,483	190,867
Deemed acquisition	–	43,141
Share of gain	11,382	68,475
Return of shareholder’s loans	(11,789)	–
End of the period/year	302,076	302,483

Details of the joint ventures indirectly held by the Group are as follows:

Name	Place of incorporation	Principal activities	Interest held	
			30 June 2019 Unaudited	31 December 2018 Audited
Value Investing Group Company Limited	Hong Kong	Investment holding	50%	50%
Clear Miles Hong Kong Limited	Hong Kong	Investment holding	50%	50%

The Group’s investments in joint ventures is related to the investment in the Real Estate Partnership. Refer to Note 17 for further information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

15 Investments in associates

Investments in associates measured at fair value

Where the Group has an interest in the investment funds that give the Group significant influence, but not control, the Group records such investments at fair value. Details of such investment funds are summarized as follows:

	Place of Incorporation	Interest held	
		30 June 2019 Unaudited	31 December 2018 Audited
Value Partners Ireland Fund Plc – Value Partners Global Emerging Market Bond Fund ^(a)	Ireland	–	20%
Value Partners Asia Principal Credit Fund Limited Partnership	Cayman Islands	29%	–
Value Partners Venture Capital Investment (Shenzhen) Limited Partnership	China	49%	49%
Value Partners PFM Neo-China A Share Fund 1	China	20%	21%

	Net asset value		Profit for the period/year and total comprehensive income	
	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Value Partners Ireland Fund Plc – Value Partners Global Emerging Market Bond Fund ^(a)	–	389,372	–	(17,925)
Value Partners Asia Principal Credit Fund Limited Partnership	667,611	–	2,911	–
Value Partners Venture Capital Investment (Shenzhen) Limited Partnership	5,796	5,812	(19)	(54)
Value Partners PFM Neo-China A Share Fund 1	137,882	138,116	22,396	(27,784)

(a) As at 30 June 2019, Value Partners Ireland Fund Plc – Value Partners Global Emerging Market Bond Fund was derecognized as “Investment in associates”.

The fair value of the Group’s interest in such investment funds are summarized in Note 24.3.

16 Investments

Investments include the following:

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total	
	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Listed securities						
Equity securities – Long – Hong Kong	47,594	52,348	–	–	47,594	52,348
Equity securities – Long – United States	279	213	–	–	279	213
Investment funds – Hong Kong	210,852	192,403	–	–	210,852	192,403
Fair value of listed securities	258,725	244,964	–	–	258,725	244,964
Quoted debt securities						
Debt securities – China	–	–	–	345,357	–	345,357
Debt securities – Hong Kong	–	–	–	62,557	–	62,557
Debt securities – Singapore	–	–	9,385	19,932	9,385	19,932
Debt securities – South Korea	–	–	10,610	36,432	10,610	36,432
Fair value of quoted debt securities	–	–	19,995	464,278	19,995	464,278
Unlisted securities						
Equity securities – Singapore	1,258	1,354	–	–	1,258	1,354
Investment funds – Australia	20,249	19,222	–	–	20,249	19,222
Investment funds – Cayman Islands	370,876	151,058	–	–	370,876	151,058
Investment funds – China	95,359	85,589	–	–	95,359	85,589
Investment funds – Hong Kong	325,732	237,845	–	–	325,732	237,845
Investment funds – Ireland	138,583	123,029	–	–	138,583	123,029
Investment funds – United States	38,458	109,799	–	–	38,458	109,799
Loan note – Australia (Note 17)	403,884	390,856	–	–	403,884	390,856
Fair value of unlisted securities	1,394,399	1,118,752	–	–	1,394,399	1,118,752
Total investments	1,653,124	1,363,716	19,995	464,278	1,673,119	1,827,994
Representing:						
Non-current	1,601,903	1,311,333	–	–	1,601,903	1,311,333
Current	51,221	52,383	19,995	464,278	71,216	516,661
Total investments	1,653,124	1,363,716	19,995	464,278	1,673,119	1,827,994

Interests in structured entities

The Group provided seed capital to set up a number of investment funds, of which the Group acts as the investment manager or investment advisor. As at 30 June 2019 and 31 December 2018, except for the consolidated investment fund disclosed in Note 17, the Group determined that all of the other investment funds are unconsolidated structured entities. Refer to Note 24.3 for further details.

The maximum exposure to loss for all interests in unconsolidated structured entities is the carrying value of the investments in investment funds (refer to Note 24.3) and fees receivable as shown in the condensed consolidated balance sheet. The size of the investment funds ranges from US\$3.1 million to US\$7 billion (31 December 2018: US\$3.1 million to US\$5 billion). During the period, other than seed capital, the Group did not provide other financial support to unconsolidated structured entities and had no intention of providing other support.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

17 Investments in Value Partners Asia Pacific Real Estate Limited Partnership

In 2017, the Group set up the Real Estate Partnership to engage in real estate private equity business. The Group committed US\$100 million (equivalent to HK\$782 million) capital to the Real Estate Partnership, and the undrawn commitment amounted to US\$7 million (equivalent to HK\$54.7 million) as at 30 June 2019 (31 December 2018: US\$7 million (equivalent to HK\$54.7 million)). The Real Estate Partnership focuses on the acquisition of stabilized income assets in the Asia Pacific.

As at 30 June 2019 and 31 December 2018, the Group held controlling interest in the Real Estate Partnership and all assets and liabilities of this fund was consolidated within the Group's condensed consolidated balance sheet.

	Place of incorporation	Effective interest held		31 December 2018	
		30 June 2019 Unaudited		Audited	
		Directly	Indirectly	Directly	Indirectly
Value Partners Asia Pacific Real Estate Limited Partnership	Cayman Islands	-	100%	-	100%

As at 30 June 2019 and 31 December 2018, the assets and liabilities held by the Real Estate Partnership consolidated within the Group's condensed consolidated balance sheet are as follows:

Underlying investments		Note	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Non-current assets:				
Investments in joint ventures	- Three Japanese logistic centers			
	- One Australian industrial facility	(i)	302,076	302,483
Investment property	- One New Zealand student accommodation building	(ii)	168,002	167,663
Investments – Loan note	- One Australian office building	(iii)	403,884	390,856
Non-current liability:				
Borrowing		(iv)	(80,287)	(83,168)
Other net assets (current)		(v)	37,553	19,737
Total			831,228	797,571

17 Investments in Value Partners Asia Pacific Real Estate Limited Partnership (continued)

- (i) The Real Estate Partnership held 50% equity interest in Value Investing and 50% equity interest in Clear Miles HK which held three logistic centers located in Japan and an industrial facility located in Australia, respectively. These interests are presented as “Investments in joint ventures” on the condensed consolidated balance sheet. Refer to Note 14 for further details.
- (ii) The Real Estate Partnership held a student accommodation located in New Zealand. Refer to Note 12 for further details.
- (iii) The Real Estate Partnership held a loan note with a related call option issued by the AM 9 Hunter Street Finance Unit Trust (the “Finance Trust”). The proceeds from the loan note were used solely by the Finance Trust to invest in the units of another trust which holds a property in Australia. The related call option is exercisable (1) in the event of default by the Finance Trust; or (2) execution of any contract to sell, dispose, or transfer the Australian property or the property of the Finance Trust. The exercise of the related call option enables the Group to own interest (in the form of ordinary units) in the Finance Trust. The loan note is presented as “Investments” on the condensed consolidated balance sheet. Refer to Notes 4 and 16 for further details.
- (iv) The Real Estate Partnership’s borrowing of NZD15,675,000 (equivalent to HK\$80,287,000) (31 December 2018: NZD15,675,000 (equivalent to HK\$83,168,000)) is secured by the student accommodation building located in New Zealand. The repayment date is 16 October 2021 and the effective interest rate is the sum of the lending bank’s bill rate for that interest period plus a margin of 2.15% per annum.
- (v) Other net assets comprise of cash and cash equivalents, prepayments and other receivables, and other payables and accrued expenses.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

18 Fees receivable

The carrying amounts of fees receivable approximate their respective fair values 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 2019 (31 December 2018: 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 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Fees receivable that were past due but not impaired		
1 – 30 days	739	577
31 – 60 days	–	231
61 – 90 days	159	1,094
Over 90 days	–	1,072
	898	2,974
Fees receivable that were within credit period	140,299	126,019
Total fees receivable	141,197	128,993

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 2019 (31 December 2018: Nil).

19 Cash and cash equivalents

	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Cash at banks and in hand	152,605	128,477
Short-term bank deposits	1,962,990	1,459,612
Deposits with brokers	1,200	41,077
Total cash and cash equivalents	2,116,795	1,629,166

20 Other assets

	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Restricted bank balances	31,691	31,686
Other assets	12,288	12,326
Total other assets	43,979	44,012

In accordance with the sale and purchase agreement for the disposal of the small loan business, part of the consideration of the transaction amounted to HK\$31,682,000 was paid in cash into an escrow account set up by both the Group and the buyer, and to be released to the Group in the twenty-fifth month following the date of completion in October 2017.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

21 Issued equity

	Number of shares	Issued equity HK\$'000
Unaudited		
As at 1 January 2019 and 30 June 2019	1,855,814,831	1,410,107
Audited		
As at 1 January 2018	1,851,714,831	1,391,473
Share issued upon exercise of share options	4,100,000	18,634
As at 31 December 2018	1,855,814,831	1,410,107

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 (during the year ended 31 December 2018: 27,500,000) were granted under the share option scheme during the six months ended 30 June 2019.

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 2019 was HK\$17,543,000 (six months ended 30 June 2018: HK\$11,194,000) which has no impact to the Group's cash flows.

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 2018	13.61	119,720
Exercised	3.94	(100)
Exercised	4.56	(4,000)
Forfeited	13.60	(1,010)
Forfeited	14.09	(190)
As at 30 June 2018	13.94	114,420
Unaudited		
As at 1 January 2019	12.37	141,120
Forfeited	13.60	(790)
Forfeited	14.09	(260)
As at 30 June 2019	12.36	140,070

21 Issued equity (continued)

Share options (continued)

Out of the 140,070,000 (31 December 2018: 141,120,000) outstanding share options, 113,810,000 (31 December 2018: 97,080,000) options were exercisable as at 30 June 2019 with weighted average exercise price of HK\$13.32 (2018: HK\$14.00). No options (during the year ended 31 December 2018: 4,100,000) were exercised during the six months ended 30 June 2019.

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

Expiry date	Exercise price (HK\$ per share)	Number of options ('000)	
		30 June 2019 Unaudited	30 June 2018 Unaudited
13 August 2020	14.09	300	300
11 November 2021	13.60	24,020	25,540
16 December 2021	14.09	87,750	88,080
30 May 2022	3.94	500	500
14 April 2025	5.87	27,500	–

The measurement dates of the share options were 15 October 2018, 17 June 2015, 12 May 2015, 31 May 2012, 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.

22 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 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
0 – 30 days	159,539	127,214
31 – 60 days	2,360	1,390
61 – 90 days	1,840	618
Over 90 days	10,193	543
Total distribution fee expenses payable	173,932	129,765

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

23 Commitments

23.1 Operating lease commitments

The Group leases various offices and office equipment under non-cancellable operating lease agreements. The lease terms are between three months and five years. The majority of the lease agreements are renewable at the end of the lease period at market rate. As at 31 December 2018, the future aggregate minimum lease payments under non-cancellable operating leases are presented under the principles of HKAS 17. As at 30 June 2019, the future aggregate minimum lease payments only include non-cancellable short-term leases. Refer to Note 3 for details.

	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Not later than one year	1,456	33,976
Later than one year and not later than five years	84	39,795
Total operating lease commitments	1,540	73,771

23.2 Capital commitments

As at 30 June 2019, the Group has unfunded capital commitments in a private equity fund amounted to US\$224,000 (equivalent to HK\$1,752,000) (31 December 2018: US\$224,000 (equivalent to HK\$1,752,000)). As at 30 June 2019, the capital commitment contracted to purchase licensed software and hardware but not yet incurred amounted to HK\$2,292,000 (31 December 2018: HK\$450,000).

24 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.

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

	Six months ended 30 June	
	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Consultancy fee to a close family member of key management personnel	145	145

24.2 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	
	2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Management bonus, salaries and other short-term employee benefits	9,152	9,862
Share-based compensation	10,099	3,594
Pension costs	32	36
Total key management compensation	19,283	13,492

24.3 Investments in investment funds which are managed/advised by the Group

The Group has interests in the following consolidated and unconsolidated structured entities. These are the investment funds under the Group's management or advisory and from which it earns fees from investment management or advisory activities and fund distribution activities. These investment funds manage pools of assets from third party investors, and are financed through the issue of units/shares to investors.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

24 Related-party transactions (continued)

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

	Fair Value	
	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Consolidated structured entities		
Value Partners Asia Pacific Real Estate Limited Partnership (Note 17)	831,228	797,571
Unconsolidated structured entities		
AMG Managers Value Partners Asia Dividend Fund	–	71,520
Premium Asia Income Fund	20,249	19,222
Value China ETF	5,368	5,085
Value ETFs Trust – Value Japan ETF	9,044	8,876
Value ETFs Trust – Value Korea ETF	8,190	8,070
Value ETFs Trust – Value Taiwan ETF	12,720	11,985
Value Gold ETF	175,530	158,387
Value Partners Asia Fund, LLC	313	289
Value Partners Asia Principal Credit Fund Limited Partnership (Note 15)	196,356	–
Value Partners Classic Fund ^(a)	2,696	248
Value Partners Fixed Income SPC – Value Partners Credit Opportunities Fund SP ^(b)	4,391	4,047
Value Partners Fund Series – Value Partners Asian Total Return Bond Fund ^(c)	219,069	197,048
Value Partners Fund Series – Value Partners Asian Innovation Opportunities Fund ^(c)	58,284	–
Value Partners Fund Series – Value Partners China A-Share Select Fund ^(d)	84	75
Value Partners Greater China High Yield Income Fund ^(e)	1	1
Value Partners Hedge Fund Limited ^(e)	2	2
Value Partners High-Dividend Stocks Fund ^(f)	1,240	300
Value Partners Intelligent Funds – China Convergence Fund ^(d)	45,049	40,660
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	117,604	99,380
Value Partners Ireland Fund Plc – Value Partners Global Emerging Market Bond Fund ^(g) (Note 15)	89,903	79,198
Value Partners Ireland Fund Plc – Value Partners Health Care Fund	48,680	43,831
Value Partners Multi-Asset Fund ^(c)	44,358	39,565
Value Partners Venture Capital Investment (Shenzhen) Limited Partnership (Note 15)	2,874	2,874
Value Partners PFM Neo-China A Share Fund 1 (Note 15)	27,750	28,507
金海九號證券投資集合資金信託計劃	59,870	51,963
興業信託·興易惠理1號	1,215	1,146
惠理中國中壁1號私募投資基金	1,308	1,098
惠理中國金鈺1號私募證券投資基金	40	–
外貿信託-惠理滬港深6號證券投資集合資金信託計劃	1,180	–
交銀國信·匯利202號集合資金信託計劃	1,122	–
Total investments in investment funds which are managed/advised by the Group	1,985,718	1,670,948

(a) The units held were Class C and Class X units.

(b) The units held were Class A Acc units.

(c) The units held was Class A and Class X units.

(d) The units held were Class A units.

(e) The shares held were management shares.

(f) The units held were Class A2 MDis and Class X Acc units.

(g) The units held were Class A Acc and Class X Acc units.

24 Related-party transactions (continued)

24.4 Investments in an investment fund managed by a related company

As at 30 June 2019, the Group had investments in Malabar India Fund, LP amounting to HK\$37,570,000 (31 December 2018: HK\$37,416,000) which is managed by Malabar Investment LLC in which the Group had an interest of 6.6% (31 December 2018: 6.6%).

25 Cyclicity

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

26 Subsequent event

On 1 August 2019, a wholly owned subsidiary of the Group signed a sale and purchase agreement and completed the transaction to acquire 100% equity interest of a Hong Kong incorporated company named King Fung Limited, which directly held office units in Shanghai, China with a consideration of US\$23.76 million (equivalent to HK\$185.8 million).

Other Information

Directors' interests in shares, underlying shares and debentures

As at 30 June 2019, 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	–	21.75%
	Beneficial	60,733,516	56,620,000	6.32%
Mr. SO Chun Ki Louis	Beneficial	15,765,723	33,390,000	2.64%
Dr. AU King Lun ⁽⁴⁾	Beneficial	–	1,500,000	0.08%
Ms. HUNG Yeuk Yan Renee	Founder of trust ⁽²⁾	16,870,583	–	0.90%
	Beneficial	1,200,000	10,170,000	0.61%
Dr. CHEN Shih-Ta Michael	Beneficial	–	500,000	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.
- (4) Dr. AU King Lun retired from the Board as Executive Director and Chief Executive Officer of the Company with effect from 26 July 2019.

(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

(c) Share options

The Company adopted a share option scheme on 24 October 2007 (and as amended on 15 May 2008) and expired on 24 October 2017 (the "2007 Share Option Scheme"). All outstanding options granted under the 2007 Share Option Scheme will continue to be valid and exercisable in accordance with the principal terms of the 2007 Share Option Scheme. The Company adopted a new share option scheme at the annual general meeting held on 4 May 2017 (the "2017 Share Option Scheme"). A summary of the movements of the outstanding share options during the six months ended 30 June 2019 are as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2019	Number of Share Options			As at 30/06/2019
					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
Mr. SO Chun Ki Louis	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
	15/10/2018	15/04/2019-14/04/2025	5.87	6,000,000	-	-	-	6,000,000
		15/04/2020-14/04/2025	5.87	6,000,000	-	-	-	6,000,000
		15/04/2021-14/04/2025	5.87	6,000,000	-	-	-	6,000,000
Dr. AU King Lun ⁽⁴⁾	15/10/2018	15/04/2019-14/04/2025	5.87	500,000	-	-	-	500,000
		15/04/2020-14/04/2025	5.87	500,000	-	-	-	500,000
		15/04/2021-14/04/2025	5.87	500,000	-	-	-	500,000

Other Information

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2019	Number of Share Options			As at 30/06/2019
					Granted	Exercised	Lapsed	
Ms. HUNG Yeuk Yan Renee	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
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. 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

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2019	Number of Share Options			As at 30/06/2019
					Granted	Exercised	Lapsed	
Employees	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	100,000	-	-	-	100,000
	12/05/2015	12/05/2018-11/11/2021	13.60	5,536,660	-	-	(263,333)	5,273,327
		12/05/2019-11/11/2021	13.60	5,536,660	-	-	(263,333)	5,273,327
		12/05/2020-11/11/2021	13.60	5,536,680	-	-	(263,334)	5,273,346
	17/06/2015	17/12/2015-16/12/2021	14.092	4,476,659	-	-	(86,666)	4,389,993
		17/12/2016-16/12/2021	14.092	4,476,659	-	-	(86,666)	4,389,993
		17/12/2017-16/12/2021	14.092	4,476,682	-	-	(86,668)	4,390,014
	15/10/2018	15/04/2019-14/04/2025	5.87	2,666,666	-	-	-	2,666,666
15/04/2020-14/04/2025		5.87	2,666,666	-	-	-	2,666,666	
15/04/2021-14/04/2025		5.87	2,666,668	-	-	-	2,666,668	
Other ⁽⁵⁾	17/06/2015	17/12/2015-13/08/2020	14.092	100,000	-	-	-	100,000
		17/12/2016-13/08/2020	14.092	100,000	-	-	-	100,000
		17/12/2017-13/08/2020	14.092	100,000	-	-	-	100,000
Total				141,120,000	-	-	(1,050,000)	140,070,000

Notes:

- (1) The closing prices of the Shares immediately before the share options granted on 31 May 2012, 12 May 2015, 17 June 2015 and 15 October 2018 were HK\$3.90, HK\$13.68, HK\$13.50 and HK\$5.87 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.
- (4) Dr. AU King Lun retired from the Board as Executive Director and Chief Executive Officer of the Company with effect from 26 July 2019.
- (5) An amount of 300,000 share options were granted to Mr. LEE Siang Chin on 17 June 2015. He resigned as an Independent Non-executive Director with effect from 14 August 2018. The Board, pursuant to the 2007 Share Option Scheme, approved to extend the exercise period of Mr. LEE's share options for two years from the effective date of his resignation.

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 2007 and 2017 Share Option Schemes will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Scheme.

Share option expenses

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

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

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

Substantial shareholders' interests

As at 30 June 2019, 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/ underlying Shares	Approximate percentage of issued Shares
Ms. TO Hau Yin ⁽¹⁾	Spouse	521,084,000	28.07%
Mr. YEH V-Nee	Beneficial	298,805,324	16.10%
Mrs. YEH Mira ⁽²⁾	Spouse	298,805,324	16.10%
Cheah Capital Management Limited ⁽³⁾	Beneficial	403,730,484	21.75%
Cheah Company Limited ⁽³⁾	Corporate	403,730,484	21.75%
BNP Paribas Jersey Nominee Company Limited ⁽³⁾	Nominee	403,730,484	21.75%
BNP Paribas Jersey Trust Corporation Limited ⁽³⁾	Trustee	403,730,484	21.75%

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.

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 2019 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 2019 (six months ended 30 June 2018: Nil).

Foreign exchange

Except for its Renminbi-denominated bank deposits, which has a balance of around HK\$154.1 million as at 30 June 2019 (30 June 2018: HK\$154.0 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 2019, the Group employed 181 staff (30 June: 184) in Hong Kong SAR, 23 staff (30 June 2018: 20) in Shanghai, 7 staff (30 June 2018: 5) in Shenzhen, 5 staff (30 June 2018: 11) in Singapore, 3 staff (30 June 2018: 2) in London and 6 staff (30 June 2018: nil) in Malaysia. Remuneration packages that take into account of business performance, market practices and competitive market conditions are offered to employees in compensation for their contributions. In line with the Group's emphasis on recognition for performance and human capital retention, the Group rewards its employees with year-end discretionary bonus which is linked to the Group's level of profits for that financial year.

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 2019.

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 2019.

Independent review of interim results

The unaudited interim results of the Group for the six months ended 30 June 2019 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".

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 2019.

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 2019.

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.

Disclosure of information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of the Directors are as follows:

Dato’ Seri CHEAH Cheng Hye has been re-designated as the Co-Chairman of the Board with effect from 26 April 2019.

Mr. SO Chun Ki Louis was appointed as the Co-Chairman of the Board with effect from 26 April 2019.

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.