惠理集團
Value Partners Group

Stock Code 股份代號: 806

Value Partners Group Limited
惠理集團有限公司

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

Annual Report 2011年報

7 facts about Value Partners:

- **US$7.2 billion**[(1)]
  assets under management

- **17.5%**[(2)] annualized return and 2,028%[(2)] cumulative return
  since launch in 1993 for Value Partners Classic Fund (A Units)

- **No. 1**
  in 2011 Asia Hedge Fund 25[(3)]

- **70+**
  top performing awards and prizes since establishment

- **2,500**
  company visits every year

- **40+**
  investment professionals focusing on Greater China investments

- **19 years** of history
  weathered at least 7 financial crises regionally and globally

Footnote:

(1) As of 31 December 2011.

(2) As of 29 February 2012. Launch date was April 1993. Performance refers to that of Value Partners Classic Fund (A Units). Performance of Classic Fund (A Units) over past five years: 2007:+41.1%; 2008: -47.9%; 2009: +82.9%; 2010: +20.2%; 2011: -17.2%; 2012 (YTD): +14.6% (as of 29 February 2012). Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees. Past performance is not indicative of future results.

(3) Source: Institutional Investor Magazine, July 2011.

Corporate Profile

Value Partners Group is one of Asia's largest independent asset management firms with assets under management of over US$7.2 billion as of 31 December 2011. Since our establishment in 1993, we have been a dedicated value investor with a focus on the Greater China region. In November 2007, the Value Partners Group became the only asset management firm listed on the main board of the Hong Kong Stock Exchange (Stock code: 806 HK). We manage absolute return long-biased funds, long-short hedge funds, exchange-traded funds, quantitative funds, and private equity funds for institutional and individual clients in Asia Pacific, Europe and the United States.

Contents

Board of Directors

Chairman and Co-Chief Investment Officer

Mr. CHEAH Cheng Hye

Executive Directors

Mr. CHAN Sheung Lai, Jimmy
(Chief Executive Officer)
Ms. HUNG Yeuk Yan Renee
(Deputy Chief Investment Officer)
Mr. SO Chun Ki Louis
(Co-Chief Investment Officer)
Mr. TSE Wai Ming, Timothy, CFA & FCPA
(Deputy Chief Executive Officer & Chief Financial Officer)

Independent Non-executive Directors

Dr. CHEN Shih-Ta Michael
Mr. LEE Siang Chin
Mr. Nobuo OYAMA

Non-executive Honorary Chairman

Mr. YEH V-Nee

Company Secretary

Mr. TSE Wai Ming, Timothy, CFA & FCPA

Authorized Representatives

Mr. CHAN Sheung Lai, Jimmy
Mr. TSE Wai Ming, Timothy, CFA & FCPA

Members of the Audit Committee

Mr. LEE Siang Chin *(Chairman)*
Dr. CHEN Shih-Ta Michael
Mr. Nobuo OYAMA

Members of the Nomination Committee

Mr. CHEAH Cheng Hye *(Chairman)*
Dr. CHEN Shih-Ta Michael
Mr. LEE Siang Chin
Mr. Nobuo OYAMA
Mr. TSE Wai Ming, Timothy, CFA & FCPA

Members of the Remuneration Committee

Dr. CHEN Shih-Ta Michael *(Chairman)*
Mr. CHEAH Cheng Hye
Mr. LEE Siang Chin
Mr. Nobuo OYAMA
Mr. TSE Wai Ming, Timothy, CFA & FCPA

Members of the Risk Management Committee

Ms. WOO Lai Nga, CFA & CPA *(Chairman)*
Mr. CHAN Sheung Lai, Jimmy
Mr. CHEAH Cheng Hye
Ms. LEE Vivienne
Mr. SO Chun Ki Louis
Mr. TSE Wai Ming, Timothy, CFA & FCPA

Members of the Valuation Committee

Mr. TSE Wai Ming, Timothy, CFA & FCPA *(Chairman)*
Mr. CHAN Sheung Lai, Jimmy

Registered Office

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

Principal Office

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41 Connaught Road Central
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

Auditor

PricewaterhouseCoopers

Legal Advisor

Reed Smith Richards Butler

Principal Bankers

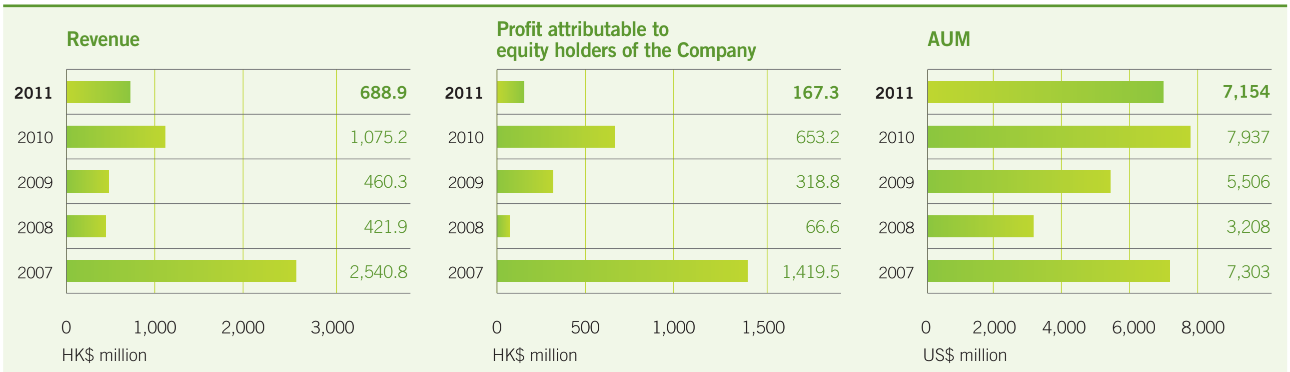
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

Website

www.valuepartnersgroup.com.hk

Stock Code

Stock Exchange of Hong Kong: 806



Results for the year ended 31 December

(In HK$ million)	2011	2010	% Change	2009	2008	2007
Revenue	688.9	1,075.2	-35.9%	460.3	421.9	2,540.8
Operating profit	209.6	759.5	-72.4%	348.3	92.5	1,655.3
Profit attributable to equity holders of the Company	167.3	653.2	-74.4%	318.8	66.6	1,419.5
Earnings per share (HK cents)						
– Basic	9.5	40.1	-76.3%	19.9	4.2	88.7
– Diluted	9.5	39.9	-76.2%	19.9	4.2	88.7

Assets and liabilities as at 31 December

(In HK$ million)	2011	2010	% Change	2009	2008	2007
Total assets	2,547.4	2,792.1	-8.8%	1,221.0	769.1	2,707.3
Less: Total liabilities	123.4	374.2	-67.0%	151.6	27.0	1,493.5
Total net assets	2,424.0	2,417.9	+0.3%	1,069.4	742.1	1,213.8

Assets under management ("AUM") as at 31 December

(In US$ million)	2011	2010	% Change	2009	2008	2007
AUM	7,154	7,937	-9.9%	5,506	3,208	7,303

Note: The above financial information was prepared based on the principal accounting policies as described in the notes to the consolidated financial statements.

惠理集團 Value Partners Group 云南工投集团

January 2011

21 January 2011

Value Partners entered a joint venture partnership with Yunnan Industrial Investment Holding Group Ltd. to set up a joint venture fund management company (FMC) – Yunnan Value Partners Equity Investment Fund Management Co., Ltd. (雲南惠理股權投資基金管理有限公司). The FMC is the first Chinese-Foreign Joint Venture private equity fund management company registered in the Yunnan province.

March 2011

11 March 2011

Value Partners won the Lipper Fund Awards 2011 (Hong Kong) – Best Equity Group (3 Years) award.

28 March 2011

Value Partners Group entered into an agreement to purchase 55.46% stake in KBC Concord Asset Management Co., Ltd. in Taiwan. The joint venture – Value Partners Concord Asset Management Company Limited – was officially formed in August 2011.

惠理康和投信 Value Partners Concord Asset Management

Mr. Raymond TAM, Managing Director (Sales) of Value Partners accepted the award from Mrs. Alexa LAM, Deputy CEO of HKSFC at the presentation ceremony.

June 2011

13 June 2011

Value Partners formed a partnership with The Hong Kong University of Science and Technology Business School to set up the Value Partners Center for Investing to support research and training on investment management.

The Center is the first of its kind in Hong Kong to provide training to undergraduate and postgraduate students for careers in fund management.

Plaque unveiling of Value Partners Center for Investing by Professor Leonard K CHENG, Dean of Business and Management of HKUST; Professor Tony F CHAN, President of HKUST; Dr. Eddy C. FONG, Chairman of HKSFC; Mr. CHEAH Cheng Hye, Chairman & Co-Chief Investment Officer of Value Partners; Mr. Jimmy S L CHAN, Chief Executive Officer of Value Partners.

July 2011

July 2011

Value Partners ranked No. 1 in 2011 Asia Hedge Fund 25.

Value Partners acquired 50% stake in Sensible Asset Management Hong Kong Limited from Ping An Insurance of China, and became the sole shareholder of the ETF business.

October 2011

21 October 2011

Value Partners Classic Fund received a special Long-Term Performance Award in the prestigious AsiaHedge Awards 2011 in recognition of the fund's outstanding performance and resilience over the past decade.

January & February 2012

January & February 2012

Value Partners' Co-CIOs, Mr. CHEAH Cheng Hye and Mr. Louis SO crowned the Best of the Best Region Awards – CIO of the Year in Asia by Asia Asset Management.

Value Partners Classic Fund awarded Outstanding Achiever Award in the Greater China Equity category of Benchmark Magazine's Fund of the Year Awards 2011.

Mr. Timothy TSE, Deputy Chief Executive Officer of Value Partners accepted the 2011 Benchmark award at the ceremony.

Despite the troubles facing the financial services industry, Value Partners Group remains a steady ship. The business is profitable, our funds continues to pile on the performance awards and the Group is on track in building up its brand, resources and market position, as reflected in a strongly positive inflow of subscriptions in 2011.

CHEAH Cheng Hye
Chairman and Co-Chief Investment Officer

Profit attributable to equity holders of the Company did fall sharply in 2011, down to HK$167.3 million (basic earnings per share: HK9.5 cents) compared with HK$653.2 million the previous year. The fall was caused by a big decline in "performance fees" earned from our core fund management business, and also by "mark-to-market" losses recorded for our proprietary investments, a large part of which is invested side-by-side with clients in Value Partners funds. The setback we see is the result of the collapse in global stockmarkets in the second half of 2011.

We are pleased to propose a dividend for 2011 of HK5.8 cents per share.

Fundamental strength

Markets don't rise every year, of course, so 2011 is an example of a bad year where Value Partners was put through a stress test. That we stayed profitable in 2011, and could still pay a bonus to employees and a dividend to shareholders, while avoiding lay-offs, showed a fundamental underlying strength. With a reputation for consistently high-quality asset management, a long performance record going back to the firm's founding in 1993, and a well developed infrastructure of support services, the Group is able to attract and hold a huge base of assets under management, which provides steady revenues even during difficult periods, in the form of a relatively small but reliable management-fee income.

During the good years, in addition to the management-fee income, we can expect huge contributions from performance fees and "mark-to-market" gains from proprietary investments, giving Value Partners a powerful profit potential, which is why Value Partners' stock is sometimes described as a "high-beta" play on the outlook for Asia-Pacific stockmarkets, particularly those related to China. As a strong believer in the China story, our view is that the good years will outnumber the bad ones, providing Value Partners with a strong future. The key is to avoid losses during bad years, and indeed Value Partners has turned a profit every year since 1993, with the one exception of 1999 when an insignificant loss of HK$261,000 was recorded in the aftermath of the Asian Financial Crisis. Furthermore, going forward, the outlook for enlarging the asset base is excellent, as the Asia-Pacific region's savings and demographic profile is conducive for the rapid expansion of the region's asset-management industry.

The difficulties of 2011 can be illustrated by the performance of our flagship Value Partners Classic Fund, which recorded a fall of 17.2% (net) during the year[1]. For reference, the Morningstar Greater China Equity Fund Category on average fell by 22.2% in 2011[2].

As a value-investor, we tend to focus on longer term performance, and this remained excellent. Since inception 19 years ago, Value Partners Classic Fund has made a profit in 14 of the 19 years, with a return averaging a net 16.9% per annum[1] compounded as of 31 December 2011. For reference, the Hang Seng and MSCI China indices recorded annualized returns of 7.1% and minus 1.5%, respectively.

In 2012, the prospects for China-related investing are improved. Since late last year, Beijing has become less concerned about fighting inflation and more concerned about encouraging economic growth, so we expect to see various government measures to boost the economy and the stockmarket. Those forecasting a "hard landing" for the Chinese economy face being wrong again, and our outlook is for 7.5% to 8.5% economic growth in 2012, an acceptable slowdown from 2011's estimated 9.2%. On the Chinese mainland, about 100 million individuals own stocks, with some having invested their life savings, and the government faces pressure from these investors to stabilize the stockmarket, which has been a poor performer for the past two years.

Corporate growth

This statement is accompanied by a report (see page 8) from the Chief Executive Officer (CEO), discussing the situation for Value Partners Group in greater detail. Here, I would highlight a few points:

- Rapid growth of our exchange-traded fund (ETF) business, through our wholly owned subsidiary, Sensible Asset Management; this business includes two top-performing ETFs[2] listed on the Hong Kong Stock Exchange, namely the "Value Gold ETF" (stock code 3081) and "Value China ETF" (stock code 3046);

- Strong progress in our efforts to expand our business activities on the Chinese mainland including the establishment of the first Sino-foreign joint venture fund management company with stake held by a Hong Kong-headquartered fund house;

- Our expansion into Taiwan's domestic asset-management industry, currently with a 60% shareholding in Value Partners Concord Asset Management, a licensed fund management firm in Taiwan;

- And further industry recognition in the form of various new awards, including a special "Long-Term Performance Award (10 years)" from AsiaHedge Awards 2011 for our flagship Value Partners Classic Fund[1,3].

As of the date of this writing, Value Partners Group has collected a total of more than 70 performance awards and prizes – from independent ratings agencies; publications and surveys; and professional associations – in a continuous flow throughout our history of 19 years. Four of our funds enjoy the highest rating of 5 stars from Morningstar, while two other of our funds have a 4-star rating[4].

Finally, we again express our deepest gratitude and appreciation to clients, employees and shareholders.

CHEAH Cheng Hye
Chairman and Co-Chief Investment Officer

1 Performance refers to that of Value Partners Classic Fund (A Units). Performance of Value Partners Classic Fund (A Units) over past five years: 2007: +41.1%; 2008: -47.9%; 2009: +82.9%; 2010: +20.2%; 2011: -17.2%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.

2 Morningstar data as of year-end 2011. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.

3 Value Partners Classic Fund is not authorized as a hedge fund by the Securities and Futures Commission ("SFC") in Hong Kong according to the Code on Unit Trusts and Mutual Funds. SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

4 As of 29 February 2012. More details are available in the Report of the Chief Executive Officer.

Riding against the wind

The global financial markets experienced a difficult year in 2011. Whilst the first half of 2011 was clouded by anxiety over sovereign debts, the Euro crisis deepened and markets turned worse in the second half. The Hang Seng and MSCI China indices fell by 17.4% and 18.4%, respectively, in 2011.

In the first half of 2011, we continued to see strong inflow to our funds. As the markets dipped in the second half, fund inflow started to slow and redemptions increased. For the whole year, notwithstanding the volatile market, we managed to achieve net inflow of US$847 million, compared to US$1,267 million in 2010.

The Group's average assets under management ("AUM") increased by 30.9% from US$6,219 million a year earlier to US$8,142 million this year, and gross management fees rose to HK$491.4 million from HK$343.8 million in the previous year. Gross performance fees, however, declined to HK$139.5 million, representing an 80.3% decrease compared to the HK$708.5 million recorded in the previous year, as the markets plummeted in the second half. The Group's total revenue decreased by 35.9% to HK$688.9 million for the year ended 31 December 2011, compared to HK$1,075.2 million recorded one year earlier. Our total expenses of HK$253.1 million were lower than total expenses of HK$319.3 million in 2010.

Profit attributable to equity holders of the Company came to HK$167.3 million, down from HK$653.2 million in 2010, due primarily to the decline in the gross performance fees of HK$569.0 million and to other losses of HK$84.0 million, compared to other gains of HK$95.4 million in the previous year. Other losses mainly comprised net fair value losses in our fund investments and other short term investments.

Turning of the tides

The Group's AUM totaled US$7,154 million as of 31 December 2011, compared to US$7,937 million a year earlier, representing a 9.9% decrease. Whilst the negative fund returns generated a decrease of US$1,630 million, net fund inflow contributed US$847 million to the AUM.

Net subscriptions of US$847 million, albeit lower than last year's, were the second highest in the Group's operating history, notwithstanding that the market plummeted in the second half. This reflected investors' confidence in our strong track record in value investing, and in our well respected brand and reputation.

In the beginning of 2011, we started strongly building on the momentum of fund inflow that originated in the second half of 2010. Net fund inflow of US$901 million (HK$7.0 billion) in the first half was comparable to the record inflow of US$948 million (HK$7.4 billion) in the second half of 2010. A majority of the net inflow added to our own branded funds.

In the second half, fund inflow started to slow and redemptions increased, as market sentiment turned negative. The net redemptions of US$54 million from our funds for the second half were, however, relatively modest.

In the first half, there was strong momentum in our institutional business, particularly with more inflow from institutional investors such as large corporate pensions in the United States. Also, much effort has been put into expanding relationships with private banks in the region and results have been very encouraging. On the retail front, we sustained our leading market position with retail investors in Hong Kong and continued our expansion of distribution channels.

On our sales and marketing efforts, we focused on building the AUM of our current offerings in premium, actively managed products. During the year, we only launched two new funds: a new white label fixed income fund for the Australian market and a hedge fund managed account product which is marketed by our partner globally[1].

Increasing commitment to the ETF business

In July 2011, we acquired from Ping An Insurance of China the other 50% stake in Sensible Asset Management Hong Kong Limited ("SAMHK"), manager of our ETF products. After the transaction, the Group owns the entire share capital of SAMHK. This acquisition reflected the Group's confidence in and commitment to growing our ETF business in Asia. As the Asian fund management markets continue to grow and Asian investors gain more understanding of investing in ETFs, we believe our ETF business offers significant growth potential to the Group.

Total AUM of our ETF business was US$162 million as of 31 December 2011, representing an increase of 55.8% over the balance of US$104 million as of 31 December 2010. Of our two ETF offerings, Value Gold ETF enjoyed a significant growth of its AUM from US$56 million as of 31 December 2010 to US$136 million as of 31 December 2011, representing an increase of 142.9%, the highest growth rate amongst all ETFs listed on the Hong Kong Stock Exchange. Value Gold ETF also recorded a gain of 11.1% for the year and was one of the top performing Hong Kong listed ETFs in 2011 *(source: Bloomberg)*[2].

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

Recognition and awards

The achievements of our investment team in delivering superior performance for our funds have continued to gain recognition from industry media and fund rating agencies. We have received many accolades, including the CIO of the Year in Asia award for our Co-CIOs Mr. Cheah Cheng Hye and Mr. Louis So from Asia Asset Management. Of our six authorized[3] own-branded funds in Hong Kong, four funds are ranked five stars by Morningstar – the highest ranking awarded by the rating agency – and two are ranked four stars[v].

In its 2011 Asia Hedge Fund 25, Institutional Investor magazine announced that Value Partners was ranked the No. 1 hedge fund manager in Asia for the second consecutive year and, in its top Global Hedge Fund 100, we took the 58th spot of the top global 100 fund management firms, up from 79th in 2010.

Below is a list of the awards and rankings received since 2011 up to the release of this report.

Organizers	Awards	Winners
Asia Asset Management^	Best of the Best Awards 2011 • CIO of the Year in Asia • Best of the Best Performance Award – Greater China Region – 3 Years category • Best Performing Small ETF	 Mr. Cheah Cheng Hye and Mr. Louis So Value Partners China Greenchip Fund Limited Value Gold ETF
AsiaHedge Awards 2011*	Long-Term Performance Award (10 years)	Value Partners Classic Fund
Benchmark Magazine#	Top 100 Funds of the Year 2011 – Greater China Equity – Outstanding Achiever	Value Partners Classic Fund
Institutional Investor	2011 – Asia Hedge Fund 25 2011 – Hedge Fund 100	Value Partners was ranked No.1 in 2011 Asia Hedge Fund 25 Value Partners was ranked as Asia's largest hedge fund manager, and 58th worldwide
Lipper	Lipper Fund Awards 2011@ – Hong Kong Best Equity Group – 3 Years Lipper Fund Awards 2011@ – Hong Kong Best Equity Greater China Fund – 3 Years	Value Partners Value Partners China Greenchip Fund Limited

Organizers	Awards	Winners
Morningstar	Morningstar 2010 Fund Awards (Hong Kong) – Best Greater China Equity Fund	China Convergence Fund
	5-star rating[v]	Value Partners Classic Fund A Units
	5-star rating[v]	China Convergence Fund
	5-star rating[v]	Chinese Mainland Focus Fund
	5-star rating[v]	Value Partners High-Dividend Stocks Fund
	4-star rating[v]	Value Partners China Greenchip Fund Limited
	4-star rating[v]	Value Partners Taiwan Fund
Thomson Reuters Extel Asia Pacific Survey 2010	Best Overall Fund Management Firm – Asia	Value Partners was recognized as one of the top-three fund management companies
	Buyside Individuals – General Equities/Strategy	2nd Place – Mr. Eric Chow (Senior Fund Manager)
		3rd Place – Ms. Ada Lau (Senior Fund Manager)
	Leading Buyside Individuals – Asia	3rd Place – Mr. Eric Chow (Senior Fund Manager)

^ Judging for the 2011 Best of the Best Awards involved the submission of nomination forms to Asia Asset Management judges, on or before 19 December 2011. Funds are judged based on their annual performance, ending respectively on 30 September 2011. Judging criteria for the China Greenchip Fund's performance was dependent on the nominated fund's fund size, performance against its peers, 3-year return, and monthly and year-to-date. Judging criteria for Value Gold ETF was dependent on the nominated ETF (with under US$50 million in AUM) in terms of its performance over the last year as well as its capabilities and achievements.

* Value Partners Classic Fund is not authorized as a hedge fund by the SFC in Hong Kong according to the Code on Unit Trusts and Mutual Funds. SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

The top 100 funds were selected based on fund size, track record, Morningstar's Star rating and one-year absolute ranking as of end of October 2011.

@ Based on data as of year-end 2010.

v Star ratings as of 29 February 2012.

Greater China platform making strides

In March 2012, we announced our acquisition of a 49% stake in KBC Goldstate Fund Management Company Limited, a licensed mutual fund management company headquartered in Shanghai, which is to be renamed as Value Partners Goldstate Fund Management Company Limited ("VP Goldstate"). Following completion, this will represent the first Sino-foreign joint venture mutual fund management company with a 49% stake, the maximum shareholding for non-mainland shareholders permissible under China regulations, that has been acquired by a Hong Kong headquartered fund management firm. Goldstate Securities, a licensed securities firm headquartered in Shenzhen, owns the remaining 51%.

As of 31 December 2011, China's mutual fund industry had a total of 69 fund management firms and AUM of RMB2.19 trillion (approximately US$346.4 billion) according to the Securities Association of China. The ratio of mutual fund assets to GDP is relatively low in China when compared to more developed countries. Coupled with the expected growth in household wealth and retirement pensions, we believe that the growth potential of the mainland's fund management market is huge, despite the recent sluggish market conditions due to the poor A share market performance.

As of 31 December 2011, VP Goldstate had total AUM of RMB970 million (US$153 million), as it suffered fund outflow in the last couple of years. Prior to our acquisition, VP Goldstate had already installed new leadership to its management team with fund management professionals possessing over 10 years' experience in the mainland fund industry. As a pioneer in value investing in Greater China, Value Partners' investment teams in Hong Kong and Shanghai will work closely with VP Goldstate to share knowledge of and experience in investing in the A share market. We will also assist VP Goldstate to strengthen its compliance and risk management, and devise a more performance-based remuneration system.

In 2011, we completed the acquisition of a 55.46% stake in Value Partners Concord Asset Management Company Limited ("VP Concord"), a licensed fund management firm in Taiwan, and subsequently increased our stake to slightly over 60%. Concord Securities Co., Ltd., a listed securities firm in Taiwan, owns a 25% stake in the company, with the balance owned by several individual investors.

Currently VP Concord manages one publicly offered Taiwan domiciled fund with AUM of about US$7 million. We have already installed new leadership and strengthened the management team of VP Concord, which plans to launch new funds in the domestic market in 2012. We are positive about the growth prospect of Taiwan's economy and fund management market, and we are committed to developing our new subsidiary into a premier fund management firm in Taiwan.

Following these acquisitions, we believe Value Partners will become the only fund management group headquartered in Greater China that has licensed fund management firms in mainland China, Taiwan and Hong Kong managing both public and private funds. This platform gives us great access to the Greater China markets, which we believe will help us on our way to develop into an Asia-based world-class fund management group and profit from the economic growth and wealth accumulation in the region.

In addition, we have set up a joint venture private equity fund management company in Kunming, Yunnan, and built a team of eight professionals. As the only on-the-ground private equity investment team in Kunming controlled by a non-mainland fund management group, we are well-positioned to invest in companies with potential to capture the anticipated high economic growth in Western China. The "Twelfth Five-Year Plan" (2011-2015) of the central government accords strategic priority to the development of the Western China region and pledges to provide favorable policies. We are targeting to launch the first private equity funds under this joint venture in 2012.

Value Partners Center for Investing

Value Partners Center for Investing, our corporate social responsibility initiative with the Hong Kong University of Science and Technology ("HKUST") Business School, came into full operation in September 2011. The objectives of the Center are to foster academic research in investing and provide courses and training to students who plan to develop their future career in fund management. As one of the largest home grown fund management firms in Hong Kong, we hope this initiative will build a talent pool for Hong Kong's asset management industry. We have pledged up to HK$10.0 million as donation over a period of 5 years to support the operation of the Center.

In addition to providing training and investment courses for both undergraduate and postgraduate students, the Center has established a Student Managed Fund, which is managed by HKUST students as analysts and investment managers under the supervision of HKUST faculty members. As part of our on-going initiative to support the Center in academic research related to investing, we also sponsor the Center to develop a series of White Papers to share their research on value investing and Greater China investment. The first paper studied "Profitability of the Value Investing Strategy in the Hong Kong Stock Market" and was released in January 2012.

Striding ahead, staying alert

As the sovereign debt crisis lingers on, we expect that the global financial markets will remain very volatile in 2012. We are, however, positive that the fundamentals of the Chinese economy remain healthy and selected monetary easing measures will be implemented this year.

Given this uncertain market environment, we will continue to manage our business prudently and cut down our operating costs further through tightening expenses and improving productivity. Following the acquisition of two fund management firms in mainland China and Taiwan, we will focus on integrating our Greater China businesses and also assisting them in business development and operational enhancement.

As a value investor, we are dedicated to delivering superior investment return to our investors and have continued to strengthen our investment and research capabilities. Following the two acquisitions, we will have an investment team of 56 professionals (15 from VP Goldstate) to become one of the largest investment teams in Greater China focusing on the region, which will further enhance our capabilities in bottom-up, on-the-ground research.

In terms of sales and marketing, we will focus on delivering superior customer services to existing clients and further expanding our distribution network and institutional investor base. In particular, we will explore new overseas markets that have been less impacted by the recent market turmoil. On product development, in addition to new private equity funds and ETFs as mentioned above, we plan to roll out more fixed income products that we believe will be relatively better received in the current volatile market.

Appreciation

Finally, we would like to express our heartfelt gratitude to our team for their unwavering dedication and efforts. We also extend our appreciation to our investors, business partners and shareholders for their support.

CHAN Sheung Lai, Jimmy
Chief Executive Officer
Executive Director

1 The white label fixed income fund and hedge fund managed account product are not authorized by the SFC and are not available to the public generally in Hong Kong.

2 Annual returns of Value Gold ETF since launch on 3 November 2010: 2010 (since launch): +6.4%; 2011: +11.1%; 2012 (YTD as of 29 February 2012): +13.3%. Performance figures are calculated in HKD, NAV to NAV, with dividends reinvested. Performance data is net of all fees.

3 SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

In 2011, Value Partners Group managed to maintain sound financial health and profitability in a year generally difficult for asset managers worldwide. Despite the challenging global capital market environment with enormous uncertainties and volatilities, the Group continued to see strong net inflows of funds. The Group's balance sheet and liquidity remained strong, which prepares the Group for further business development in its strategic markets in the region.

As of 31 December 2011, the Group's AUM stood at US$7.2 billion, recording a net decrease of 9.9% from a year ago (2010: US$7.9 billion). The Group's revenue declined by 35.9% to HK$688.9 million for the year (2010: HK$1,075.2 million). Profit attributable to equity holders of the Company for the year was HK$167.3 million, marking a 74.4% decrease from last year (2010: HK$653.2 million). The drop in net profit was primarily due to a reduction in performance fees and a mark-to-market loss on our fund investments.

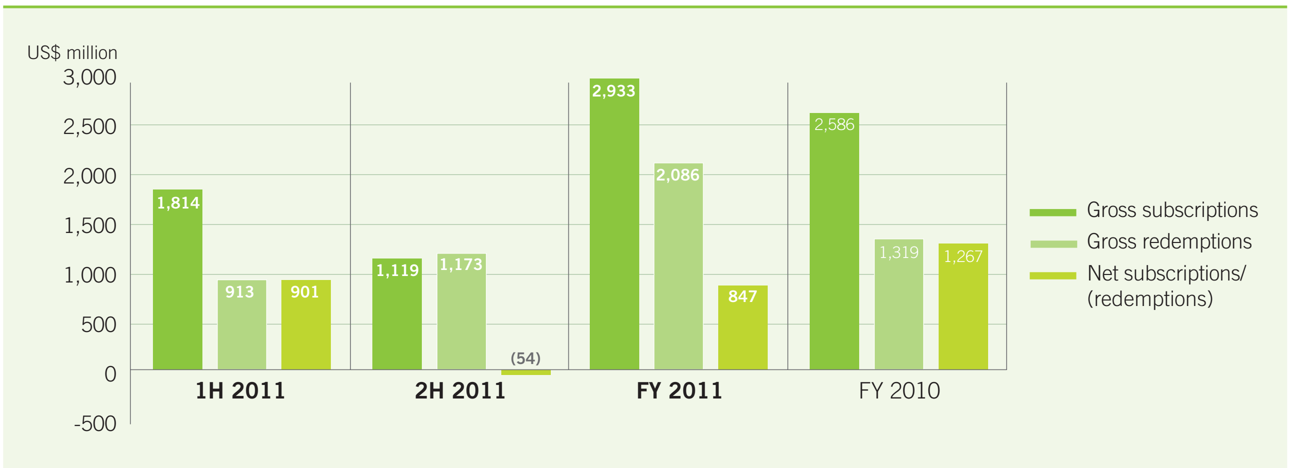
Assets Under Management

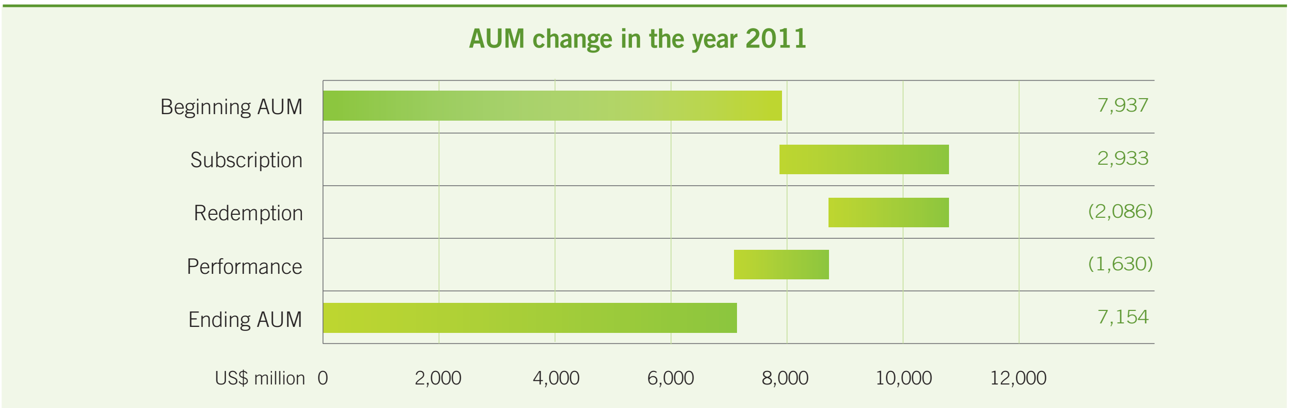
AUM and return

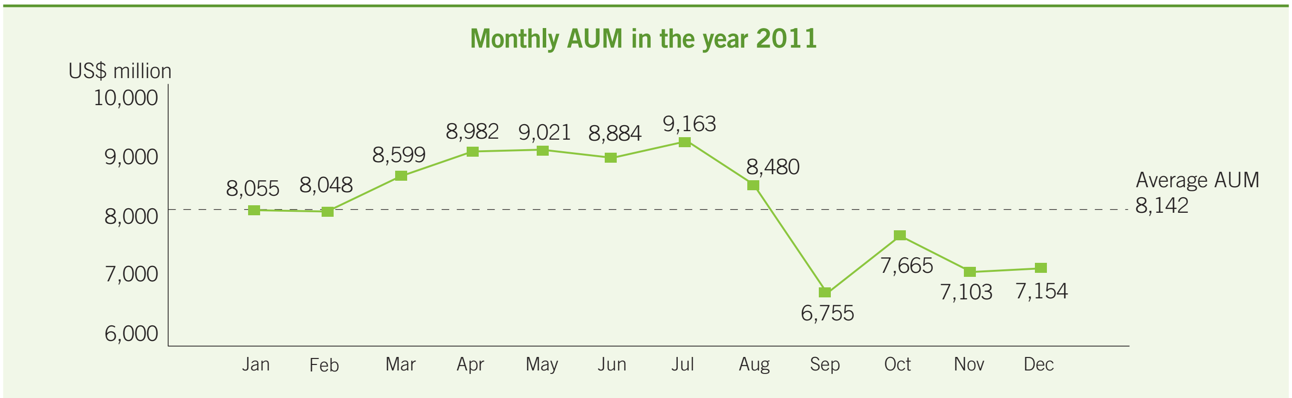
Looking at the Group's AUM more closely, it amounted to US$7,154 million at year-end 2011. The 9.9% decline mentioned was largely a result of a decline in fund performance due to the weakness in global stock markets in the second half of the year, when most of our funds recorded negative returns. Such negative returns, accounting for a US$1,630 million decrease in AUM, offset the net inflows of US$847 million for the year. For reference, the unaudited AUM as of 31 January 2012 were approximately US$7.7 billion.

Our overall fund performance, as calculated in asset-weighted average return of funds under management, retreated 18.0% in the year; for reference, losses of 17.4% and 18.4% were recorded by the Hang Seng Index and MSCI China Index, respectively. Our flagship Value Partners Classic Fund[1] dropped 17.2% in the year.

Although gross subscriptions in the second half of 2011 (US$1,119 million) were fewer than in the first half (US$1,814 million), the annual total of US$2,933 million was higher than in the previous year (2010: US$2,586 million). Meanwhile, gross redemptions in the second half of 2011 (US$1,173 million) increased from the first half (US$913 million), bringing the full year total to US$2,086 million (2010: US$1,319 million). Considering the challenging market situation, the net outflows of client funds during the second half of 2011 were relatively limited at only US$54 million. For the year, net subscriptions amounted to US$847 million (2010: US$1,267 million).



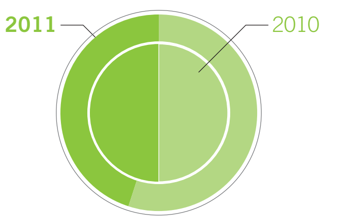




AUM by category

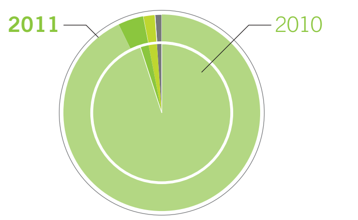
The charts below provide an analysis of the Group's AUM as of 31 December 2011 by three different classifications: brand, strategy and fund type. For the year, we saw higher fund inflow from the distribution channels into our Own Branded Funds such as our flagship Value Partners Classic Fund. As a result, our Own Branded Funds accounted for 55% of our total AUM at year-end (2010: 50%). By strategy, our Absolute Return Long-biased Funds continued to represent the majority of our funds (93%), while our Long-short Hedge Funds recorded an increase due to our US sales efforts. In terms of fund type, Hong Kong Securities and Futures Commission ("SFC") authorized funds[2] maintained the largest portion of our AUM (77%).

Classification by brand



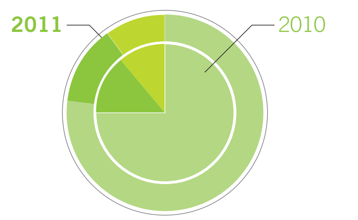
	2011	2010
Own Branded Funds	**55%**	50%
White Label & Co-branded Funds	**45%**	50%

Classification by strategy



	2011	2010
Absolute Return Long-biased Funds	**93%**	95%
Long-short Hedge Funds	**4%**	2%
Quantitative Funds & ETF	**2%**	2%
Absolute Return Credit Funds & Private Equity Funds	**1%**	1%

Classification by type

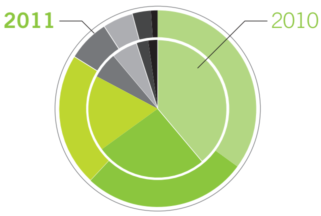


	2011	2010
SFC authorized Funds[2]	**77%**	75%
Non-SFC authorized Funds	**13%**	14%
Managed Accounts	**10%**	11%

Client base

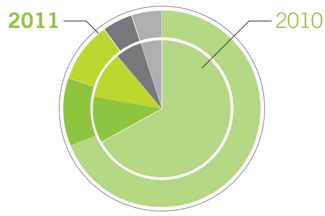
Institutional clients – including institutions, pension funds, high-net-worth individuals (HNWs), endowments and foundations, funds of funds, and family offices and trusts – remained the Group's primary set of fund investors for the year, accounting for 78% of our AUM. In particular, the increase in HNWs is attributable to expanded business relationship with private banks in the region. The proportion of funds coming from retail investors increased to 22% (2010: 18%), as a result of the higher fund inflow from Hong Kong retail investors through our expanded distribution channel network which includes retail banks. By geographical region, Hong Kong clients accounted for 69% of the Group's AUM (2010: 67%), while the percentage of clients in the United States and Europe was 21% (2010: 22%).

Client analysis by type



	2011	2010
Institutions	**35%**	39%
Pension funds	**27%**	26%
Retail	**22%**	18%
High-net-worth individuals	**7%**	6%
Endowments & foundations	**5%**	6%
Funds of funds	**3%**	3%
Family offices & trusts	**1%**	2%

Client analysis by geographical region



	2011	2010
Hong Kong	**69%**	67%
United States	**11%**	11%
Europe	**10%**	11%
Australia	**5%**	6%
Others	**5%**	5%

Summary of results

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

(In HK$ million)	2011	2010	% Change
Total revenue	**688.9**	1,075.2	-35.9%
Gross management fees	**491.4**	343.8	+42.9%
Gross performance fees	**139.5**	708.5	-80.3%
Profit attributable to equity holders of the Company	**167.3**	653.2	-74.4%
Basic earnings per share (HK cents)	**9.5**	40.1	-76.3%
Diluted earnings per share (HK cents)	**9.5**	39.9	-76.2%
Interim dividend per share	**Nil**	Nil	
Final dividend per share (HK cents)	**5.8**	16.0	-63.8%

Revenue and fee margins

The Group's total revenue decreased by 35.9% to HK$688.9 million for the year (2010: HK$1,075.2 million). The major contribution to our revenue in 2011 was gross management fees, which rose to HK$491.4 million (2010: HK$343.8 million) as a result of a 30.9% increase in the Group's average AUM to US$8,142 million (2010: US$6,219 million). With higher fund inflows from distribution channels into our Own Branded Funds, annualized gross management fee margin increased to 78 basis points (2010: 71 basis points). However, the distribution and advisory fee expenses paid to channels increased correspondingly by 64.3% to HK$166.9 million (2010: HK$101.6 million), resulting in a less significant increase of 1 basis point in annualized net management fee margin (2011: 61 basis points; 2010: 60 basis points).

Gross performance fees, another source of revenue, amounted to HK$139.5 million, representing an 80.3% decrease (2010: HK$708.5 million). The decline was primarily due to the performance of the Group's funds, most of which did not exceed their high watermark or benchmark.

Other revenue includes front-end load and back-end load, with a substantial amount of front-end load rebated to distribution channels.

Other income, which mainly comprised dividend income and interest income, increased to HK$24.8 million (2010: HK$9.8 million). Dividend income diminished slightly to HK$7.2 million (2010: HK$7.4 million), while interest income rose to HK$7.8 million (2010: HK$1.6 million) due to the increase in the value of bank deposits and interest-bearing bonds investments.

Breakdown of total net income

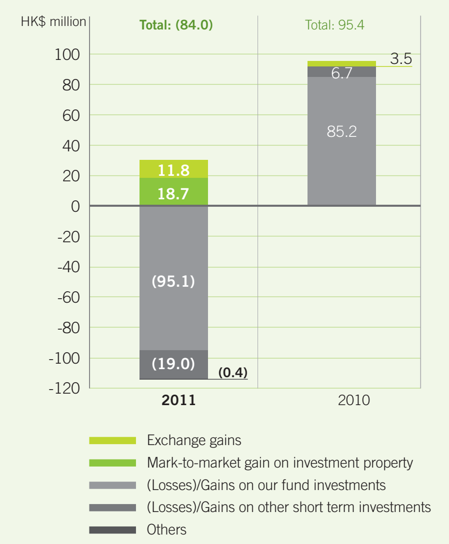
Other gains and losses

Other gains and losses include (1) fair value changes and realized gains/losses on our fund investments, (2) fair value changes and realized gains/losses on other short term investments; (3) mark-to-market gains/losses on investment property; and (4) exchange gains/losses. For 2011, they amounted to losses of HK$84.0 million, compared to gains of HK$95.4 million in the previous year.

Net fair value changes and realized losses on our fund investments amounted to HK$95.1 million (2010: gains of HK$85.2 million). The Group's other short term investments recorded net fair value changes and realized losses of HK$19.0 million (2010: gains of HK$6.7 million). For reference, the year-to-date unaudited fair value gains on our fund investments up to 29 February 2012 were approximately HK$90 million.

From an investment property acquired in 2010 for HK$58.7 million, the Group recorded a mark-to-market gain of HK$18.7 million for the year, while exchange gains amounted to HK$11.8 million (2010: HK$3.5 million). The exchange gains was mostly derived from the HK$400.0 million converted to Renminbi in early 2011, as reserves for the Group's expansion in mainland China.

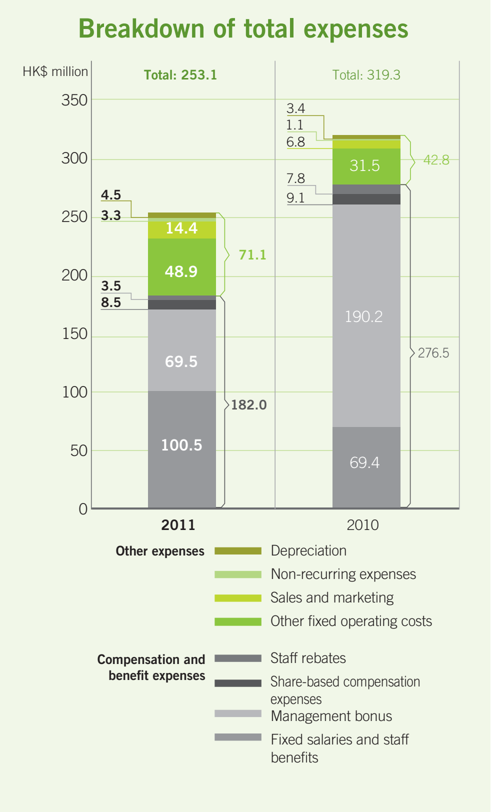
Breakdown of other gains and losses



Cost management

We manage our business prudently and control our operating costs further through implementing enhanced expense policies and improving productivity. The Group's total expenses – including compensation and benefit expenses, other fixed operating costs, sales and marketing expenses, depreciation and non-recurring expenses – amounted to HK$253.1 million (2010: HK$319.3 million).

For the year, the Group's management continued to exercise stringent cost discipline and aimed to keep fixed operating expenses well covered by its net management fee income, a relatively stable income source. We measure this objective with the "fixed cost coverage ratio", an indicator of how many times fixed operating expenses are covered by net management fee income. For the year, the Group's fixed cost coverage was 2.6 times.



Compensation and benefit expenses

Fixed salaries and staff benefits increased by HK$31.1 million for the year to HK$100.5 million (2010: HK$69.4 million). The increase is mainly attributable to the lag effect of the revised compensation package adopted in 2010 to increase fixed salary and reduce the bonus pool, with the full impact coming through in the year. The increase of the Group's headcount (excluding non-wholly owned subsidiaries and joint ventures) to 122 (2010: 103) to cope with business expansion also contributed to the increment. Meanwhile, salary and headcount costs of non-wholly owned subsidiaries and joint ventures added to the rise in fixed salaries and staff benefits.

Management bonuses amounted to HK$69.5 million for the year (2010: HK$190.2 million). This is consistent with the Group's compensation policy, which distributes 20% to 23% of the net profit pool every year as a management bonus to employees (prior to 2010: 25%). The net profit pool comprises net profit before management bonus and taxation, and after certain adjustments. This discretionary bonus promotes staff loyalty and performance, while aligning the interests of employees with those of shareholders.

The Group also recorded expenses of HK$8.5 million relating to stock options granted to employees. This expense item had no impact on cash flow and is recognized in accordance with Hong Kong Financial Reporting Standards.

Staff rebates – referring to the partial rebates of management fees and performance fees staff entitled to when investing in the funds managed by the Group – decreased to HK$3.5 million (2010: HK$7.8 million). The decrease was mainly due to the decline in performance fee income from their investments.

Other expenses

Other non-staff-related operating costs such as rent, legal & professional fees, investment research and other administrative and office expenses, amounted to HK$48.9 million (2010: HK$31.5 million), in line with the Group's continuing business expansion. In particular, office rental increased by HK$4.6 million following the expansion of the Group's Hong Kong premises, and legal & professional fees increased by HK$3.8 million relating to several projects during the year.

Sales and marketing expenses increased to HK$14.4 million for the year (2010: HK$6.8 million) as a result of increased spending on marketing events and distributor sponsorship, following the expansion of our distribution network. In addition, the Group's sales team strengthened sales efforts in key overseas markets, particularly the United States and Europe, thus incurring more overseas travel costs.

Non-recurring expenses mainly consisted of donations. For the year, the Group entered into a partnership with the Hong Kong University of Science and Technology ("HKUST"), and launched the "Value Partners Center for Investing at the HKUST Business School", for which the Group pledged a donation of up to HK$10.0 million over five years. The first HK$3.0 million was donated in 2011.

Net profit and core earnings

Profit attributable to equity holders of the Company came to HK$167.3 million (2010: HK$653.2 million), and core earnings fell by 56.2% to HK$254.4 million (2010: HK$580.5 million). Core earnings measure the Group's core operating performance and exclude non-recurring and non-operating items, such as the mark-to-market gain or loss of the Group's investments in its own funds and mark-to-market gain on investment property. The decrease in core earnings was mainly due to the decline in performance fees earned.

Other projects and post balance sheet events

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

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

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

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

(3) the acquisition of 55.46% stake of KBC Concord Asset Management Co., Ltd., a licensed fund management firm in Taiwan was completed in August, and subsequently raised our stake to slightly over 60% for NT$318.9 million in total. This provides us the platform to expand in the domestic market in Taiwan;

(4) we entered into an agreement in September to form a joint venture company to operate and develop small loan business in Chengdu, Sichuan. We own 90% of the joint venture, which has registered capital of RMB300.0 million; and

(5) we announced in March 2012 the proposed acquisition of a 49% stake in KBC Goldstate Fund Management Company Limited, a licensed mutual fund management company headquartered in Shanghai, while the remaining 51% stake is owned by Goldstate Securities, a licensed securities firm headquartered in Shenzhen. The capital involved amounted to RMB40.5 million. With the new vehicle to expand our presence in the mainland public fund market, we target to launch a series of public funds that adhere to our disciplined value investing philosophy.

Details of some of these strategic moves are covered in the Report of the Chief Executive Officer section under "Greater China platform making strides".

Dividends

The Group has been practicing a more consistent dividend distribution policy that takes into account the relatively volatile nature of asset management income streams. This policy states that dividends (if any) will be declared once a year at the end of each financial year to better align them with the Group's full-year performance.

For 2011, the Board of Directors recommended a final dividend of HK5.8 cents per share to shareholders.

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. For the year, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK$1,315.3 million. Net cash inflows from operating activities amounted to HK$642.0 million, and the Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities. The debt-to-equity ratio (interest bearing external borrowings divided by shareholders' equity) stood at zero, while the current ratio (current assets divided by current liabilities) came to 11.6 times.

Capital structure

As of 31 December 2011, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK$2,424.0 million and 1.76 billion, respectively.

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

1 Performance of Classic Fund (A Units) over past five years: 2007: +41.1%; 2008: -47.9%; 2009: +82.9%; 2010: +20.2%; 2011: -17.2%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.

2 SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Chairman

CHEAH Cheng Hye

Chairman and Co-Chief Investment Officer

Mr. CHEAH Cheng Hye, aged 58, is Chairman and Co-Chief Investment Officer ("Co-CIO") of Value Partners. He is in overall charge of Value Partners' operations, and is actively engaged in all aspects of the group's activities, including investment research, fund management, business and product development and corporate management. He sets the Group's overall business and portfolio strategy. (Note: In July 2010, Mr. Louis SO was promoted to become Co-CIO of Value Partners, working alongside Mr. CHEAH.)

Mr. CHEAH has been in charge of Value Partners since he co-founded the firm in February 1993 with his partner, Mr. V-Nee YEH. Throughout the 1990s, he held the position of Chief Investment Officer and Managing Director of Value Partners, responsible for managing both the firm's funds and the firm's business operation. He led Value Partners to a successful listing on the Hong Kong Stock Exchange in 2007, the first and only asset-management company listed on the main board in Hong Kong. Mr. CHEAH has more than 30 years of investment experience, and is considered one of the leading practitioners of value-investing in Asia and beyond. Value Partners and he personally have received numerous awards – a total of more than 70 professional awards and prizes since the firm's inception in 1993.

Mr. CHEAH was named in October 2010 by *AsianInvestor* as one of the Top-25 Most Influential People in Asian Hedge Funds. In 2009, he was named by *AsianInvestor* as one of the 25 Most Influential People in Asian Asset Management. He was also named as "Capital Markets Person of the Year" by *FinanceAsia* in 2007, and he was voted the "Most Astute Investor" in the Asset Benchmark Survey, in October 2003.

Prior to starting Value Partners, Mr. CHEAH worked at Morgan Grenfell Group in Hong Kong, where, in 1989, he founded the Company's Hong Kong/China equities research department, with the position of Head of Research and proprietary trader for the firm. Prior to this, he was a financial journalist with the *Asian Wall Street Journal* and *Far Eastern Economic Review*, where he reported on business and politics across East and Southeast Asia.

Executive Directors

CHAN Sheung Lai, Jimmy

Chief Executive Officer
Executive Director

Mr. Jimmy CHAN is Chief Executive Officer of Value Partners, responsible for corporate management, business development and external relations, particularly for the expansion of the Group's business in mainland China. Mr. CHAN joined the Group in January 2010 as managing director and was promoted as Chief Executive Officer in July 2010.

Mr. CHAN has over 20 years of investment, corporate finance and business management experience, and a long track record of building businesses in China. Previously, he was the Chief Executive (North China) of KaiLong Real Estate Investment (REI), a leading international real estate asset management company focused on the China real estate market. Before joining KaiLong REI, he was a partner of Deloitte Touche Tohmatsu, where he led its Corporate Finance Advisory Practice and Life Sciences & Healthcare Practice in China. He built the Corporate Finance Advisory Practice into the largest of its kind amongst the Big Four firms in China. Prior to joining Deloitte, he was Chief Financial Officer at a prominent private Hong Kong group engaged in property development, investment and retailing.

Mr. CHAN is 49 and he graduated with a Bachelor's degree in Social Sciences from the University of Hong Kong in 1984. He became a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in 1988 and 1997, respectively.

HUNG Yeuk Yan Renee

Deputy Chief Investment Officer
Executive Director

Ms. Renee HUNG is Deputy Chief Investment Officer of Value Partners, responsible for the overall management of the investment management team. She also holds a leadership role in the Group's investment process, and commands a high degree of responsibility for portfolio management.

Ms. HUNG has extensive experience in the investment industry, with a solid track record in research and portfolio management. She joined Value Partners as an Analyst in April 1998, and was promoted to Fund Manager and then Senior Fund Manager in 2004 and 2005, respectively. In March 2009, she was again promoted to her current role of Deputy Chief Investment Officer.

Ms. HUNG is 37 and she graduated from the University of California in Los Angeles in the U.S.A. with a degree in Applied Mathematics in 1997.

SO Chun Ki Louis

Co-Chief Investment Officer
Executive Director

Mr. Louis SO is Co-Chief Investment Officer ("Co-CIO") of Value Partners, responsible for the daily operations and overall management of the firm's investment management team. He holds a leadership role in the Group's investment process, including a high degree of responsibility for portfolio management.

Mr. SO has extensive experience in the investment industry, with a solid track record in research and portfolio management. He joined Value Partners in May 1999 as an Analyst and was promoted to the role of Fund Manager, then Senior Fund Manager, and again as Deputy Chief Investment Officer in 2004, 2005 and 2009, respectively. He was most recently promoted to the role of Co-CIO in July 2010.

Mr. SO is 36 and he graduated from the University of Auckland in New Zealand with a degree in Commerce in 1997, and from the University of New South Wales in Australia with a Master's degree in Commerce in 1998.

TSE Wai Ming, Timothy, CFA & FCPA

Deputy Chief Executive Officer and Chief Financial Officer
Executive Director

Mr. Timothy TSE is Deputy Chief Executive Officer and Chief Financial Officer of Value Partners, responsible for business development and management and corporate affairs of the Group. Mr. TSE joined the Group in January 2007 as Finance Director, and was promoted to Chief Financial Officer in January 2009. Then, in July 2010, he was promoted to Deputy Chief Executive Officer.

Prior to joining Value Partners, Mr. TSE worked in PricewaterhouseCoopers and KPMG, where he gained detailed knowledge of the investment management industry, and a strong combination of financial expertise, capital markets experience and strategic perspective, particularly in the Greater China Region, including Hong Kong, mainland China and Taiwan.

Mr. TSE is 36 and he graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration in 1997. He became a CFA charterholder in 2001 and a Fellow of the Hong Kong Institute of Certified Public Accountants in 2009.

Independent Non-executive Directors

CHEN Shih-Ta Michael

Independent Non-executive Director

Dr. Michael Shih-Ta CHEN was appointed as an Independent Non-executive Director of Value Partners Group Limited on 22 October 2007.

Dr. CHEN is currently the Executive Director of the Harvard Business School Asia Pacific Research Center, the first international research office established by the Harvard Business School in Asia. Prior to joining the Center in October 2005, Dr. CHEN worked in both the private and public sectors. Previously, Dr. CHEN served as Head of the Risk Management Unit of the Private Sector Operations Department of the Asian Development Bank, Head of International Private Banking in Hong Kong of Standard Chartered Bank, and as a Regional Director of National Westminster Bank. He has also served on the boards of Asian Development Bank investee companies and has taught and written cases for various educational entities and universities.

Dr. CHEN is 66 and he graduated with a BA (Honors) Degree in Economics from the University of California, Berkeley in the U.S.A., received an MBA from Harvard University in the U.S.A. in 1972 and obtained a PhD in Economics from Cornell University in the U.S.A. in 1973.

LEE Siang Chin

Independent Non-executive Director

Mr. LEE Siang Chin was appointed as an Independent Non-executive Director of Value Partners Group Limited on 22 October 2007.

Mr. LEE is a Director of the Social Security Organization of Malaysia and a member of its investment panel. Mr. LEE also serves as an Independent Non-executive Director for AmInvestment Services Bhd, AmFutures Sdn Bhd, Uni.Asia Life Assurance Bhd, AmFraser Securities Pte. Ltd., Star Publications (Malaysia) Berhad, a company listed on the Malaysian Stock Exchange, and Hilong Holding Ltd., a company listed on The Stock Exchange of Hong Kong Limited. Mr. LEE had previously served as Chairman and Managing Director of Surf88.com Sdn Bhd, and AmSecurities Sdn Bhd, respectively, and has worked in corporate finance of leading investment banks in London, Sydney and Kuala Lumpur. Mr. LEE has held various public offices, and had served as a board member of the Kuala Lumpur Stock Exchange and President of the Association of Stock Broking Companies in Malaysia.

Mr. LEE is 63 and he became a member of the Malaysian Institute of Certified Public Accountants in 1975, and a Fellow of the Institute of Chartered Accountants in England and Wales in 1979.

Mr. Nobuo OYAMA

Independent Non-executive Director

Mr. Nobuo OYAMA was appointed as an Independent Non-executive Director of Value Partners Group Limited on 22 October 2007.

Mr. OYAMA is the founder and Managing Director of Asiavest Co. Ltd., an independent investment research and advisory firm in Tokyo, Japan. He is also Director and Chief Financial Officer of Yappa Corporation, Japan and Chief Financial Officer of XTrillion, Inc., Japan. He has over 30 years of experience in offshore treasury operations for Japanese institutional investors across Japan, United Kingdom and Hong Kong, and he has worked for Nichimen and Sojitz.

Mr. OYAMA is 58 and he received a Bachelor's degree in Economics from the Kobe University in Japan, and was awarded a Master's degree in Business Administration from Asia University, Tokyo, Japan, in 2010. He became a Chartered Member of the Security Analysts Association of Japan (CMA®) in 2009.

Other Senior Management

CHOW Wai Chiu William

Managing Director, ETF Business
Value Partners Limited

Mr. William CHOW is a Managing Director of ETF Business, where he holds a leadership role in the Company's exchange traded funds (ETFs) business. Mr. CHOW joined the Group in February 2010.

Mr. CHOW has extensive experience in the ETF industry, with a solid track record in product development and strategy as well as ETF portfolio management. Previously, he was the Senior Portfolio Manager at Blackrock North Asia Ltd, participating in iShares ETFs portfolio management. He was also the Lead Portfolio Manager of a number ETFs established under iShares including iShares FTSE A50 China Index ETF (one of the largest ETFs in Asia). Prior to joining iShares, he spent four years at State Street Global Advisors Asia Ltd ("SSgA"), as a Portfolio Manager and was responsible for various institutional equity index, asset allocation and currency hedging strategies, as well as managing ETFs such as the Tracker Fund of Hong Kong. Before joining SSgA, Mr. CHOW worked for UBS AG.

Mr. CHOW is 36 and he graduated with a Master's degree in Science in Operational Research from the London School of Economics and Political Science (UK) in 1999, and a Bachelor's degree in Engineering (Hons) in Civil Engineering from the University College London (UK) in 1998.

HO Man Kei, Norman, CFA

Investment Director
Value Partners Limited

Mr. Norman HO is an Investment Director of Value Partners, where he holds a leadership role in the Company's investment process, including a high degree of responsibility for portfolio management.

Mr. HO has extensive experience in the fund management and investment industry, with a focus on research and portfolio management. Mr HO was promoted to Investment Director in July 2010, and has since been participating in the Company's investment management and leading the investment management team's development. He joined Value Partners in November 1995. Prior to that, he was an executive with Dao Heng Securities Limited and had started his career with Ernst & Young.

Mr. HO is 45 and he graduated with a Bachelor's degree in Social Sciences (majoring in Management Studies) from the University of Hong Kong in 1989. He became a CFA charterholder in 1996.

TAM Raymond Hin Tat

Managing Director, Sales
Value Partners Limited

Mr. Raymond TAM is a Managing Director of Sales, where he holds a leadership role in driving the Company's retail and institutional business. Mr. TAM joined the Group in April 2008.

Mr. TAM has extensive experience in the industry, especially in Hong Kong and Asia Pacific. Previously, he served as Vice President at BlackRock (formerly Merrill Lynch Investment Managers) and was responsible for sales and marketing of both retail and institutional (pension business) channels. Prior to that, he worked at JF Asset Management, where he was responsible for direct sales and fund distribution.

Mr. TAM is 37 and he graduated from the University of Western Ontario in Canada, with a Bachelor's degree in Economics in 1996.

WOO Lai Nga, Rebecca, CFA & CPA

Chief Compliance Officer
Value Partners Limited

Ms. Rebecca WOO is Chief Compliance Officer of Value Partners, where she oversees the Company's compliance, legal and risk management functions.

Ms. WOO has broad experience in the industry, particularly with regard to compliance functions and scope, expertise in regulatory statutes, and other related functions. She first joined Value Partners in October 2002 as a Compliance Manager, and in May 2004 she was promoted to the role of Compliance Director. In January 2008 she was again promoted to the role of Chief Compliance Officer. Prior to that, she was a senior associate of PricewaterhouseCoopers.

Ms. WOO is 35 and she graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration in 1998. Ms. WOO became a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in 2002, and she became a CFA charterholder in 2003.

The Board of Directors (the "Board" or the "Directors") of Value Partners Group Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

Principal activities

The Company is an investment holding company. The Group is principally engaged in value-oriented asset management businesses. The activities of its principal subsidiaries are set out in Note 16 to the consolidated financial statements.

Results

The results of the Group for the year are set out in the Consolidated Statement of Comprehensive Income on page 40.

Dividend

No interim dividend was paid during the year. The Directors recommend the payment of final dividend of HK5.8 cents per share for the year ended 31 December 2011 to the shareholders whose names are registered on the register of members of the Company on 7 May 2012.

Summary of results, assets and liabilities

Summary of results, assets and liabilities for the years of 2007 to 2011 are set out on page 3 of this report.

Share capital

Details of the movements during the year in the share capital of the Company are set out in Note 26 to the consolidated financial statements.

Reserves

Details of the movements during the year in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 43.

In addition to the retained profits of the Company, the share premium account of the Company is also available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid in accordance with the Companies Law of the Cayman Islands.

As at 31 December 2011, the Company's distributable reserve was HK$1,749,963,000.

Charitable contributions

During the year, the Group made charitable contributions totaling HK$3,000,000.

Board of Directors

During the year ended 31 December 2011 and up to the date of this report the Board comprised:

Executive Directors

Mr. CHEAH Cheng Hye *(Chairman)*
Mr. CHAN Sheung Lai, Jimmy
Mr. Michael Francis COOREY (appointed on 28 January 2011, re-designated as Non-executive Director on 20 May 2011 and resigned from this position on 11 July 2011)
Ms. HUNG Yeuk Yan Renee
Mr. SO Chun Ki Louis
Mr. TSE Wai Ming, Timothy

Independent Non-executive Directors

Dr. CHEN Shih-Ta Michael
Mr. LEE Siang Chin
Mr. Nobuo OYAMA

In accordance with article 87 of the Company's articles of association, Mr. SO Chun Ki Louis, Mr. TSE Wai Ming, Timothy and Mr. Nobuo OYAMA will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors are independent.

Biographical details of the Directors as at the date of this annual report are set out on pages 20 to 24.

Directors' service contracts

Each of the Executive Directors has entered into a service contract with the Company for a term of three years. The service contract shall be terminated in accordance with the provisions of the service contract or, throughout the term of the appointment, by either party giving to the other party not less than three months' prior notice in writing (other than Mr. CHEAH Cheng Hye whose notice period is six months).

Each of the Independent Non-executive Directors has entered into a service contract with the Company for one year commencing on 22 November 2011 and either the Company or the Independent Non-executive Director may terminate the appointment by giving at least three months' notice in writing.

Save as disclosed above, none of the Directors have entered or have proposed to enter into any service agreement with the Company or any member of the Group which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' interests in shares, underlying shares and debentures

As at 31 December 2011, 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 Securities and Futures Ordinance (the "SFO")) which had notified to the Company and 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 Listing Rules, were as follows:

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

Name of Director	Nature of interest	Number of Shares	Number of underlying Shares in which the Directors hold under the share option scheme[4]	Approximate percentage of issued Shares
Mr. CHEAH Cheng Hye	Founder of trust/beneficial[1]	499,730,484	–	28.47%
	Beneficial	–	57,050,828	3.25%
Mr. CHAN Sheung Lai, Jimmy	Beneficial	50,000	1,500,000	0.08%
Ms. HUNG Yeuk Yan Renee	Founder of trust[2]	26,704,583	–	1.52%
	Beneficial	–	7,236,140	0.41%
Mr. SO Chun Ki Louis	Beneficial	26,641,583	8,736,140	2.01%
Mr. TSE Wai Ming, Timothy	Beneficial	100,000	1,300,000	0.07%
Mr. LEE Siang Chin	Corporate[3]	500,000	–	0.02%
Mr. Nobuo OYAMA	Beneficial	390,000	–	0.02%

Notes:

(1) These Shares are directly held by Cheah Capital Management Limited ("CCML") which is wholly-owned by Cheah Company Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. CHEAH Cheng Hye and certain members of his family.

(2) These Shares are directly held by Bright Starlight Limited which is wholly-owned by Scenery Investments Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. HUNG Yeuk Yan Renee.

(3) These Shares are directly held by Stenying Holdings Limited, whose entire issued share capital is held by Mr. LEE Siang Chin and Ms. KOO Yoon Kin in equal shares. Ms. KOO Yoon Kin is the spouse of Mr. LEE Siang Chin.

(4) The number of underlying Shares in which the Directors hold under the share option scheme are detailed in "Share options" section below.

(b) Interest in associated corporation

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

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

(c) Share options

The Company adopted a share option scheme on 24 October 2007 (and as amended on 15 May 2008) (the "Scheme"). A summary of the movements of the outstanding share options during the year ended 31 December 2011 is as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2011	Number of Share Options Granted	Exercised	Lapsed	As at 31/12/2011
Directors								
Mr. CHEAH Cheng Hye	26/03/2008	26/03/2008-25/09/2014	5.50	1,600,000	–	–	–	1,600,000
	15/05/2008	15/05/2008-14/11/2014	5.50	55,450,828	–	–	–	55,450,828
Mr. CHAN Sheung Lai, Jimmy	23/06/2010	23/06/2011-22/12/2016	5.00	500,000	–	–	–	500,000
		23/06/2012-22/12/2016	5.00	500,000	–	–	–	500,000
		23/06/2013-22/12/2016	5.00	500,000	–	–	–	500,000
Ms. HUNG Yeuk Yan Renee	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	–	–	–	4,036,140
	27/04/2009	27/10/2011-26/10/2015	2.436	3,200,000	–	–	–	3,200,000
Mr. SO Chun Ki Louis	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	–	–	–	4,036,140
	27/04/2009	27/10/2011-26/10/2015	2.436	3,200,000	–	–	–	3,200,000
	23/06/2010	23/06/2011-22/12/2016	5.00	500,000	–	–	–	500,000
		23/06/2012-22/12/2016	5.00	500,000	–	–	–	500,000
		23/06/2013-22/12/2016	5.00	500,000	–	–	–	500,000
Mr. TSE Wai Ming, Timothy	26/03/2008	25/03/2009-25/09/2014	5.50	283,334	–	(283,334)	–	–
		25/03/2010-25/09/2014	5.50	283,334	–	(16,666)	–	266,668
		25/03/2011-25/09/2014	5.50	283,332	–	–	–	283,332
	23/06/2010	23/06/2011-22/12/2016	5.00	250,000	–	–	–	250,000
		23/06/2012-22/12/2016	5.00	250,000	–	–	–	250,000
		23/06/2013-22/12/2016	5.00	250,000	–	–	–	250,000
Employees	26/03/2008	26/03/2008-25/09/2014	5.50	18,569,742	–	(4,053,819)	–	14,515,923
		25/03/2009-25/09/2014	5.50	1,495,335	–	(485,000)	–	1,010,335
		25/03/2010-25/09/2014	5.50	1,495,335	–	(411,000)	–	1,084,335
		25/03/2011-25/09/2014	5.50	1,495,330	–	(161,000)	–	1,334,330
	23/06/2010	23/06/2011-22/12/2016	5.00	1,450,003	–	–	–	1,450,003
		23/06/2012-22/12/2016	5.00	1,450,003	–	–	–	1,450,003
		23/06/2013-22/12/2016	5.00	1,449,994	–	–	–	1,449,994
Total				103,528,850	–	(5,410,819)	–	98,118,031

Notes:

1. The closing prices of the Shares immediately before the share options granted on 26 March 2008, 15 May 2008, 27 April 2009 and 23 June 2010 were HK$5.50, HK$7.56, HK$2.20 and HK$5.00 respectively.

2. No share option was cancelled during the year.

3. 2,667,000 share options lapsed on 1 January 2011.

4. The share options granted to Mr. CHEAH Cheng Hye were in excess of his individual limit under the Listing Rules. The grant of excess share options to Mr. CHEAH was approved in the annual general meeting of the Company held on 15 May 2008.

5. The weighted average closing price of the shares immediately before the dates of exercise by the director and employees was HK$7.52.

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

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

Substantial shareholders' interests

As at 31 December 2011, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the shares under the SFO

Name	Nature of interest	Number of Shares	Approximate percentage of issued Shares
Ms. TO Hau Yin(1)	Spouse	556,781,312	31.72%
Mr. YEH V-Nee	Beneficial	298,689,324	17.01%
Mrs. YEH Mira(2)	Spouse	298,689,324	17.01%
Cheah Capital Management Limited(3)	Beneficial	499,730,484	28.47%
Cheah Company Limited(3)	Corporate	499,730,484	28.47%
Hang Seng Bank Trustee International Limited(3)(4)	Trustee	526,435,067	29.99%
Hang Seng Bank Limited(3)(4)	Interest of controlled corporation	526,435,067	29.99%
HSBC Holdings plc(3)(4)	Interest of controlled corporation	526,523,067	29.99%
Affiliated Managers Group, Inc.(5)	Interest of controlled corporation	137,244,000	7.81%
Legg Mason Inc.(6)	Interest of controlled corporation	158,620,400	9.03%

Notes:

(1) Ms. TO Hau Yin is the spouse of Mr. CHEAH Cheng Hye.

(2) Mrs. YEH Mira is the spouse of Mr. YEH V-Nee.

(3) Cheah Capital Management Limited ("CCML") is wholly-owned by Cheah Company Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Mr. CHEAH Cheng Hye is the founder of this trust.

(4) This includes 499,730,484 Shares held by CCML and 26,704,583 Shares held by Bright Starlight Limited. Bright Starlight Limited is wholly-owned by Scenery Investments Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. HUNG Yeuk Yan Renee. For the purposes of the SFO, Ms. HUNG Yeuk Yan Renee is the founder of this trust. Hang Seng Bank Trustee International Limited is wholly-owned by Hang Seng Bank Limited and the ultimate holding company is HSBC Holdings plc.

(5) These Shares are held by AKH Holding LLC and the ultimate holding company is Affiliated Managers Group, Inc.

(6) These Shares are held by Royce & Associates, LLC and the ultimate holding company is Legg Mason Inc.

Directors' interest in contracts of significance

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share options

A share option scheme (the "Share Option Scheme") was adopted by the sole shareholder's written resolution of the Company dated 24 October 2007 (and as amended on 15 May 2008). A summary of the principal terms of the Share Option Scheme is set out below.

1. Purpose of the Share Option Scheme

To reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole.

2. Participants of the Share Option Scheme

Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

3. Total number of Shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2011

160,000,000 shares (9.12%)

4. Maximum entitlement of each participant under the Share Option Scheme

In any 12-month period, in aggregate not over:–

(a) 1% of the issued share capital (excluding substantial shareholders and Independent Non-executive Directors).

(b) 0.1% of the issued share capital and exceeding HK$5 million in aggregate value (for substantial shareholders and Independent Non-executive Directors).

Such further grant of options shall be subject to prior approval by a resolution of the Shareholders.

5. The period within which the Shares must be taken up under an option

In respect of any particular option, the period to be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the date of grant.

6. The minimum period for which an option must be held before it can be exercised

Nil

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

Upon acceptance of the option, the grantee shall inform the Company together with HK$1 by way of consideration for the grant within 28 days from the date of offer.

8. The basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:–

(a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;

(b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

9. The remaining life of the Share Option Scheme

The Share Option Scheme will remain valid until 23 October 2017.

Connected transactions and continuing connected transactions

During the year, the Company did not have any connected transactions and continuing connected transactions which were subject to the disclosure requirements of the Listing Rules. The related-party transactions as disclosed in Note 34 did not fall under the definition of connected transactions or continuing connected transactions in the Listing Rules.

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:

- The monthly salary of Mr. CHAN Sheung Lai, Jimmy was revised from HK$171,000 to HK$179,550 with effect from 1 January 2012.

- The monthly salary of Ms. HUNG Yeuk Yan Renee was revised from HK$150,000 to HK$157,500 with effect from 1 January 2012.

- The monthly salary of Mr. SO Chun Ki Louis was revised from HK$171,000 to HK$184,680 with effect from 1 January 2012.

- The monthly salary of Mr. TSE Wai Ming, Timothy was revised from HK$150,000 to HK$157,500 with effect from 1 January 2012.

- The annual remuneration of each of Dr. CHEN Shih-Ta Michael, Mr. LEE Siang Chin and Mr. Nobuo OYAMA was revised from HK$262,500 to HK$275,000 with effect from 23 November 2011.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' and the five highest paid individuals' emoluments

The Directors' fees and remuneration and the emoluments of the five highest paid individuals are disclosed in Note 9 to the consolidated financial statements. The emoluments of the Directors are determined with regard to their duties and responsibilities, the Company's performance, prevailing market conditions and after considering the market emoluments for Directors of other listed companies.

Pension schemes

Pension costs for the year are set out in Note 9 to the consolidated financial statements.

Sufficiency of public float

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

Purchase, redemption or sale of listed shares of the Company

The Company has purchased a total of 2,401,000 Shares on the Stock Exchange during the year ended 31 December 2011 and the aggregate consideration paid was HK$7,263,343.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the Companies Law in the Cayman Islands.

Major customers and suppliers

The Group's five largest customers (in terms of AUM as of 31 December 2011) accounted for 44.5% of the Group's total fee income, and the Group's five largest suppliers accounted for 69.6% of the Group's distribution fee expenses for the year ended 31 December 2011.

The Group's largest customer (in terms of AUM as at the end of year) accounted for approximately 10.9% of the Group's total fee income whereas our largest supplier accounted for approximately 28.6% of total distribution fee expenses.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's top five largest customers or suppliers.

Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in Note 17 to the consolidated financial statements.

Post balance sheet event

On 16 November 2011, the Group entered into a Sale and Purchase Agreement with KBC Asset Management NV to acquire 49% stake in KBC Goldstate Fund Management Co., Ltd. The acquisition was approved by the Chinese Securities Regulatory Commission on 5 March 2012, pending further regulatory approvals from the Ministry of Commerce and filing with the relevant industry and commerce authorities.

Auditor

The consolidated financial statements for the year ended 31 December 2011 have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for reappointment.

A resolution to re-appoint PricewaterhouseCoopers as auditor of the Company will be submitted at the forthcoming annual general meeting of the Company.

On behalf of the Board
CHEAH Cheng Hye
Chairman and Co-Chief Investment Officer

Hong Kong, 13 March 2012

The Board of Directors of the Company (the "Board" or "Directors") strives to attain and maintain high standards of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of shareholders, clients and other stakeholders. As running a regulated business, the Group adopted sound corporate governance principles that emphasis a quality Board, effective internal control, stringent compliance practices and transparency and accountability to all stakeholders.

In the Directors' opinion, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year of 2011. The Company continued to maintain high standards of corporate governance and business ethics, and to ensure the full compliance of our operations with applicable laws and regulations.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct in respect of transactions in securities of the Company by Directors. The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the Model Code by the Directors during the year.

Board of Directors

The Board, with over one-third of the Board members are Independent Non-executive Directors, is responsible for overseeing and directing the senior management of the Company. The major duties of the Board include:

- Formulating the vision of the Group;
- Reviewing and approving the interim and final results of the Group;
- Reviewing and approving, if considered fit, the business plans and financial budget of the Group;
- Ensuring a high standard of corporate governance, compliance, internal control and risk management; and
- Overseeing the performance of the senior management.

In order to facilitate the Directors in discharging their duties, a management report incorporating financial highlights, business analysis and budget & forecast analysis has been circulated to the Directors on a monthly basis.

The Board held four meetings in 2011 and the attendance record of each Director at the board meetings is set out below:

	No. of board meetings attended/held
Executive Directors	
Mr. CHEAH Cheng Hye *(Chairman)*	4/4
Mr. CHAN Sheung Lai, Jimmy	4/4
Ms. HUNG Yeuk Yan Renee	4/4
Mr. SO Chun Ki Louis	4/4
Mr. TSE Wai Ming, Timothy	4/4
Mr. Michael Francis COOREY	1/1 (Note)
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	4/4
Mr. LEE Siang Chin	4/4
Mr. Nobuo OYAMA	4/4

Note: Mr. Michael Francis COOREY was appointed as Executive Director on 28 January 2011. He was re-designated as Non-executive Director on 20 May 2011 and resigned from this position on 11 July 2011.

To the best knowledge of the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among the Board members. All the Directors had received training/briefing which covered topics in directors' duties and liabilities, continuing obligations of a listed company, corporate governance and compliance issues after their appointments. Ongoing updates of any applicable laws and regulations were provided by the Company to the Directors in a reasonable time frame.

Each of the Executive Directors entered into a service contract with the Company for a term of three years and each of the Independent Non-executive Directors entered into a service contract with the Company for a term of one year. Under the Company's articles of association, one-third of the Directors, who have served longest on the Board, must retire, thus becoming eligible for re-election at each annual general meeting.

The Company has received the annual confirmation of independence from all the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considered them independent to the Group.

The Company has arranged appropriate director and officer liability insurance coverage since 2007, which is reviewed on an annual basis, for liabilities arising out of corporate activities from being the Directors and senior management of the Group.

Chairman and Chief Executive Officer

The Chairman of the Board, Mr. CHEAH Cheng Hye, chairs all the board meetings and general meetings. He is leading the overall business and investment strategies of the Group. Mr. CHAN Sheung Lai, Jimmy, the Chief Executive Officer of the Company, is responsible for the business development, external relations, and business and corporate management of the Group.

Board committees

The Board has established the following committees with specific responsibilities as described in the respective terms of reference available on the Company's website:

1. Audit Committee

The Company established the Audit Committee on 24 October 2007 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are considering of how the Board should apply financial reporting and internal control principles and maintaining an appropriate relationship with the Company's auditor. The Audit Committee comprises Dr. CHEN Shih-Ta Michael, Mr. LEE Siang Chin and Mr. Nobuo OYAMA, all of which are Independent Non-executive Directors. The Audit Committee is chaired by Mr. LEE Siang Chin.

The Audit Committee held four meetings in 2011. The attendance record of each member at the Audit Committee meetings is set out below:

	No. of Audit Committee meetings attended/held
Mr. LEE Siang Chin *(Chairman)*	4/4
Dr. CHEN Shih-Ta Michael	4/4
Mr. Nobuo OYAMA	4/4

In 2011, the Audit Committee reviewed, discussed and approved the issues related to:

- The Group's interim and annual results, preliminary announcements and reports and recommendations of their major opinions to the Board.
- The auditor's remuneration (including the non-audit services) and its terms of engagement.
- The review of the revised accounting standards applicable to the Group.
- The review of the reports prepared by risk management, compliance and internal audit departments.

The representatives of the auditor attended three of the above Audit Committee meetings. In order to further enhance independent reporting by the auditor, the members met with the auditor without the presence of the management once a year when reviewing the final results.

2. Remuneration Committee

The Company established the Remuneration Committee on 24 October 2007 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include determining the policy and structure for the remuneration of Executive Directors and senior management, reviewing incentive schemes and Directors' service contracts, and confirming the performance based remuneration packages for all Directors and senior management. The Remuneration Committee comprises Mr. CHEAH Cheng Hye, Mr. TSE Wai Ming, Timothy, Dr. CHEN Shih-Ta Michael, Mr. LEE Siang Chin and Mr. Nobuo OYAMA, three of which are Independent Non-executive Directors. The Remuneration Committee is chaired by Dr. CHEN Shih-Ta Michael.

The Remuneration Committee held two meetings in 2011. The attendance record of each member at the Remuneration Committee meetings is set out below:

	No. of Remuneration Committee meetings attended/held
Dr. CHEN Shih-Ta Michael *(Chairman)*	2/2
Mr. CHEAH Cheng Hye	2/2
Mr. LEE Siang Chin	2/2
Mr. Nobuo OYAMA	2/2
Mr. TSE Wai Ming, Timothy	2/2

In 2011, the Remuneration Committee reviewed, discussed and/or approved the issues related to:

- The remuneration level for Directors and senior management for the year 2012 which was based on individual performance with reference to an independent salary survey report.
- The bonus allocation and the bonus paid to the Directors and senior management which were in line with the Group's financial results and individual performance.
- The service contracts of Directors.

3. Nomination Committee

The Company established the Nomination Committee on 13 March 2012. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee comprises Mr. CHEAH Cheng Hye, Dr. CHEN Shih-Ta Michael, Mr. LEE Siang Chin, Mr. Nobuo OYAMA and Mr. TSE Wai Ming, Timothy, three of which are Independent Non-executive Directors. The Nomination Committee is chaired by Mr. CHEAH Cheng Hye.

Before setting up of the Nomination Committee, the Board was collectively responsible for nominating new Directors and reviewed the structure, size and composition of the Board from time to time.

4. Risk Management Committee

The Company established the Risk Management Committee on 24 October 2007. The primary duties of the Risk Management Committee are to establish and maintain effective policies and guidelines to ensure proper management of risks to which the Group and its clients are exposed and to take appropriate and timely action to manage such risks. The Risk Management Committee comprises Mr. CHEAH Cheng Hye and Mr. SO Chun Ki Louis or their designated investment officers, Mr. CHAN Sheung Lai, Jimmy, Ms. Vivienne LEE, Mr. TSE Wai Ming, Timothy and Ms. WOO Lai Nga. The Risk Management Committee is chaired by Ms. WOO Lai Nga, the Chief Compliance Officer of the Group.

In the meetings which the Risk Management Committee held during 2011, the members reviewed, discussed and/or approved measures related to enhancement of the regular risk report, upgrade of the external risk system, monitor liquidity risk, market risk and counterparty risk, enhancement of certain features in the in-house fund management system and enhanced approval and notification procedures on certain non-equity investments.

5. Valuation Committee

The Company established the Valuation Committee on 31 January 2008. The primary duties of the Valuation Committee are ensuring that the investment instruments of funds under the Group's management are appropriately valued by persons independent of those who manage the funds and, in particular that these values are fair to fund investors. The Valuation Committee comprises Mr. CHAN Sheung Lai, Jimmy and Mr. TSE Wai Ming, Timothy. The Valuation Committee is chaired by Mr. TSE Wai Ming, Timothy.

In the meetings which the Valuation Committee held during 2011, the members reviewed, discussed and/or approved the valuation of various securities and convertible bonds invested by the Group.

Internal control

It is the responsibility of the Board to ensure that the Group maintains sound and effective system of internal controls. The key procedures to provide effective internal controls are described as follows:

- The internal control system of the Group has an organizational structure with clear reporting lines and supervisory and reporting responsibilities assigned to qualified and experienced persons.
- Business plans and budgets are prepared annually and subject to review and approval by the senior management team.
- Business decisions are governed under the established parameters of delegated authority.
- Key duties and functions are appropriately segregated.
- Detailed written compliance manual, policies and procedures are in place with which all staff are provided, and are required to review and follow.
- Staff who are licensed persons are required to attend continuous professional training.
- Core business activities are conducted through a custom designed system with sufficient audit trail maintained.
- The Group employs independent, reputable and credible custodian banks to safeguard clients' assets.
- All subscription/redemption monies are made payable directly to/from the custodian banks.
- Client identification and prevention of money laundering and terrorist financing procedures are conducted to verify the identity and source of funds.
- A business contingency plan is in place to provide continuation of critical business operations in the event of disaster, whether natural or man-made.

The Head of Corporate Audit oversees internal audit matters. The roles and functions of the Corporate Audit Department include:

- Conducting audit reviews to assess level of adherence to company policies and procedures and follow up on issues identified.
- Evaluating the adequacy, effectiveness and efficiency of internal controls and procedures, and providing recommendations to senior management.
- Reviewing procedure manuals.

Periodic reports on the internal control status of the Group's operations prepared by the Corporate Audit Department are submitted to the Audit Committee for review. The reports specify any internal issues that may have been identified, details on how the issues have been dealt with and offer recommendations on how the procedures can be improved.

The Board, through the Audit Committee, assesses on an annual basis the effectiveness of the Group's internal control system which covers all material controls, including financial, operational, compliance and risk management functions, and considered the internal control system was effective and adequate for the period under review.

Auditor's remuneration

The remuneration of the audit services rendered by the auditor of the Company was mutually agreed in view of the scope of services to be provided. The audit fee for the year ended 31 December 2011 was approximately HK$2.8 million. In addition, the auditor of the Company also provided tax services and other engagements to the Group in 2011 and the fees were approximately HK$0.7 million and HK$0.2 million respectively.

Preparation of Financial Statements

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for the year ended 31 December 2011 (the "Financial Statements") and the auditor of the Company also set out their reporting responsibilities on the Financial Statements in its auditor's report of this annual report.

Shareholders' rights

Pursuant to the articles of association of the Company, the Board may call an extraordinary general meeting whenever it thinks fit. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. The articles of association of the Company is available on the Company's website.

The Company regards the annual general meeting ("AGM") an important event as it provides a platform for the Board to communicate with the shareholders. The notice of AGM is sent to the shareholders at least 20 clear business days prior to the date of AGM. All the Directors and representatives of the auditor attended the AGM for the year 2011 and the Chairman himself took the chair in the AGM to ensure shareholders' views and questions were well communicated and answered by the Board.

The Corporate Communications Department of the Company responds to emails, letters and telephone enquiries from the public, shareholders and investors. Whenever there is enquiry on matters in relation to the Company, he or she may put such enquiry in writing and address it to the principal office of the Company in Hong Kong or through an email to vpg@vp.com.hk. The Company also maintains a website at www.valuepartnersgroup.com.hk to keep shareholders and investors posted of the latest business developments, interim and annual results announcements, financial reports, public announcements, corporate governance practices and other relevant information of the Group.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VALUE PARTNERS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Value Partners Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 84, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 March 2012

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Income			
Fee income	6	**688,936**	1,075,209
Distribution and advisory fee expenses	7	**(166,940)**	(101,574)
Net fee income		**521,996**	973,635
Other income	8	**24,760**	9,752
Total net income		**546,756**	983,387
Expenses			
Compensation and benefit expenses	9	**(181,992)**	(276,459)
Operating lease rentals		**(11,965)**	(7,322)
Other expenses	10	**(59,168)**	(35,563)
Total expenses		**(253,125)**	(319,344)
Changes in fair value of investment properties		**18,694**	–
Net (losses)/gains on investments		**(114,123)**	91,892
Others		**11,400**	3,546
Other (losses)/gains – net	11	**(84,029)**	95,438
Operating profit		**209,602**	759,481
Share of loss of an associate	20	**(185)**	(86)
Share of loss of a joint venture	21	**(2,345)**	(2,500)
Profit before tax		**207,072**	756,895
Tax expense	12	**(42,300)**	(103,723)
Profit for the year		**164,772**	653,172
Other comprehensive (loss)/income for the year			
Fair value (losses)/gains on available-for-sale financial assets	27	**(4,205)**	1,391
Foreign exchange translation reserve		**(664)**	–
Other comprehensive (loss)/income for the year		**(4,869)**	1,391
Total comprehensive income for the year		**159,903**	654,563
Profit attributable to			
Equity holders of the Company		**167,299**	653,172
Non-controlling interests		**(2,527)**	–
		164,772	653,172
Total comprehensive income for the year attributable to			
Equity holders of the Company		**163,403**	654,563
Non-controlling interests		**(3,500)**	–
		159,903	654,563
Earnings per share for profit attributable to equity holders of the Company (HK cents per share)			
– basic	14.1	**9.5**	40.1
– diluted	14.2	**9.5**	39.9
Dividends (HK$'000)	15	**101,802**	280,351

The notes on pages 45 to 84 are an integral part of these consolidated financial statements.

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	17	**8,129**	7,951
Intangible assets	18	**52,670**	1,583
Investment properties	19	**78,000**	58,743
Investment in an associate	20	**–**	710
Interest in a joint venture	21	**–**	6,484
Deferred tax assets	28	**328**	–
Investments	22	**959,556**	660,113
Other assets		**1,977**	1,847
Restricted bank balances	25	**11,552**	–
		1,112,212	737,431
Current assets			
Investments	22	**21,081**	164,920
Fees receivable	23	**61,427**	654,294
Prepayments and other receivables		**37,362**	16,886
Cash and cash equivalents	24	**1,315,348**	1,218,561
		1,435,218	2,054,661
Current liabilities			
Accrued bonus		**69,501**	190,184
Distribution fee expenses payable	29	**23,933**	33,964
Other payables and accrued expenses		**21,197**	76,479
Current tax liabilities		**8,785**	73,499
		123,416	374,126
Net current assets		**1,311,802**	1,680,535
Total assets less current liabilities		**2,424,014**	2,417,966
Non-current liabilities			
Deferred tax liabilities	28	**–**	32
Net assets		**2,424,014**	2,417,934
Equity			
Capital and reserves attributable to equity holders of the Company			
Issued equity	26	**889,213**	866,717
Other reserves	27	**153,671**	150,169
Retained earnings			
– proposed dividends	15	**101,802**	280,351
– others		**1,185,198**	1,120,697
		2,329,884	2,417,934
Non-controlling interests		**94,130**	–
Total equity		**2,424,014**	2,417,934

On behalf of the Board

CHAN Sheung Lai, Jimmy
Director

TSE Wai Ming, Timothy
Director

The notes on pages 45 to 84 are an integral part of these consolidated financial statements.

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Investments in subsidiaries	16	**1,390,816**	970,517
Interest in a joint venture	21	**–**	6,484
Amounts due from subsidiaries	34.5	**438,752**	730,610
		1,829,568	1,707,611
Current assets			
Dividends receivable	34.6	**100,000**	200,000
Current tax assets		**175**	–
Prepayments and other receivables		**202**	290
Cash and cash equivalents	24	**2,057**	171,271
		102,434	371,561
Current liabilities			
Other payables and accrued expenses		**519**	2,943
Net current assets		**101,915**	368,618
Total assets less current liabilities		**1,931,483**	2,076,229
Non-current liabilities			
Amounts due to a subsidiary	34.5	**6,000**	1,000
Net assets		**1,925,483**	2,075,229
Equity			
Share capital and share premium	26	**1,756,027**	1,733,531
Other reserves	27	**153,188**	144,449
Retained earnings	27	**16,268**	197,249
Total equity		**1,925,483**	2,075,229

On behalf of the Board

CHAN Sheung Lai, Jimmy
Director

TSE Wai Ming, Timothy
Director

The notes on pages 45 to 84 are an integral part of these consolidated financial statements.

	Note	Attributable to equity holders of the Company					
		Issued equity HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2010		53,767	139,631	876,016	1,069,414	–	1,069,414
Profit for the year		–	–	653,172	653,172	–	653,172
Other comprehensive income							
Fair value gains on available-for-sale financial assets	27	–	1,391	–	1,391	–	1,391
Total comprehensive income		–	1,391	653,172	654,563	–	654,563
Transactions with owners							
Shares issued upon exercise of share options	26	37,648	–	–	37,648	–	37,648
Shares issued, net of issuing expenses	26	775,302	–	–	775,302	–	775,302
Share-based compensation	26, 27	–	9,147	–	9,147	–	9,147
Dividends to equity holders of the Company		–	–	(128,140)	(128,140)	–	(128,140)
Total transactions with owners		812,950	9,147	(128,140)	693,957	–	693,957
As at 31 December 2010		866,717	150,169	1,401,048	2,417,934	–	2,417,934
As at 1 January 2011		**866,717**	**150,169**	**1,401,048**	**2,417,934**	**–**	**2,417,934**
Profit for the year		**–**	**–**	**167,299**	**167,299**	**(2,527)**	**164,772**
Other comprehensive income/(loss)							
Fair value losses on available-for-sale financial assets	27	**–**	**(4,205)**	**–**	**(4,205)**	**–**	**(4,205)**
Foreign exchange translation reserve	27	**–**	**309**	**–**	**309**	**(973)**	**(664)**
Total comprehensive income/(loss)		**–**	**(3,896)**	**167,299**	**163,403**	**(3,500)**	**159,903**
Transactions with owners							
Shares issued upon exercise of share options	26	**29,759**	**–**	**–**	**29,759**	**–**	**29,759**
Repurchase of issued ordinary shares	26, 27	**(7,263)**	**240**	**(240)**	**(7,263)**	**–**	**(7,263)**
Share-based compensation	26, 27	**–**	**8,499**	**–**	**8,499**	**–**	**8,499**
Acquisition of a subsidiary	31.2	**–**	**–**	**–**	**–**	**37,575**	**37,575**
Deemed acquisition of additional interest in a subsidiary	27, 31.3	**–**	**(1,341)**	**–**	**(1,341)**	**1,341**	**–**
Capital contributions by non-controlling interests		**–**	**–**	**–**	**–**	**58,714**	**58,714**
Dividends to equity holders of the Company		**–**	**–**	**(281,107)**	**(281,107)**	**–**	**(281,107)**
Total transactions with owners		**22,496**	**7,398**	**(281,347)**	**(251,453)**	**97,630**	**(153,823)**
As at 31 December 2011		**889,213**	**153,671**	**1,287,000**	**2,329,884**	**94,130**	**2,424,014**

The notes on pages 45 to 84 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Net cash generated from operations	31.1	**742,762**	330,007
Interest received		**6,461**	1,469
Tax paid		**(107,225)**	(49,721)
Net cash generated from operating activities		**641,998**	281,755
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(4,907)**	(2,488)
Disposal of property, plant and equipment and intangible assets		**114**	–
Purchase of investment properties		**(53,671)**	(5,635)
Acquisition of subsidiaries, net of cash acquired	31.2	**(21,363)**	–
Acquisition of an associate		**–**	(796)
Disposal of an associate	20	**501**	–
Purchase of investments		**(456,895)**	(386,509)
Disposal of investments		**181,985**	125,995
Return of capital from investments		**390**	–
Closing of derivative financial instruments		**1,392**	(1,182)
Dividends received from investments		**7,151**	5,540
Interest received from held-to-maturity financial assets		**157**	–
Net cash used in investing activities		**(345,146)**	(265,075)
Cash flows from financing activities			
Proceeds from shares issued upon exercise of share options		**29,759**	37,648
Proceeds from shares issued, net of issuing expenses		**–**	775,302
Repurchase of issued ordinary shares		**(7,263)**	–
Dividends paid		**(281,107)**	(128,140)
Capital contributions by non-controlling interests		**58,714**	–
Net cash (used in)/generated from financing activities		**(199,897)**	684,810
Net increase in cash and cash equivalents		**96,955**	701,490
Exchange losses on cash and cash equivalents		**(168)**	–
Cash and cash equivalents at beginning of the year		**1,218,561**	517,071
Cash and cash equivalents at end of the year		**1,315,348**	1,218,561

The notes on pages 45 to 84 are an integral part of these consolidated financial statements.

1 General information

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

The Company acts as an investment holding company. The activities of its principal subsidiaries are disclosed in Note 16 below. 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").

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 13 March 2012.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and investments.

The preparation of financial statements in conformity with HKFRS requires the use of accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 below.

(a) New standard adopted by the Group

The following new standard is mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 24 (Revised) "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It requires the Group to disclose those transactions between its subsidiaries and its associates. Refer to Note 34.1 below for related disclosures.

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

- HKAS 12 (Amendment) "Deferred Tax: Recovery of Underlying Assets" introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale. The amendment is applicable retrospectively to annual period beginning on or after 1 January 2012 with early adoption permitted.

Under the current Hong Kong tax legislation, capital gains on revaluation of investment properties held for long-term investment purpose are not subject to tax in Hong Kong. The Group considers that the required treatment under the revised standard better reflects the tax position of the investment properties of the Group, and has early adopted the amended standard retrospectively.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) New standards, amendments and interpretations issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

- HKFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- HKFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 12 "Disclosures of Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains and losses on transactions between group companies are eliminated.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

(a) Consolidation (continued)

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of comprehensive income.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill in the consolidated financial statements.

2 Summary of significant accounting policies (continued)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profit/(loss) of an associate" in the consolidated statement of comprehensive income.

The Group has invested in certain investment funds that it manages. As an investment manager, the Group may put seed capital in investment funds that it manages in order to facilitate their launch. The purpose of seed capital is to ensure that the investment funds can have a reasonable starting fund size to operate and to build track record. The Group may subsequently vary the holding of these seed capital investments depending on the market conditions and various other factors. The Group has applied the scope exclusion within HKAS 28 "Investments in Associates" for mutual funds, unit trusts and similar entities and such investments are classified as financial assets at fair value through profit or loss.

2.4 Joint ventures

The Group's interest in joint ventures is accounted for using the equity method of accounting and is initially recognized at cost.

The Group's share of its joint ventures' post-acquisition profit or loss is recognized in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the interest. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

In the Company's balance sheet the interest in joint ventures is stated at cost less any provision for impairment. The results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gains or losses. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in other comprehensive income.

(c) Translation from functional currency to presentation currency

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

2.7 Property, plant and equipment

Property, plant and equipment, comprising leasehold improvements, furniture and fixtures, office equipment and vehicles, are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, as follows:

Leasehold improvements	Over the lease terms
Furniture and fixtures	Five years
Office equipment	Three years
Vehicles	Three years

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognized in the consolidated statement of comprehensive income.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Licence

Licence acquired in a business combination is recognized at fair value at the acquisition date. The licence is considered to have an infinite useful life as it has no specified termination date and is carried at cost less accumulated impairment losses.

(c) Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (five years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years).

2.9 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.10 Impairment

(a) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(b) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.11 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those being designated in accordance with the scope exclusion within HKAS 28. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading.

Held for trading financial assets are included in current assets. Financial assets at fair value through profit or loss being designated in accordance with the scope exclusion within HKAS 28 are included in non-current assets unless management intends to dispose of the financial assets within 12 months of the end of the reporting period.

(b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period which are classified as current assets.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables comprise mainly fees receivable, other receivables and cash equivalents.

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognized on the trade-date the date on which the Group commits to purchase or sell the financial assets. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Held-to-maturity financial assets and loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the consolidated statement of comprehensive income in the period in which they arise. Changes in the fair value of securities classified as available-for-sale financial assets are recognized in other comprehensive income.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive income as gains and losses from available-for-sale financial assets.

The fair value of quoted financial assets is based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using external valuations or valuation techniques. These include the use of quoted bid prices provided by fund administrators and valuations performed by external valuation specialists, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated statement of comprehensive income. Impairment losses recognized in the consolidated statement of comprehensive income on equity securities classified as available-for-sale financial assets are not reversed through the consolidated statement of comprehensive income.

2.12 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The derivative financial instruments are designated as non-hedging instruments and are classified as current assets or liabilities. Changes in the fair value of any non-hedging derivative financial instruments are recognized immediately in the consolidated statement of comprehensive income.

2.13 Fees receivable

Fees receivable are initially recognized at fair value of the fee income receivable and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. A provision for impairment of fees receivable is established when there is objective evidence that the Group will not be able to collect all amounts due.

2 Summary of significant accounting policies (continued)

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and brokers and other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds. Costs directly attributable to the repurchase of issued ordinary shares are shown in equity as a deduction and the nominal value of the shares repurchased is transferred from retained earnings to the capital redemption reserve.

2.16 Current and deferred tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the jurisdictions where the Group, its joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

2.17 Income recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the provision of services have been resolved. Revenue is recognized as follows:

(a) Fees from investment management activities

Management fees are recognized on a time-proportion basis with reference to the net asset value of the investment funds and managed accounts.

Performance fees are recognized on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

2 Summary of significant accounting policies (continued)

2.17 Income recognition (continued)

(b) Fees from fund distribution activities

Front-end fees are recognized on a straight-line basis over the estimated holding periods of the investors in the investment funds. Any unrecognized amounts are treated as deferred income.

Back-end fees are recognized upon redemption by the investors in the investment funds.

(c) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

(d) Dividend income

Dividend income is recognized when the right to receive payment is established.

(e) Rental income

Rental income from investment properties is recognized on a straight-line basis over the term of the lease.

2.18 Fee expenses

Fee expenses comprise:

(a) Distribution fee expenses

Distribution fee expenses represent rebates of management fee, performance fee and front-end fee income by the Group to the distributors for selling its products. Distribution fee expenses are recognized when the corresponding management fees, performance fees and front-end fees are earned by the Group and the Group is obliged to pay the rebates.

(b) Advisory fee expenses

Advisory fee expenses comprise fees paid and payable to the advisors for the provision of advisory services in relation to fund investment policies and strategies. Advisory fee expenses are recognized when the advisory services are received by the Group.

2.19 Compensation and benefits

(a) Bonus

The Group recognizes a liability and an expense for bonus on a basis that takes into consideration the profit attributable to equity holders of the Company and various other factors. The bonus is paid in cash to employees and directors. The Group recognizes a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan and has other equity-settled, share-based compensation arrangements. The fair value of the employee services received in exchange for the grant of the share options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the share options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

2 Summary of significant accounting policies (continued)

2.19 Compensation and benefits (continued)

(b) Share-based compensation (continued)

Non-market vesting conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of share options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity. In the same financial period, the Company makes a recharge to the subsidiaries in respect of share options granted to the subsidiaries' employees.

(c) Pension obligations

The Group participates in a mandatory provident fund scheme in Hong Kong which is a defined contribution plan generally funded through payments to trustee-administered funds. The Group pays contributions to the mandatory provident fund scheme on a mandatory basis. The Group has no legal or constructive obligations to pay further contributions if the mandatory provident fund scheme does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The contributions are recognized as compensation and benefit expenses when they are due.

(d) Other employee benefits

Short-term employee benefit costs are charged in the period to which the employee services relate.

Employee entitlements to annual leave and long-service leave are recognized when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the reporting date.

2.20 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

2.22 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognized but is disclosed in the notes to the consolidated financial statements, where necessary, when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

3 Financial risk management

3.1 Financial risk factors

The Group's activities in relation to financial instruments expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall financial risk management programme focuses on the analysis, evaluation and management of financial risks and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising primarily from fees receivables denominated in United States dollar and bank deposits denominated in Renminbi and Taiwan dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations which are denominated in a currency that is not the entity's functional currency. Foreign currency exposures are covered by forward contracts and options whenever appropriate.

Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar (which is the functional currency of most of the Group's subsidiaries) is pegged to the United States dollar, the directors therefore consider that there are no significant foreign exchange risk with respect to the United States dollar.

The following table shows the approximate changes in the Group's post-tax profit for the year and equity in response to reasonable possible change in the foreign exchange rates to which the Group has significant exposure as at 31 December, with all other variables held constant.

	Change		Impact on post-tax profit		Impact on other components of equity	
	2011	2010	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
The Group						
Renminbi	**+/-5%**	+/-5%	**+/-6,479**	+/-6,791	**+/-18,457**	–
Taiwan dollar	**+/-5%**	–	**+/-1,348**	–	**+/-5,272**	–

Refer to Notes 22, 23, 24 and 29 below for additional disclosures on foreign exchange exposure.

The Company does not have significant exposure to foreign exchange risk.

(b) Interest rate risk

The Group's expenses and financing cash flows are substantially independent of changes in market interest rates as the Group has no interest bearing liabilities.

The Group is exposed to cash flow interest rate risk in respect of bank deposits which are interest-bearing at variable rates. All deposits are short-term deposits with maturities less than one year. The Group is also exposed to fair value interest rate risk in respect of its investments in debt securities.

As at 31 December 2011, if interest rates had been 50 basis points (2010: 50 basis points) (these represent a reasonable possible shift in the interest rates, having regard to the historical volatility of the interest rates) higher or lower with all other variables held constant, post-tax profit for the year would have been HK$1,310,000 higher or HK$1,283,000 lower respectively (2010: HK$3,011,000 higher or lower). The sensitivity analysis for the year ended 31 December 2011 was primarily arising from the decrease/increase in the fair value of investments in debt securities and the increase/decrease in interest income on cash and cash equivalents. The sensitivity analysis for the year ended 31 December 2010 was primarily arising from the increase/decrease in interest income on cash and cash equivalents.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Price risk

The Group is exposed to equity securities price risk in respect of investments held by the Group, which comprises investments in its own investment funds as seed capital and other investments in listed and unlisted equity securities and investment funds. The Group's investments in debt securities are subject to interest rate risk. Refer to Note 3.1(b) above.

The table below summarizes the impact of increases or decreases in the markets in which the Group's investments operate. For the purpose of measuring sensitivity of the Group's investments against markets, the Group uses the correlation between the price movements of the MSCI China Index and the Group's investments because the Group's investments mainly focus on the Greater China equities market and the directors consider that the MSCI China Index is a well-known index representing the universe of opportunities for investments in the Greater China equities market available to non-domestic investors.

The analysis is based on the assumption that the index had increased or decreased by the stated percentages (these represent a reasonable possible shift in the index, having regard to the historical volatility of the index) with all other variables held constant and the Group's investments moved according to the historical correlation with the index.

	Change		**Post-tax profit**	
	2011	2010	**2011 HK$'000**	2010 HK$'000
The Group				
MSCI China Index	**+/-10%**	+/-20%	**+/-29,002**	+/-82,489

Post-tax profit for the year would increase or decrease as a result of gains or losses on investments classified as financial assets at fair value through profit or loss.

Refer to Note 22 below for additional disclosures on price risk.

In addition to securities price risk in respect of investments held by the Group, the Group is exposed to price risk indirectly in respect of management fee and performance fee income which are determined with reference to the net asset value and performance of the investment funds and managed accounts respectively.

(d) Credit risk

Credit risk arises from cash and cash equivalents, restricted bank balances, and related interest receivable placed with banks and financial institutions and investments in debt securities. Credit risk also arises from credit exposures with respect to the investment funds and managed accounts on the outstanding fees receivable. The Group earns fees from investment management activities and fund distribution activities from the investment funds and managed accounts.

Credit risk is managed on a group basis and the credit quality of the counterparty is assessed, taking into account its financial position, past experience and other factors.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Credit risk (continued)

The table below summarizes the credit quality (as illustrated by credit rating) of cash and cash equivalents, restricted bank balances and related interest receivable placed with banks.

	2011 HK$'000	2010 HK$'000
The Group		
AA-	**–**	351,554
A+	**861,269**	24,431
A	**12**	–
A-	**26,984**	773,505
BBB+	**15,800**	66,983
BBB	**53,662**	–
BB+	**332,235**	–
Unrated	**37,041**	–
	1,327,003	1,216,473
The Company		
AA-	**–**	144,163
A+	**2,075**	–
A-	**–**	27,128
	2,075	171,291

The reference independent credit rating used is Standard & Poor's or Fitch Ratings long-term local issuer credit rating. The directors do not expect any losses from non-performance by these counterparties.

As at 31 December 2011, fees receivable from the five major investment funds and managed accounts amounted to HK$38,292,000 (2010: HK$457,482,000), which accounted for 62% (2010: 70%) of the total outstanding balance. Refer to Note 23 below for additional disclosures on credit risk.

The credit quality of the investments in debt securities is disclosed in Note 22 below.

(e) Liquidity risk

The Group manages liquidity risk by maintaining a sufficient amount of liquid assets to ensure daily operational requirements are fulfilled. As at 31 December 2011, the Group and the Company held liquid assets of HK$1,315,348,000 (2010: HK$1,218,561,000) and HK$2,057,000 (2010: HK$171,271,000) respectively, being cash and cash equivalents, that are expected to readily generate cash inflows for managing liquidity risk.

As at 31 December 2011, other than other payables and accrued expenses of HK$1,606,000 (2010: HK$983,000) which have no stated maturity, all of the Group's non-derivative financial liabilities have contractual maturities not longer than three months.

As at 31 December 2011, other than amounts due to a subsidiary of HK$6,000,000 (2010: HK$1,000,000) which have no stated maturity, all of the Company's non-derivative financial liabilities have contractual maturities not longer than three months.

3 Financial risk management (continued)

3.2 Capital risk management

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce liabilities. The Group monitors capital on the basis of total equity as shown in the consolidated balance sheet. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

In addition, as at 31 December 2011, Sensible Asset Management Hong Kong Limited, Sensible Asset Management Limited, Value Partners Hong Kong Limited, Value Partners Limited and Value Partners Private Equity Limited, wholly-owned subsidiaries of the Group, are licensed to carry out regulated activities under the Hong Kong Securities and Futures Ordinance as follows:

Sensible Asset Management Hong Kong Limited[a]	Types 4 and 9
Sensible Asset Management Limited[a]	Types 4 and 9
Value Partners Hong Kong Limited	Types 1, 4, 5 and 9
Value Partners Limited	Types 1, 4, 5 and 9
Value Partners Private Equity Limited[a]	Types 4 and 9

(a) The regulated entities are subject to specified licensing conditions.

The types of regulated activities are as follows:

Type 1	Dealing in securities
Type 4	Advising on securities
Type 5	Advising on futures contracts
Type 9	Asset management

As a result, they are subject to capital requirements on the paid-up capital and liquid capital and file financial returns with the Securities and Futures Commission as follows:

Sensible Asset Management Hong Kong Limited	Half-yearly
Sensible Asset Management Limited	Half-yearly
Value Partners Hong Kong Limited	Monthly
Value Partners Limited	Monthly
Value Partners Private Equity Limited	Half-yearly

3.3 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 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
The Group				
As at 31 December 2011				
Investments	**196,599**	**635,966**	**1,877**	**834,442**
As at 31 December 2010				
Investments	292,437	530,329	2,267	825,033

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices for identical instruments at the reporting date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial instruments held by the Group is the current bid 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. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, either directly (as prices) or indirectly (derived from prices), the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

- Quoted bid prices (or net asset value) provided by fund administrators for unlisted investment funds. These investment funds invest substantially in listed equities.

- Other techniques, such as valuations performed by external valuation specialists, recent arm's length transactions or reference to other instruments that are substantially the same, for the remaining financial instruments.

The Group's investments in investment funds are analyzed into the fair value measurement hierarchy in accordance with the above. As at 31 December 2011 and 2010, the majority of the Group's investments in investment funds are included in level 2. There have been no significant transfers between level 1, level 2 and level 3 of the fair value hierarchy for the year ended 31 December 2011 (2010: Nil).

The following table presents the changes in level 3 instruments.

	Investments	
	2011 HK$'000	2010 HK$'000
Beginning of the year	**2,267**	1,734
Return of capital from investments	**(390)**	–
Gains recognized in profit or loss	**–**	533
End of the year	**1,877**	2,267
Total gains for the year included in the consolidated statement of comprehensive income for level 3 instruments held at the end of the year	**–**	533

4 Critical accounting estimates and judgements

Fair value estimation of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using external valuations or valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The resulting accounting estimates may not be equal to the related actual results.

Fair value estimation of share options

The Group determines the fair value of its share options using the Black-Scholes valuation model which requires input of subjective assumptions as disclosed in Note 26 below. Any change in the subjective input assumptions may materially affect the fair value of an option.

4 Critical accounting estimates and judgements (continued)

Fair value estimation of investment properties

The fair value of investment property is determined by an independent valuer on an open market for existing use basis. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the reporting date and appropriate capitalization rates. The directors have critically assessed these estimates and have regularly compared to actual market data and actual transactions entered into by the Group.

Estimated impairment of goodwill and other intangible assets

The Group tests annually whether goodwill and other intangible assets have suffered any impairment in accordance with accounting policies stated in Note 2.10(a) above. The recoverable amounts of CGUs have been determined based on value-in-use calculations or their fair value less costs to sell, whichever is appropriate, and both bases require the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to Note 18.1 below.

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 segment is identified with reference to these.

The Board of Directors considers that the business of the Group is organized in one operating segment as provision of investment management services in the Greater China and the Asia Pacific region. Additional disclosure in relation to segment information is not presented as the Board of Directors assesses the performance of the only operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total segment income is equivalent to total comprehensive income for the year as shown in the consolidated statement of comprehensive income and the total segment assets are equivalent to the sum of current and non-current assets and the total segment liabilities are equivalent to the sum of current and non-current liabilities as shown in the consolidated balance sheet.

Details of interest income, depreciation and amortization in relation to the operating segment are disclosed in Notes 8 and 10 below respectively.

The Company is domiciled in the Cayman Islands with the Group's major operations in the Greater China and the Asia Pacific region. Total turnover and revenue as disclosed in Note 6 below represented the revenue from external customers arising from investment management services in the Greater China and the Asia Pacific region. The Board of Directors considers that substantially all the assets of the Group are located in Hong Kong. Revenues of approximately HK$74,859,000 (2010: 62,907,000) are derived from a single external customer.

6 Fee income

Turnover and revenue consist of fees from investment management activities and fund distribution activities. Fee income comprises:

	2011 HK$'000	2010 HK$'000
Management fees	**491,433**	343,803
Performance fees	**139,532**	708,493
Front-end fees	**57,214**	22,573
Back-end fees	**757**	340
Total fee income	**688,936**	1,075,209

7 Distribution and advisory fee expenses

Distribution and advisory fee expenses payable to third parties are recognized over the period for which the services are provided.

	2011 **HK$'000**	2010 HK$'000
Distribution fee expenses	**160,632**	91,298
Advisory fee expenses	**6,308**	10,276
Total fee expenses	**166,940**	101,574

8 Other income

	2011 **HK$'000**	2010 HK$'000
Interest income on cash and cash equivalents and restricted bank balances	**6,267**	1,648
Interest income from held-to-maturity financial assets	**1,522**	–
Dividend income on financial assets at fair value through profit or loss	**6,257**	2,382
Dividend income on available-for-sale financial assets	**913**	5,034
Rental income from investment properties	**1,585**	–
Expenses recharged by a subsidiary to a joint venture (Note 34.1)	**5,165**	–
Others	**3,051**	688
Total other income	**24,760**	9,752

Dividend income from listed and unlisted investments for the year ended 31 December 2011 amounted to HK$6,238,000 (2010: HK$2,382,000) and HK$932,000 (2010: HK$5,034,000) respectively.

Interest income from held-to-maturity financial assets arising from listed and unlisted debt securities for the year ended 31 December 2011 amounted to HK$1,119,000 (2010: Nil) and HK$403,000 (2010: Nil) respectively.

9 Compensation and benefit expenses

	2011 **HK$'000**	2010 HK$'000
Management bonus	**69,501**	190,184
Salaries, wages and other benefits	**102,626**	76,088
Share-based compensation (Notes 26 and 27)	**8,499**	9,147
Pension costs – mandatory provident fund scheme	**1,366**	1,040
Total compensation and benefit expenses	**181,992**	276,459

9.1 Pension costs – mandatory provident fund scheme

There were no forfeited contributions utilized during the year ended 31 December 2011 (2010: Nil) and as at 31 December 2011 (2010: Nil) to reduce future contributions.

As at 31 December 2011, no contributions were payable to the mandatory provident fund scheme (2010: Nil).

9 Compensation and benefit expenses (continued)

9.2 Directors' emoluments

The remuneration of each director of the Company is as follows:

	Management bonus HK$'000	Salaries and other benefits[(a)] HK$'000	Share-based compensation HK$'000	Pension costs HK$'000	Total HK$'000
Year ended 31 December 2011					
Executive directors					
Mr Chan, Sheung Lai, Jimmy[(b)]	**1,450**	**2,223**	**1,210**	**12**	**4,895**
Mr Cheah, Cheng Hye	**16,361**	**8,313**	**–**	**12**	**24,686**
Mr Coorey, Michael Francis[(c)]	**200**	**690**	**–**	**5**	**895**
Ms Hung, Yeuk Yan Renee	**5,500**	**2,282**	**959**	**12**	**8,753**
Mr So, Chun Ki Louis	**7,952**	**2,223**	**2,169**	**12**	**12,356**
Mr Tse, Wai Ming, Timothy	**1,350**	**1,962**	**613**	**12**	**3,937**
Non-executive director					
Mr Coorey, Michael Francis[(c)]	**–**	**317**	**–**	**2**	**319**
Independent non-executive directors					
Dr Chen, Shih Ta Michael	**–**	**264**	**–**	**–**	**264**
Mr Lee, Siang Chin	**–**	**264**	**–**	**–**	**264**
Mr Oyama, Nobuo	**–**	**264**	**–**	**–**	**264**
	32,813	**18,802**	**4,951**	**67**	**56,633**
Year ended 31 December 2010					
Executive directors					
Mr Chan, Sheung Lai, Jimmy[(b)]	5,661	975	701	6	7,343
Mr Cheah, Cheng Hye	57,999	10,630	–	12	68,641
Ms Hung, Yeuk Yan Renee	16,082	2,332	1,990	12	20,416
Mr So, Chun Ki Louis	22,782	1,555	2,691	12	27,040
Mr Tse, Wai Ming, Timothy[(d)]	3,933	1,428	427	12	5,800
Independent non-executive directors					
Dr Chen, Shih Ta Michael	–	251	–	–	251
Mr Lee, Siang Chin	–	251	–	–	251
Mr Oyama, Nobuo	–	251	–	–	251
	106,457	17,673	5,809	54	129,993

(a) Other benefits include rebates of management fees and performance fees by the Group in relation to the directors' investments in the investment funds under the Group's management. Rebates of management fees and performance fees for the year ended 31 December 2011 amounted to HK$2,911,000 (2010: HK$5,986,000).

(b) Mr CHAN Sheung Lai, Jimmy became the Chief Executive Officer and an executive director of the Company with effect from 1 July 2010. Mr CHAN Sheung Lai, Jimmy became the Co-Chief Executive Officer of the Company with effect from 28 January 2011 and has been re-designated as Chief Executive Officer of the Company with effect from 20 May 2011.

(c) Mr Michael Coorey became the Co-Chief Executive Officer of the Company with effect from 28 January 2011. Mr Michael Coorey resigned as Co-Chief Executive Officer but remained as non-executive director of the Company with effect from 20 May 2011. Mr Michael Coorey subsequently resigned as non-executive director of the Company with effect from 11 July 2011.

(d) Mr TSE Wai Ming, Timothy became the Deputy Chief Executive Officer of the Company with effect from 1 July 2010.

The table above discloses the total remuneration received by the directors from the Group for the year, excluding remuneration that the director received as an employee of the Group before appointment as a director and that the individual received after resignation as director but remaining as an employee of the Group. No apportionment had been applied to management bonus and share-based compensation which were earned by the individuals as employees of the Group.

9 Compensation and benefit expenses (continued)

9.2 Directors' emoluments (continued)

None of the directors received or will receive any fees, inducement fees or compensation for loss of office as director for the year ended 31 December 2011 (2010: Nil). No directors waived or agreed to waive any emoluments for the year ended 31 December 2011 (2010: Nil).

9.3 Five highest paid individuals

The five highest paid individuals in the Group during the year ended 31 December 2011 included four (2010: three) directors whose emoluments are reflected in the analysis presented above. Details of the remuneration of the remaining highest paid individuals are as follows:

	2011 HK$'000	2010 HK$'000
Management bonus	**5,500**	23,214
Salaries, wages and other benefits	**2,158**	3,526
Share-based compensation	**–**	234
Pension costs – mandatory provident fund scheme	**12**	24
	7,670	26,998

Individual emoluments were within the following bands:

	Number of individuals	
	2011	2010
HK$5,000,001 to HK$10,000,000	**1**	1
HK$15,000,001 to HK$20,000,000	**–**	1

10 Other expenses

	2011 HK$'000	2010 HK$'000
Travelling expenses	**9,201**	4,847
Research expenses	**8,446**	6,595
Marketing expenses	**8,305**	3,658
Legal and professional fees	**6,244**	2,434
Depreciation and amortization (Notes 17 and 18)	**4,513**	3,465
Recruitment expenses	**4,165**	1,189
Office expenses	**3,648**	3,774
Donations	**3,000**	1,138
Insurance expenses	**2,901**	2,887
Auditor's remuneration	**2,819**	2,559
Registration and licensing fees	**1,847**	1,251
Entertainment expenses	**1,223**	827
Others	**2,856**	939
Total other expenses	**59,168**	35,563

11 Other (losses)/gains – net

	2011 HK$'000	2010 HK$'000
Changes in fair value of investment properties (Note 19)	**18,694**	–
Gains on financial assets at fair value through profit or loss	**26,171**	93,975
Losses on financial assets at fair value through profit or loss	**(140,294)**	(2,083)
Gain on remeasuring previously held interest in a joint venture at fair value upon further acquisition as a subsidiary (Note 31.2(a))	**27,021**	–
Impairment loss on goodwill (Note 18)	**(27,414)**	–
Gains on disposal of property, plant and equipment	**48**	–
Loss on disposal of an associate	**(24)**	–
Net foreign exchange gains	**11,769**	3,546
Total other (losses)/gains – net	**(84,029)**	95,438

12 Tax expense

Under current tax laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Group. As a result, no provision for income and capital gains taxes has been made in the consolidated financial statements.

Hong Kong profits tax has been provided on the estimated assessable profit for the year ended 31 December 2011 at the rate of 16.5% (2010: 16.5%).

	2011 HK$'000	2010 HK$'000
Current tax		
Hong Kong profits tax	**42,067**	102,184
Overseas tax	**1,356**	552
Adjustments in respect of prior years	**(854)**	338
Total current tax	**42,569**	103,074
Deferred tax		
Origination and reversal of temporary differences (Note 28)	**(269)**	649
Total tax expense	**42,300**	103,723

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2011 HK$'000	2010 HK$'000
Profit before tax	**207,072**	756,895
Tax calculated at domestic tax rates applicable to profits in the respective countries of 16.5% (2010: 16.5%)	**34,167**	124,888
Tax effects of:		
Share of an associate's results	**30**	14
Share of a joint venture's results	**387**	412
Non-taxable income and gains on investments	**(30,433)**	(33,013)
Non-deductible expenses and losses on investments	**39,003**	11,084
Adjustments in respect of prior years	**(854)**	338
Tax expense	**42,300**	103,723

13 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for the year ended 31 December 2011 was dealt with in the financial statements of the Company to the extent of HK$100,366,000 (2010: HK$198,495,000).

14 Earnings per share

14.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	**167,299**	653,172
Weighted average number of ordinary shares in issue (thousands)	**1,755,785**	1,627,819
Basic earnings per share (HK cents per share)	**9.5**	40.1

14.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is the share options. For share options, a calculation is made in order to determine the number of ordinary shares that could have been acquired at fair value (determined as the average closing market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of ordinary shares calculated as above is compared with the number of ordinary shares that would have been issued assuming the exercise of the share options.

	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	**167,299**	653,172
Weighted average number of ordinary shares in issue (thousands)	**1,755,785**	1,627,819
Adjustments for share options (thousands)	**10,082**	9,079
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,765,867**	1,636,898
Diluted earnings per share (HK cents per share)	**9.5**	39.9

15 Dividends

	2011 HK$'000	2010 HK$'000
Proposed final dividend of HK5.8 cents (2010: HK16.0 cents) per ordinary share	**101,802**	280,351

The directors recommend payment of a final dividend of HK5.8 cents per ordinary share. The estimated total final dividends, based on the number of shares outstanding at 31 December 2011, are HK$101,802,000. Such dividends are to be approved by the shareholders at the Annual General Meeting of the Company on 26 April 2012 and have not been recognized as a liability at the balance sheet date.

16 Investments in subsidiaries – the Company

	2011 HK$'000	2010 HK$'000
Unlisted shares	**1,390,816**	970,517

16 Investments in subsidiaries – the Company (continued)

As at 31 December 2011, the Company had interests in the following principal subsidiaries:

Name	Place of incorporation	Principal activities and place of operation	Issued share capital	Effective interest held Directly	Effective interest held Indirectly
Brilliant Star Capital (BVI) Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1	–	100%
Brilliant Star Capital (Cayman) Limited	Cayman Islands	Investment holding	1 ordinary share of HK$0.1	100%	–
Brilliant Star Capital Limited	Hong Kong	Investment holding	350,000,000 ordinary shares of HK$1 each	–	100%
Chengdu Vision Credit Limited	The People's Republic of China	Small loan business	Registered capital of RMB300,000,000	–	90%
Chief Union Investments Limited	Hong Kong	Money lending	1 ordinary share of HK$1	100%	–
Middle Star Capital Limited	Hong Kong	Investment holding	1 ordinary share of HK$1	100%	–
Sensible Asset Management Hong Kong Limited	Hong Kong	Investment management in Hong Kong	1,000,000 ordinary shares and 1,000,000 voting participating preference shares of HK$1 each	100%	–
Sensible Asset Management Limited	British Virgin Islands	Investment management in Hong Kong	2,000,000 ordinary shares of US$0.1 each	100%	–
Value Funds Limited	Hong Kong	Investment holding	1 ordinary share of HK$1	100%	–
Value Funds 2 Limited	Hong Kong	Dormant	1 ordinary share of HK$1	100%	–
Value Partners (Cayman GP) II Ltd	Cayman Islands	Managing member of three investment funds managed by Value Partners Hong Kong Limited and Value Partners Limited	1 ordinary share of US$1	100%	–
Value Partners Chuan Kong Equity Investment Limited	Hong Kong	Dormant	1 ordinary share of HK$1	100%	–
Value Partners Concord Asset Management Co., Ltd.	Taiwan	Investment management in Taiwan	30,000,000 ordinary shares of NT$10 each	–	60.89%
Value Partners Hong Kong Limited	Hong Kong	Investment management in Hong Kong	385,000,000 ordinary shares of HK$1 each	100%	–
Value Partners Index Services Limited	Hong Kong	Indexing services in Hong Kong	1 ordinary share of HK$1	100%	–
Value Partners Investment Advisory Limited	Hong Kong	Consulting services	1 ordinary share of HK$1	100%	–
Value Partners Investment Services Pte. Ltd	Singapore	Dormant	150,000 ordinary shares of S$1 each	100%	–
Value Partners Limited	British Virgin Islands	Investment management, investment holding and securities dealing in Hong Kong	11,409,459 Class A ordinary shares and 3,893,318 Class B ordinary shares of US$0.1 each	–	100%
Value Partners Private Equity Limited	British Virgin Islands	Investment management and provision of research and investment advisory services in Hong Kong	7,000,000 ordinary shares of US$0.1 each	100%	–
Value Partners Yun Kong Equity Investment Limited	Hong Kong	Investment holding	1 ordinary share of HK$1	100%	–
Valuegate Holdings Limited	British Virgin Islands	Trademark holding in Hong Kong	2 ordinary shares of US$1 each	100%	–
Yunnan Value Partners Equity Investment Fund Management Co., Ltd.	The People's Republic of China	Investment advisory	Registered capital of RMB15,000,000	–	60%
上海惠理投資管理諮詢有限公司	The People's Republic of China	Investment advisory	Registered capital of RMB10,000,000	–	100%

17 Property, plant and equipment – the Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Vehicles HK$'000	Total HK$'000
As at 1 January 2010					
Cost	6,486	3,601	5,074	1,406	16,567
Accumulated depreciation	(1,094)	(2,212)	(4,161)	(156)	(7,623)
Net book amount	5,392	1,389	913	1,250	8,944
Year ended 31 December 2010					
Opening net book amount	5,392	1,389	913	1,250	8,944
Additions	1,493	–	310	172	1,975
Depreciation (Note 10)	(1,370)	(534)	(590)	(474)	(2,968)
Closing net book amount	5,515	855	633	948	7,951
As at 31 December 2010					
Cost	7,979	3,601	5,384	1,578	18,542
Accumulated depreciation	(2,464)	(2,746)	(4,751)	(630)	(10,591)
Net book amount	5,515	855	633	948	7,951
Year ended 31 December 2011					
Opening net book amount	**5,515**	**855**	**633**	**948**	**7,951**
Additions	**2,818**	**127**	**1,214**	**–**	**4,159**
Acquisition of a subsidiary (Note 31.2(b))	**–**	**–**	**27**	**73**	**100**
Disposals	**–**	**–**	**–**	**(66)**	**(66)**
Write-off	**–**	**(1)**	**(22)**	**–**	**(23)**
Exchange differences	**(9)**	**(1)**	**(14)**	**4**	**(20)**
Depreciation (Note 10)	**(2,413)**	**(472)**	**(550)**	**(537)**	**(3,972)**
Closing net book amount	**5,911**	**508**	**1,288**	**422**	**8,129**
As at 31 December 2011					
Cost	**10,536**	**3,725**	**6,010**	**1,589**	**21,860**
Accumulated depreciation	**(4,625)**	**(3,217)**	**(4,722)**	**(1,167)**	**(13,731)**
Net book amount	**5,911**	**508**	**1,288**	**422**	**8,129**

18 Intangible assets – the Group

	Licence HK$'000	Goodwill HK$'000	Computer software HK$'000	Total HK$'000
As at 1 January 2010				
Cost	–	393	3,992	4,385
Accumulated amortization	–	–	(2,818)	(2,818)
Net book amount	–	393	1,174	1,567
Year ended 31 December 2010				
Opening net book amount	–	393	1,174	1,567
Additions	–	–	513	513
Amortization (Note 10)	–	–	(497)	(497)
Closing net book amount	–	393	1,190	1,583
As at 31 December 2010				
Cost	–	393	4,505	4,898
Accumulated amortization	–	–	(3,315)	(3,315)
Net book amount	–	393	1,190	1,583

18 Intangible assets – the Group (continued)

	Licence HK$'000	Goodwill HK$'000	Computer software HK$'000	Total HK$'000
Year ended 31 December 2011				
Opening net book amount	–	393	1,190	1,583
Additions	–	–	748	748
Acquisition of subsidiaries (Note 31.2)	24,050	54,042	202	78,294
Amortization (Note 10)	–	–	(541)	(541)
Impairment	–	(27,414)	–	(27,414)
Closing net book amount	24,050	27,021	1,599	52,670
As at 31 December 2011				
Cost	24,050	54,435	5,455	83,940
Accumulated amortization	–	–	(3,856)	(3,856)
Accumulated impairment	–	(27,414)	–	(27,414)
Net book amount	24,050	27,021	1,599	52,670

18.1 Impairment tests of goodwill and other intangible assets

Refer to Note 31.2 for the origination of goodwill and licence on the acquisition of subsidiaries. As at 31 December 2011, the carrying amounts of goodwill and licence acquired in business combinations have been allocated to the following CGUs:

	Licence HK$'000	Goodwill HK$'000
Sensible Asset Management Hong Kong Limited ("SAMHK"), in relation to the exchange-traded fund ("ETF") business		
– Cost	–	54,042
– Impairment	–	(27,021)
Value Partners Concord Asset Management Co., Ltd. ("VP Concord"), in relation to the investment management business in Taiwan	24,050	–
	24,050	27,021

The recoverable amount of a CGU is determined using the fair value less costs to sell approach. The key assumptions for the fair value less costs to sell calculations are those regarding the discount rates and growth rates. The Group estimates discount rates using weighted average cost of capital that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on management's plan on launch of products and expected growth in assets under management. The Group prepares cash flows forecasts derived from the most recent financial budgets approved by the directors for the next year and extrapolates cash flows for the following five years based on estimated growth rates. Growth rates in a range between 35% and 50% have been applied to the SAMHK CGU and a range between 10% and 22% have been applied to the VP Concord CGU. A terminal growth rate of 5% and 3% has been used for the SAMHK CGU and the VP Concord CGU respectively. The pre-tax rate used to discount the forecast cash flows was 19.3% for the SAMHK CGU and 19.4% for the VP Concord CGU.

18 Intangible assets – the Group (continued)

18.1 Impairment tests of goodwill and other intangible assets (continued)

The Group entered into an agreement on 25 July 2011 to acquire the remaining 50% interest in SAMHK from its joint venture partner, China Ping An Insurance Overseas (Holding) Limited ("Ping An"), for US$4,000,000 (equivalent to HK$31,160,000). As the net assets of the newly acquired interest were worth HK$4,139,000 at fair value, a goodwill of HK$27,021,000 was generated. To comply with HKFRS, the same fair value measurement was also applied to the Group's 50% previously held interest in SAMHK, generating another HK$27,021,000 as goodwill and bringing the total goodwill to HK$54,042,000. The directors are of the view that the goodwill arising out of the Group's 50% previously held interest in SAMHK provides no economic benefit, and should thus be impaired. The relevant impairment loss has been included in other (losses)/gains – net in the consolidated statement of comprehensive income.

19 Investment properties – the Group

	2011 HK$'000	2010 HK$'000
Beginning of the year	**58,743**	–
Additions	**563**	58,743
Changes in fair value of investment properties	**18,694**	–
End of the year	**78,000**	58,743

The investment properties were revalued as at 31 December 2011 on an open market value basis by CB Richard Ellis Limited, an independent firm of professional qualified valuer.

20 Investment in an associate – the Group

	2011 HK$'000	2010 HK$'000
Beginning of the year	**710**	–
Acquisition	**–**	796
Share of results – loss after tax	**(185)**	(86)
Disposal	**(525)**	–
End of the year	**–**	710

Details of the associate of the Group which was indirectly held are as follows:

		Interest held	
Name	**Place of incorporation**	**2011**	**2010**
Averon Capital Partners Limited	Hong Kong	**–**	19.9%

On 24 December 2010, the Group acquired 19.9% interest in Averon Capital Partners Limited ("Averon") for a consideration of HK$796,000. Pursuant to the Subscription and Shareholders Agreement, the Group has an immediately exercisable call option to purchase a total of 1,208,000 shares of Averon. Upon exercise of the call option, the Group's interest in Averon can reach 50.1%. As at 31 December 2010, the Group accounted for its investment in Averon as an associate although the Group held less than 20% of the issued share capital. The Group has the ability to exercise significant influence over Averon with representation on its Board of Directors. On 1 September 2011, the Group disposed of its interest in the associate for a consideration of HK$501,000 and incurred a loss of HK$24,000.

20 Investment in an associate – the Group (continued)

The Group's share of assets, liabilities and results of the associate are summarized below:

	2011 HK$'000	2010 HK$'000
Assets		
Non-current assets	–	1
Current assets	–	817
	–	818
Liabilities		
Current liabilities	–	(108)
Net assets	–	710
Income	–	–
Expenses	(185)	(86)
Loss after tax	(185)	(86)

21 Interest in a joint venture

	2011 HK$'000	2010 HK$'000
The Group		
Beginning of the year	6,484	8,984
Share of results – loss after tax	(2,345)	(2,500)
Acquisition of additional interest as a subsidiary (Note 31.2(a))	(4,139)	–
End of the year	–	6,484
The Company		
Unlisted shares, at cost	11,625	11,625
Accumulated impairment	(7,486)	(5,141)
	4,139	6,484
Acquisition of additional interest as a subsidiary (Note 31.2(a))	(4,139)	–
	–	6,484

Details of the joint venture of the Group which was directly held are as follows:

Name	Place of incorporation	Principal activities	Interest held 2011	Interest held 2010
Sensible Asset Management Hong Kong Limited	Hong Kong	Investment management in Hong Kong	100% (Note 31.2(a))	50%

The Group's share of assets, liabilities and results of the joint venture are summarized below:

	2011 HK$'000	2010 HK$'000
Assets – current assets	–	8,521
Liabilities – current liabilities	–	(2,037)
Net assets	–	6,484
Income	895	1,458
Expenses	(3,240)	(3,958)
Loss after tax	(2,345)	(2,500)

22 Investments – the Group

Investments include the following:

	Financial assets at fair value through profit or loss		Held-to-maturity financial assets		Available-for-sale financial assets		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Listed securities (by place of listing)								
Debt securities – Hong Kong	**–**	–	**2,458**	–	**–**	–	**2,458**	–
Debt securities – Singapore	**–**	–	**58,630**	–	**–**	–	**58,630**	–
Investment funds – Hong Kong	**196,599**	284,865	**–**	–	**–**	–	**196,599**	284,865
Investment funds – Singapore	**–**	7,572	**–**	–	**–**	–	**–**	7,572
Market value of listed securities	**196,599**	292,437	**61,088**	–	**–**	–	**257,687**	292,437
Unlisted securities (by place of incorporation/ establishment)								
Debt securities – China	**–**	–	**85,107**	–	**–**	–	**85,107**	–
Equity securities – Singapore	**–**	–	**–**	–	**1,187**	1,923	**1,187**	1,923
Investment funds – Cayman Islands	**571,424**	477,520	**–**	–	**–**	–	**571,424**	477,520
Investment funds – Luxembourg	**5,873**	7,435	**–**	–	**–**	–	**5,873**	7,435
Investments fund – Taiwan	**22,908**	–	**–**	–	**–**	–	**22,908**	–
Investment funds – United States	**25,371**	31,382	**–**	–	**10,867**	14,336	**36,238**	45,718
Fair value of unlisted securities	**625,576**	516,337	**85,107**	–	**12,054**	16,259	**722,737**	532,596
Derivative financial instruments								
Currency option contract	**213**	–	**–**	–	**–**	–	**213**	–
Total investments	**822,388**	808,774	**146,195**	–	**12,054**	16,259	**980,637**	825,033
Representing:								
Non-current	**801,307**	643,854	**146,195**	–	**12,054**	16,259	**959,556**	660,113
Current	**21,081**	164,920	**–**	–	**–**	–	**21,081**	164,920
Total investments	**822,388**	808,774	**146,195**	–	**12,054**	16,259	**980,637**	825,033

Total notional value of the currency option contract outstanding as at 31 December 2011 was HK$232,500,000. The contract will mature on 29 February 2012.

Investments are denominated in the following currencies:

	2011 HK$'000	2010 HK$'000
Hong Kong dollar	**204,784**	303,357
Renminbi	**111,136**	–
Singapore dollar	**1,187**	1,923
Taiwan dollar	**22,908**	–
United States dollar	**640,622**	519,753
Total investments	**980,637**	825,033

The credit quality of the investments in debt securities by reference to Standard & Poor's or Fitch Ratings credit ratings is as follows:

	2011 HK$'000	2010 HK$'000
A+	**2,458**	–
A	**60,866**	–
A-	**24,241**	–
BB	**49,011**	–
BB-	**9,619**	–
Total investments in debt securities	**146,195**	–

The maximum exposure to credit risk at the reporting date is the carrying amounts of investments in debt securities.

22 Investments – the Group (continued)

22.1 Held-to-maturity financial assets

The movement of held-to-maturity financial assets is as follows:

	2011 HK$'000	2010 HK$'000
Beginning of the year	–	–
Additions	145,689	–
Amortization	506	–
End of the year	146,195	–

As at 31 December 2011, the fair value of held-to-maturity financial assets was HK$147,286,000, based on quoted market bid prices and broker quotes.

There was no impairment provision on held-to-maturity financial assets as at 31 December 2011 (2010: Nil).

22.2 Available-for-sale financial assets

The movement of available-for-sale financial assets is as follows:

	2011 HK$'000	2010 HK$'000
Beginning of the year	16,259	14,868
Fair value (losses)/gains transferred (from)/to equity (Note 27)	(4,205)	1,391
End of the year	12,054	16,259

There was no impairment provision on available-for-sale financial assets as at 31 December 2011 (2010: Nil).

23 Fees receivable – the Group

The carrying amounts of fees receivable approximate their fair value due to the short-term maturity. The maximum exposure to credit risk at the reporting date is the carrying amounts of the fees receivable. The Group did not hold any collateral as security as at 31 December 2011 (2010: 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:

	2011 HK$'000	2010 HK$'000
Fees receivable that were past due but not impaired		
1 – 30 days	1,421	2,469
31 – 60 days	455	1,267
61 – 90 days	–	2,559
Over 90 days	–	2,297
	1,876	8,592
Fees receivable that were within credit period	59,551	645,702
Total fees receivable	61,427	654,294

23 Fees receivable – the Group (continued)

Fees receivable are denominated in the following currencies:

	2011 HK$'000	2010 HK$'000
Australian dollar	**99**	2,497
Hong Kong dollar	**12,894**	34,115
Taiwan dollar	**77**	–
United States dollar	**48,357**	617,682
Total fees receivable	**61,427**	654,294

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 31 December 2011 (2010: Nil).

24 Cash and cash equivalents

	2011 HK$'000	2010 HK$'000
The Group		
Cash at bank and in hand	**1,266,858**	705,569
Short-term bank deposits	**47,505**	474,641
Deposits with brokers	**985**	38,351
Total cash and cash equivalents	**1,315,348**	1,218,561
The Company		
Cash at bank and in hand	**2,057**	144,163
Short-term bank deposits	**–**	27,108
Total cash and cash equivalents	**2,057**	171,271

Cash and cash equivalents are denominated in the following currencies:

	2011 HK$'000	2010 HK$'000
The Group		
Australian dollar	**1,619**	2,017
Hong Kong dollar	**807,712**	1,004,591
Japanese yen	**201**	227
Renminbi	**386,206**	136,036
Singapore dollar	**9,257**	11,538
Taiwan dollar	**95,320**	–
United States dollar	**15,033**	64,152
Total cash and cash equivalents	**1,315,348**	1,218,561
The Company		
Hong Kong dollar	**1,981**	171,194
United States dollar	**76**	77
Total cash and cash equivalents	**2,057**	171,271

25 Restricted bank balances

In accordance with the Regulations Governing the Conduct of Discretionary Investment Business and the Regulations Governing Offshore Funds of Taiwan, as at 31 December 2011, VP Concord, a subsidiary of the Group, placed a deposit of NT$45 million (equivalent to HK$11,552,000) as a financial guarantee with Bank Sinopac so that it can operate in the business of discretionary investment management and sales of offshore funds in Taiwan.

26 Issued equity – the Group/Share capital and share premium – the Company

Issued equity – the Group

	Number of shares	Issued equity HK$'000
As at 1 January 2010	1,600,000,000	53,767
Shares issued upon exercise of share options	12,192,981	37,648
Shares issued, net of issuing expenses[1]	140,000,000	775,302
As at 31 December 2010	1,752,192,981	866,717
As at 1 January 2011	**1,752,192,981**	**866,717**
Shares issued upon exercise of share options	**5,410,819**	**29,759**
Repurchase of issued ordinary shares[2]	**(2,401,000)**	**(7,263)**
As at 31 December 2011	**1,755,202,800**	**889,213**

As at 31 December 2011, the total authorized number of ordinary shares of the Company was 5,000,000,000 shares (2010: 5,000,000,000 shares) with a par value of HK$0.1 (2010: HK$0.1) per share and all issued shares were fully paid.

The ordinary shares are non-redeemable and are entitled to dividends. Each ordinary share carries one vote. In the case of winding up of the Company, ordinary shares carry the right to return the paid-up capital and any balance then remaining.

(1) On 26 October 2010, the Company issued 140,000,000 shares, with a par value of HK$0.1 each, at a price of HK$5.68 per share. Total issuing expenses incurred were approximately HK$19,898,000.

(2) In 2011, the Company repurchased 2,401,000 issued ordinary shares on the market. These repurchased shares were cancelled immediately upon repurchase. The total amount paid to acquire these issued ordinary shares of HK$7,263,343 was deducted from shareholders' equity. A sum equivalent to the nominal value of the repurchased shares amounting to HK$240,100 has been transferred from retained earnings to the capital redemption reserve.

Month of repurchase	Number of shares repurchased	Highest price per share paid HK$	Lowest price per share paid HK$	Aggregate price paid HK$'000
September 2011	2,401,000	3.19	2.69	7,263

Share capital and share premium – the Company

	Share capital HK$'000	Share premium HK$'000	Total HK$'000
As at 1 January 2010	160,000	760,581	920,581
Shares issued upon exercise of share options	1,219	36,429	37,648
Shares issued, net of issuing expenses	14,000	761,302	775,302
As at 31 December 2010	175,219	1,558,312	1,733,531
As at 1 January 2011	**175,219**	**1,558,312**	**1,733,531**
Shares issued upon exercise of share options	**541**	**29,218**	**29,759**
Repurchase of issued ordinary shares	**(240)**	**(7,023)**	**(7,263)**
As at 31 December 2011	**175,520**	**1,580,507**	**1,756,027**

26 Issued equity – the Group/Share capital and share premium – the Company (continued)

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 were granted under the share option scheme during the year ended 31 December 2011 (2010: 8,100,000 options were granted).

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)
As at 1 January 2010	5.15	117,650
Granted	5.00	8,100
Exercised	3.09	(12,193)
Forfeited	5.50	(6,386)
Expired	7.56	(975)
As at 31 December 2010	5.33	106,196
As at 1 January 2011	**5.33**	**106,196**
Exercised	**5.50**	**(5,411)**
Expired [(a)]	**7.56**	**(2,667)**
As at 31 December 2011	**5.26**	**98,118**

(a) 2,667,000 share options lapsed on 1 January 2011. There were 103,529,000 outstanding share options thereafter.

Out of the 98,118,000 (2010: 106,196,000) outstanding share options, 92,718,000 (2010: 89,917,000) options were exercisable as at 31 December 2011 with weighted average exercise price of HK$5.27 (2010: HK$5.56) per share. 5,411,000 share options were exercised during the year ended 31 December 2011 (2010: 12,193,000).

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

	Exercise price	Number of options ('000)	
Expiry date	(HK$ per share)	**2011**	2010
31 December 2010	7.56	–	2,667
25 September 2014	5.50	**28,167**	33,578
14 November 2014	5.50	**55,451**	55,451
26 October 2015	2.44	**6,400**	6,400
22 December 2016	5.00	**8,100**	8,100

The weighted average fair value of options granted during the year ended 31 December 2010 determined using the Black-Scholes valuation model was HK$1.90 per option. The significant inputs into the model were weighted average share price of HK$5.00 at the grant date, exercise price shown above, estimated volatility of 52.0%, estimated dividend yield of 1.6% based on historical dividend of HK8.0 cents per share for the financial year 2009, expected option life of 4.25 years, and annual risk-free interest rate of 1.47%. Refer to Note 9 above for the total expense recognized in the consolidated statement of comprehensive income for share options granted to directors and employees. The volatility was measured based on statistical analysis of the weekly share prices of relevant market comparables over 182 weeks prior to the grant date of the share option.

The measurement dates of the share options were 23 June 2010, 27 April 2009, 15 May 2008 and 26 March 2008, being the dates of grant of the share options. 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.

27 Other reserves – the Group/Other reserves and retained earnings – the Company

The Group

	Share-based compen-sation reserve HK$'000	Revaluation reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve[(a)] HK$'000	Foreign exchange translation reserve HK$'000	Total HK$'000
As at 1 January 2010	135,302	4,329	–	–	–	139,631
Share-based compensation (Note 9)	9,147	–	–	–	–	9,147
Fair value gains on available-for-sale financial assets (Note 22.2)	–	1,391	–	–	–	1,391
As at 31 December 2010	144,449	5,720	–	–	–	150,169
As at 1 January 2011	**144,449**	**5,720**	**–**	**–**	**–**	**150,169**
Share-based compensation (Note 9)	**8,499**	**–**	**–**	**–**	**–**	**8,499**
Fair value losses on available-for-sale financial assets (Note 22.2)	**–**	**(4,205)**	**–**	**–**	**–**	**(4,205)**
Foreign exchange translation reserve	**–**	**–**	**–**	**–**	**309**	**309**
Repurchase of issued ordinary shares (Note 26)	**–**	**–**	**240**	**–**	**–**	**240**
Deemed acquisition of additional interest in a subsidiary (Note 31.3)	**–**	**–**	**–**	**(1,341)**	**–**	**(1,341)**
As at 31 December 2011	**152,948**	**1,515**	**240**	**(1,341)**	**309**	**153,671**

The Company

	Share-based compensation reserve HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000
As at 1 January 2010	135,302	–	126,894
Share-based compensation (Note 9)	9,147	–	–
Profit for the year	–	–	198,495
Dividends	–	–	(128,140)
As at 31 December 2010	144,449	–	197,249
As at 1 January 2011	**144,449**	**–**	**197,249**
Share-based compensation (Note 9)	**8,499**	**–**	**–**
Repurchase of issued ordinary shares (Note 26)	**–**	**240**	**(240)**
Profit for the year	**–**	**–**	**100,366**
Dividends	**–**	**–**	**(281,107)**
As at 31 December 2011	**152,948**	**240**	**16,268**

(a) Capital reserve arises from transactions with non-controlling interests that do not result in a loss of control.

28 Deferred tax – the Group

The movement of deferred tax assets/(liabilities) is as follows:

	Accelerated tax depreciation HK$'000
As at 1 January 2010	617
Charged to consolidated statement of comprehensive income (Note 12)	(649)
As at 31 December 2010	(32)
As at 1 January 2011	**(32)**
Credited to consolidated statement of comprehensive income (Note 12)	**269**
Acquisition of a subsidiary (Note 31.2(b))	**95**
Exchange differences	**(4)**
As at 31 December 2011	**328**

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at 31 December 2011, the Group did not have any tax losses that can be carried forward against future taxable profits (2010: Nil).

29 Distribution fee expenses payable – the Group

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:

	2011 HK$'000	2010 HK$'000
0 – 30 days	**23,070**	32,661
31 – 60 days	**327**	665
61 – 90 days	**151**	384
Over 90 days	**385**	254
Total distribution fee expenses payable	**23,933**	33,964

Distribution fee expenses payable are denominated in the following currencies:

	2011 HK$'000	2010 HK$'000
Japanese yen	**212**	51
United States dollar	**23,721**	33,913
Total distribution fee expenses payable	**23,933**	33,964

30 Financial instruments by category

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Category of financial assets				
Loans and receivables				
Amounts due from subsidiaries	**–**	–	**438,752**	730,610
Restricted bank balances	**11,552**	–	**–**	–
Fees receivable	**61,427**	654,294	**–**	–
Dividends receivable	**–**	1,869	**–**	200,000
Other receivables	**27,103**	6,363	**18**	20
Cash and cash equivalents	**1,315,348**	1,218,561	**2,057**	171,271
	1,415,430	1,881,087	**440,827**	1,101,901
Financial assets at fair value through profit or loss				
Investments (Note 22)	**822,388**	808,774	**–**	–
Held-to-maturity financial assets				
Investments (Note 22)	**146,195**	–	**–**	–
Available-for-sale financial assets				
Investments (Note 22)	**12,054**	16,259	**–**	–
Total	**2,396,067**	2,706,120	**440,827**	1,101,901
Category of financial liabilities				
Other financial liabilities at amortized cost				
Accrued bonus	**69,501**	190,184	**–**	–
Distribution fee expenses payable	**23,933**	33,964	**–**	–
Other payables and accrued expenses	**21,197**	76,479	**519**	2,943
Amounts due to a subsidiary	**–**	–	**6,000**	1,000
Total	**114,631**	300,627	**6,519**	3,943

31 Notes to the consolidated cash flow statement

31.1 Net cash generated from operations

	2011 HK$'000	2010 HK$'000
Profit before tax	**207,072**	756,895
Adjustments for		
Interest income on cash and cash equivalents	**(6,267)**	(1,648)
Interest income from held-to-maturity financial assets	**(1,522)**	–
Dividend income	**(7,170)**	(7,416)
Share-based compensation	**8,499**	9,147
Depreciation and amortization	**4,513**	3,465
Write-off of property, plant and equipment	**23**	–
Other losses/(gains) – net	**95,815**	(91,892)
Share of loss of an associate	**185**	86
Share of loss of a joint venture	**2,345**	2,500
Changes in working capital		
Other assets	**(130)**	44
Fees receivable	**593,126**	(452,923)
Prepayments and other receivables	**(17,787)**	(4,298)
Accrued bonus	**(120,683)**	89,389
Distribution fee expenses payable	**(10,031)**	20,709
Other payables and accrued expenses	**(5,226)**	5,949
Net cash generated from operations	**742,762**	330,007

31 Notes to the consolidated cash flow statement (continued)

31.2 Acquisition of subsidiaries

(a) On 25 July 2011, the Group entered into an agreement to buy 1,000,000 voting participating preference shares, representing 50% interest, of SAMHK, a joint venture of the Group, from Ping An for a total consideration of US$4,000,000 (equivalent to HK$31,160,000). Upon completion of the acquisition, SAMHK became a wholly-owned subsidiary of the Group. This acquisition reflects the Group's confidence in and commitment to grow its ETF business in Asia.

Details of the purchase consideration paid and the fair value of the equity interest held at the acquisition date are as follows:

	HK$'000
Consideration paid in cash	31,160
Transfer from interest in a joint venture (Note 21)	4,139
Gain on remeasuring previously held interest in a joint venture at fair value upon further acquisition as a subsidiary (Note 11)	27,021
Less: Fair value of net assets acquired (as shown below)	(8,278)
Goodwill on acquisition (Note 18)	54,042
Net assets acquired:	
Fees receivable	259
Prepayments and other receivables	1,630
Cash and cash equivalents	8,009
Other payables and accrued expenses	(1,620)
	8,278
Net cash outflow on acquisition	
Cash consideration paid	(31,160)
Cash and cash equivalents acquired	8,009
	(23,151)

The fair value of equity interest in SAMHK held by the Group before the business combination was HK$31,160,000.

Since the date of acquisition, SAMHK contributed revenues of approximately HK$1,333,000 and incurred a loss of HK$2,407,000. Had SAMHK been consolidated from 1 January 2011, there would not be a material effect on the Group's revenue and profit for the year.

Total goodwill of HK$54,042,000 was recognized from the acquisition of SAMHK, of which HK$27,021,000 was recognized as an impairment loss thereafter (Note 18.1).

31 Notes to the consolidated cash flow statement (continued)

31.2 Acquisition of subsidiaries (continued)

(b) On 10 August 2011, the Group acquired 55.46% of the share capital of VP Concord (formerly KBC Concord Asset Management Co., Ltd.) for HK$46,787,000. VP Concord is a Taiwan incorporated company and has a Securities Investment Trust Enterprise licence in Taiwan.

Details of the purchase consideration paid and the fair value of the equity interest held at the acquisition date are as follows:

	HK$'000
Consideration paid in cash	46,787
Net assets acquired:	
Property, plant and equipment and intangible assets (Notes 17 and 18)	24,352
Deferred tax assets (Note 28)	95
Restricted bank balances	12,083
Prepayments and other receivables	754
Cash and cash equivalents	48,575
Other payables and accrued expenses	(1,497)
	84,362
Non-controlling interests	(37,575)
	46,787
Net cash inflow on acquisition	
Cash consideration paid	(46,787)
Cash and cash equivalents acquired	48,575
	1,788

Since the date of acquisition, VP Concord contributed revenues of approximately HK$451,000 and incurred a loss of HK$4,168,000. Had VP Concord been consolidated from 1 January 2011, there would not be a material effect on the Group's revenue and profit for the year.

31.3 Transactions with non-controlling interests

In December 2011, VP Concord issued 10,110,000 new shares to its existing shareholders. In addition to the Group's existing proportionate share of interest in VP Concord, the Group subscribed an extra 1,627,589 shares for a total consideration of HK$8,442,000, being new shares unsubscribed by independent third parties. Immediately after the transaction, the Group's interest in VP Concord increased from 55.46% to 60.89%. The effect of changes in the ownership interest of VP Concord on the equity attributable to equity holders of the Company during the year is summarized as follows:

	2011 HK$'000	2010 HK$'000
Carrying amount of non-controlling interests deemed to be acquired	**7,101**	–
Consideration paid to acquire the new shares	**(8,442)**	–
Excess of consideration paid recognized within equity	**(1,341)**	–

32 Commitments

32.1 Capital commitments

On 16 November 2011, the Group entered into a Sale and Purchase Agreement with KBC Asset Management NV to acquire 49% equity interest in the total registered capital of KBC Goldstate Fund Management Co., Ltd., subject to fulfilment of certain conditions precedent including various governmental and regulatory approvals, for an estimated consideration of RMB40,500,000 (equivalent to HK$49,800,000). See also Note 35 below.

32.2 Operating lease commitments

The Group as the leasee

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

	2011 HK$'000	2010 HK$'000
Not later than one year	11,447	10,665
Later than one year and not later than five years	14,934	24,227
Total operating lease commitments	26,381	34,892

The Group as the lessor

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

	2011 HK$'000	2010 HK$'000
Not later than one year	2,379	–
Later than one year and not later than five years	3,073	–
Total operating lease commitments	5,452	–

33 Contingencies

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

33.1 Contingent assets

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

33 Contingencies (continued)

33.1 Contingent assets (continued)

As a result, as at 31 December 2011 and 2010, performance fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding year have not been recognized. These performance fees may be receivable in cash if a positive performance results (for non-private equity fund products) or a performance threshold is exceeded (for private equity fund products) on the performance fee valuation days, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

33.2 Contingent liabilities

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

As a result, as at 31 December 2011 and 2010, the performance fee element of distribution fee expenses in respect of performance periods ending on a performance fee valuation day not falling within the corresponding year have not been recognized. These distribution fee expenses may be payable in cash if the performance fees are subsequently earned on the performance fee valuation days.

34 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 financial statements, 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.

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

	2011 HK$'000	2010 HK$'000
Expenses recharged by a subsidiary to a joint venture	**5,165**	–

34.2 Key management compensation

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

	2011 HK$'000	2010 HK$'000
Management bonus, salaries and other short-term employee benefits	**50,506**	123,377
Share-based compensation	**4,951**	5,809
Pension costs – mandatory provident fund scheme	**65**	54
Total key management compensation	**55,522**	129,240

34 Related-party transactions (continued)

34.3 Investments in own investment funds

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

	2011 Fair value HK$'000	2010 Fair value HK$'000
Asia Value Formula Fund[b]	**67,764**	82,257
Manulife Global Fund – China Value Fund [a]	**5,873**	7,435
Value Gold ETF	**175,731**	127,517
Value Partners Asia Fund, LLC	**25,371**	31,382
Value Partners Cash Management Fund [b]	**–**	38,592
Value Partners China Greenchip Fund Limited [c]	**8,186**	10,920
Value Partners Concord Taiwan Home Run Fund	**22,908**	–
Value Partners Classic Fund [d]	**224,878**	16,808
Value Partners Credit Fund [b]	**170,456**	184,996
Value Partners Greater China Property Hedge Fund [b], [e]	**17,748**	45,535
Value Partners Hedge Fund Limited [e]	**15,603**	18,338
Value Partners High-Dividend Stocks Fund	**15,691**	17,807
Value Partners Intelligent Funds – China Convergence Fund	**16,488**	21,260
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	**16,348**	19,892
Value Partners Strategic Equity Fund [f]	**1,867**	2,257
Value Partners Taiwan Fund	**16,385**	18,848
Total investments in own investment funds	**801,297**	643,844

(a) The shares held were Class A shares.
(b) The Group has waived its voting rights in respect of its holding of the shares.
(c) The shares held were redeemable Class A shares.
(d) The units held were "A" units and "C" units.
(e) The shares held were participating redeemable preference shares.
(f) The shares held were non-voting shares.

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

As at 31 December 2011, the Group had investments in Malabar India Fund, LP amounted to HK$10,867,000 (2010: HK$14,336,000) which is managed by Malabar Investment LLC in which the Group had an interest of 9.04% (2010: 8.20%). The Group also had a receivable of HK$1,167,000 (2010: HK$1,169,000) from Malabar Investment LLC as at 31 December 2011.

34.5 Amounts due from and to subsidiaries

The amounts due from and to subsidiaries are unsecured, non-interest bearing and are not repayable within 12 months after the balance sheet date.

34.6 Dividends receivable

The amount is an interim dividend for the year ended 31 December 2011 and 2010 declared by Value Partners Limited to Value Partners Group Limited. The amount is unsecured, non-interest bearing and repayable on demand.

35 Subsequent events

Further to those disclosed in Note 32.1 above, the acquisition of 49% equity interest in the total registered capital of KBC Goldstate Fund Management Co., Ltd. was approved by the Chinese Securities Regulatory Commission on 5 March 2012, pending further regulatory approvals from the Ministry of Commerce and filing with the relevant industry and commerce authorities.

As at 31 December 2011, details of the Group's subsidiaries under the Listing Rules are as follows:

Name	Place of incorporation	Principal activities and place of operation	Issued share capital
Brilliant Star Capital (BVI) Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1
Brilliant Star Capital (Cayman) Limited	Cayman Islands	Investment holding	1 ordinary share of HK$0.1
Brilliant Star Capital Limited	Hong Kong	Investment holding	350,000,000 ordinary shares of HK$1 each
Chengdu Vision Credit Limited	The People's Republic of China	Small loan business	Registered capital of RMB300,000,000
Chief Union Investments Limited	Hong Kong	Money lending	1 ordinary share of HK$1
Hongkong Fund Management Limited	Hong Kong	Dormant	1 ordinary share of HK$1
Hongkong Investment Management Limited	Hong Kong	Dormant	1 ordinary share of HK$1
Middle Star Capital Limited	Hong Kong	Investment holding	1 ordinary share of HK$1
Sensible Asset Management Asia Limited	Hong Kong	Dormant	1,000,000 ordinary shares of HK$1.00 each
Sensible Asset Management Hong Kong Limited	Hong Kong	Investment management in Hong Kong	1,000,000 ordinary shares and 1,000,000 voting participating preference shares of HK$1 each
Sensible Asset Management Limited	British Virgin Islands	Investment management in Hong Kong	2,000,000 ordinary shares of US$0.1 each
Value Funds Limited	Hong Kong	Investment holding	1 ordinary share of HK$1
Value Funds 2 Limited	Hong Kong	Dormant	1 ordinary share of HK$1
Value Funds 3 Limited	Hong Kong	Dormant	1 ordinary share of HK$1
Value Partners (Cayman GP) II Ltd	Cayman Islands	Managing member of three investment funds managed by Value Partners Hong Kong Limited and Value Partners Limited	1 ordinary share of US$1
Value Partners Chuan Kong Equity Investment Limited	Hong Kong	Dormant	1 ordinary share of HK$1
Value Partners Concord Asset Management Co., Ltd.	Republic of Taiwan	Investment management in Taiwan	30,000,000 ordinary shares of NT$10 each

Name	Place of incorporation	Principal activities and place of operation	Issued share capital
Value Partners Corporate Consulting Limited	Hong Kong	Dormant	5,000,000 ordinary shares of HK$1 each
Value Partners Hong Kong Limited	Hong Kong	Investment management in Hong Kong	385,000,000 ordinary shares of HK$1 each
Value Partners Index Services Limited	Hong Kong	Indexing services in Hong Kong	1 ordinary share of HK$1
Value Partners Investment Advisory Limited	Hong Kong	Consulting services	1 ordinary share of HK$1
Value Partners Investment Services Pte. Ltd.	Singapore	Dormant	150,000 ordinary shares of S$1 each
Value Partners Limited	British Virgin Islands	Investment management, investment holding and securities dealing in Hong Kong	11,409,459 Class A ordinary shares and 3,893,318 Class B ordinary shares of US$0.1 each
Value Partners Private Equity Limited	British Virgin Islands	Investment management and provision of research and investment advisory services in Hong Kong	7,000,000 ordinary shares of US$0.1 each
Value Partners Yun Kong Equity Investment Limited	Hong Kong	Investment holding	1 ordinary share of HK$1
Valuegate Holdings Limited	British Virgin Islands	Trademark holding in Hong Kong	2 ordinary shares of US$1 each
Value Partners Strategic Equity Fund (Note)	Cayman Islands	Investment fund	1,000 voting non-participating management shares of US$1 each
Yunnan Value Partners Equity Investment Fund Management Co., Ltd.	The People's Republic of China	Investment advisory	Registered capital of RMB15,000,000
上海惠理投資管理諮詢有限公司	The People's Republic of China	Investment advisory	Registered capital of RMB10,000,000

Note: Value Partners Strategic Equity Fund ("VPSEF") is the Group's subsidiary for the purposes of Listing Rules. In accordance with Hong Kong Financial Reporting Standards, the interest in VPSEF is accounted for as an investment and is classified as investment at fair value through profit & loss accounts rather than a subsidiary of the Group in view of the economic substance of the transaction and other considerations according to the accounting standards. Therefore, VPSEF's results are not accounted for by the Group in the consolidated financial statements and VPSEF also is not included in the list of subsidiaries in Note 16 to the consolidated financial statements.

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