



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)

Interim Report 2012 中期報告



7 facts about Value Partners:

▪ **US\$7.2 billion** ⁽¹⁾

assets under management

▪ **16%** ⁽²⁾ annualized return and 1,670% ⁽²⁾ cumulative return

since launch in 1993 for Value Partners Classic Fund (A Units)

▪ **No. 1**

in 2012 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

▪ **20 years** of history

weathered at least 7 financial crises regionally and globally

Footnote:

(1) As of 30 June 2012.

(2) As of 31 July 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): -4.7% (as of 31 July 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 2012.

Corporate Profile

Value Partners Group is one of Asia's largest independent asset management firms with assets under management of around US\$7.2 billion as of 30 June 2012. Since our establishment in 1993, we have been a dedicated value investor with a focus on the Greater China region. In November 2007, the Value Partners Group became the only asset management firm listed on the main board of the Hong Kong Stock Exchange (Stock code: 806 HK). We manage absolute return long-biased funds, long-short hedge funds, exchange-traded funds, quantitative funds, as well as fixed income and credit funds for institutional and individual clients in Asia Pacific, Europe and the United States.

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Board of Directors

Chairman and Co-Chief Investment Officer

Mr. CHEAH Cheng Hye

Executive Directors

Ms. HUNG Yeuk Yan Renee

(Deputy Chief Investment Officer)

Mr. SO Chun Ki Louis

(Deputy Chairman and Co-Chief Investment Officer)

Mr. TSE Wai Ming, Timothy, CFA

(Chief Executive Officer)

Independent Non-executive Directors

Dr. CHEN Shih-Ta Michael

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

Non-executive Honorary Chairman

Mr. YEH V-Nee

Company Secretary

Mr. CHEUNG Kwong Chi, Aaron

Authorized Representatives

Mr. CHEUNG Kwong Chi, Aaron

Mr. TSE Wai Ming, Timothy, CFA

Members of the Audit Committee

Mr. LEE Siang Chin *(Chairman)*

Dr. CHEN Shih-Ta Michael

Mr. Nobuo OYAMA

Members of the Nomination Committee

Mr. CHEAH Cheng Hye *(Chairman)*

Dr. CHEN Shih-Ta Michael

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

Mr. TSE Wai Ming, Timothy, CFA

Members of the Remuneration Committee

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

Mr. CHEAH Cheng Hye

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

Mr. TSE Wai Ming, Timothy, CFA

Members of the Risk Management Committee

Ms. LEE Vivienne *(Chairman)*

Mr. CHEAH Cheng Hye

Mr. SO Chun Ki Louis

Mr. TSE Wai Ming, Timothy, CFA

Members of the Valuation Committee

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

Ms. CHOY Kit Hung, Kit

Mr. TSE Wai Ming, Timothy, CFA

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Grand Cayman KY1-1107

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

26/F Tesbury Centre

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Hong Kong

Auditor

PricewaterhouseCoopers

Legal Advisor

Reed Smith Richards Butler

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Website

www.valuepartners.com.hk

Stock Code

Stock Exchange of Hong Kong: 806

Financial highlights

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

For the period ended 30 June			
(In HK\$ million)	2012	2011	% Change
Total revenue	266.6	385.4	-30.8%
Gross management fees	228.3	251.0	-9.0%
Gross performance fees	0.9	107.0	-99.2%
Profit attributable to equity holders of the Company	88.2	198.7	-55.6%
Basic earnings per share (HK cents)	5.0	11.3	-55.8%
Diluted earnings per share (HK cents)	5.0	11.1	-55.0%
Interim dividend per share	Nil	Nil	

(In US\$ million)	30 June 2012	31 December 2011	% Change
Assets under management	7,150	7,154	-0.1%

In the first half of 2012, volatility remained in global stock markets, and investors across asset classes became increasingly concerned about macro events. Uncertainty over the Eurozone crisis, the stalling US economic recovery and a slowdown in China's growth dampened market sentiments.

Despite the challenging industry landscape, we are pleased that the Group's business remained profitable, with our assets under management ("AUM") staying resilient. Going forward, as we build Value Partners into a world-class, independent fund house in the region, we will continue to focus on delivering strong long-term performance, expanding our distribution, diversifying our global investor base, and capturing asset management opportunities in mainland China.

Steady AUM, lowered performance fee

Our AUM stayed flat by the end of the review period at US\$7.2 billion. We are grateful for the undeterred support from our clients amidst tough market condition, which helped us achieve net subscriptions of US\$71 million, against a mild net redemption of US\$54 million in the second half of 2011.

For the first half of 2012 ended 30 June, our total revenue was HK\$266.6 million and our primary source of income, management fees, retreated relatively mildly due to the decrease in average AUM by 10.9% compared with the first half last year. Our management fee margin stayed steady in the period and there are comparatively more inflows into our own branded funds. The profit attributable to our equity holders amounted to HK\$88.2 million, a 55.6% decrease from the same period last year, which was primarily due to a significant drop in performance fees.

Performance fee, which used to contribute to the Group's income, saw a substantial reduction of HK\$106.1 million as most of the funds with performance fee crystallizing in the first half of the year did not exceed their high watermark (HWM) or benchmark. Value Partners' flagship Classic Fund¹, a more aggressive product designed to leverage the power of value investing, recorded a loss of 3.4% in the six-month period; while Value Partners High-Dividend Stocks Fund² ("High-Dividend Stocks Fund"), the Group's second largest public fund in Hong Kong with a more defensive strategy, managed to stay resilient with a net gain of 7.5% in the six-month period. Since the performance fee crystallization for most of our major own-branded funds is at the end of the year, the performance of our relevant funds in the second half of the year would determine whether we can collect further performance fees in the year 2012.

Stay focused on our priorities

At Value Partners, we are proactively positioning ourselves against the headwinds facing the industry. In light of the challenging market environment which has a bearing on our fund returns, going forward, we will remain very focused on our priorities as set out below:

i) Maintaining long-term performance

Value Partners is determined to deliver sustainable, superior fund performance with strong and original on-the-ground research in the Asia Pacific region. In the recent few years, we have aggressively expanded our investment management team to around 40 people, and put local professionals on the ground in mainland China to enhance our research capabilities. Our team conducts about 2,500 company visits every year (excluding phone interviews). While the short-term market cycle may not be in our favor, we believe value investing will prevail, and we will reap results for our investors over time – history witnessed that we have weathered seven financial crises regionally and globally in our two-decade investment journey. Our flagship Classic Fund is a case in point to illustrate how value investing might yield over the long term. The fund's Class A units¹ (launched on 1 April 1993) has made an annualized return of 16.2% with low annualized volatility of 22.7% as of the end of June this year over a 20-year period since inception in 1993 – made possible by our discipline in the conventional value investing approach. For reference, the annualized returns of the Hang Seng and MSCI China indices over the same period were 7.4% and -1.3%, while the annualized volatility was 28.2% and 37.4%, respectively. The fund's performance was recognized last year in the AsiaHedge Awards, in which the fund won the special Long-Term Performance Award (10 years)³.

As the “Temple of Value Investing” in Asia, we continue to receive industry recognition that attest to our investment success. Mr. Cheah Cheng Hye and Mr. Louis So, the Co-Chief Investment Officers (“Co-CIO”), received the “CIO of the Year in Asia” award from Asia Asset Management as co-winners. In the Lipper Fund Awards 2012 (Hong Kong)⁴ held in March, we received the Best Equity Group (3 Years) title out of more than 30 fund companies. In *Institutional Investor* magazine’s Asia Hedge Fund 25, Value Partners tops the list as the largest Asia-based single-manager hedge fund firm for the third consecutive year in July 2012. Moving forward, we will continue to enhance our investment process and strengthen our proprietary research to deliver consistent and strong long-term performance.

ii) Strengthened distribution channels

Over the years, Value Partners has successfully leveraged our strong branding as the Asian value investing expert to establish a solid foothold in Hong Kong’s retail market. By the first half, we have signed up all major first-tier retail banks as our fund distributors.

Yet, we continued to deepen and broaden our sources of fund inflows. Asia Pacific now has the world’s largest high-net-worth population, and the private banking channel has become increasingly important to asset managers. We have signed up all major private banks and are now further enhancing the product penetration of our other funds on top of our flagship fund, and successfully put our High-Dividend Stocks Fund (net inflow of US\$75 million in the period) and a new fund focused on Greater China high yield investments⁵ (net inflow of US\$63 million in the period) on some of the most prestigious private banking platforms in the region. Going forward, we will also focus on expanding our relationships with major insurance and bancassurance companies. These are the channels where we continue to see inflows of sticky money and contribute significantly to our AUM. The pension fund we manage for a local retirement scheme, for example, had US\$70 million inflow in the review period.

iii) Expanding global investor base

On the institutional front, we continue to broaden and deepen our relationships with institutional investors in key markets, namely the United States and Europe, which have brought us stable inflows for first half of 2012. Despite the global headwinds, we are grateful that many of our institutional investors are long term investors who place high confidence in Value Partners and the opportunities in China. Nonetheless, we continue to closely monitor investor trends globally to identify new business opportunities, while ensuring our existing investors are served by the highest standards. For instance, in light of the difficult situation in Europe, we have focused more of our institutional sales efforts on selective countries in Europe that are less affected by the crisis. In the United States, some institutional investors continue to look for equity exposure in the region with lesser volatility, hence our equity long-short hedge fund presents great appeal to these investors.

As demand for higher investment exposure to Asia, particularly the Greater China region, continues to grow, we have launched a UCITS-compliant fund⁵ which is designed based on the well-tested investment approach of our Classic Fund. Anticipating the needs of our global institutional clients, we will continue to offer investment solutions tailored to meet their investment objectives through our pooled investment vehicles or segregated portfolio solutions.

In terms of our exchange-traded fund (“ETF”) product suite, three new value-styled ETFs were launched in May, namely Value Japan ETF, Value Taiwan ETF and Value Korea ETF. These single-country ETFs, which track their respective underlying indices designed with the aim to capture value opportunities in the three markets, saw US\$31 million inflows in May this year. With our growing presence in the ETF landscape, we garnered the “Highly Commended ETF House” award in The Asset Triple A Investment Awards for the Hong Kong locality, announced on 14 August 2012.

Capturing business opportunities in mainland China

For our fund management joint venture in mainland China, Value Partners Goldstate Fund Management Company Limited (“VP Goldstate”), 49% of stake was acquired in March 2012, marking an important step in the Group’s regional development. The amount of capital involved in this acquisition was relatively small at HK\$50 million. As of the end of June, VP Goldstate had 66 staff members and RMB1.1 billion (US\$179 million) AUM. We believe that with the various measures the joint venture’s management have taken – strengthening of the management team, bringing in value-investing expertise to boost fund performance and actively building up the brand locally – the firm’s business will gradually grow and the investment will contribute to the Group’s bottom line over time. By the time of writing, VP Goldstate’s first public equity fund post-acquisition⁵, which is still gathering assets, already raised a solid RMB732 million (US\$115 million) in July alone.

As China gradually liberalizes its capital accounts and reforms the financial system, we believe its fund market will continue to thrive. The mutual fund industry AUM in China is estimated to reach RMB6.8 trillion (US\$1 trillion) by 2015 from RMB2.3 trillion (US\$360 billion) in June 2012⁶. We see huge opportunities as ties between the mainland and Hong Kong grow closer under the Closer Economic Partnership Arrangement (CEPA). Furthermore, as the mainland becomes a capital exporter, Hong Kong’s asset management industry is set to benefit from its advantage as the focal point of this capital flow which is evidenced in China’s recent move to allocate sovereign wealth fund assets to foreign managers, as well as allowing foreign managers to manage insurance assets. Our latest business development in the China market is in the Qianhai Bay Economic Zone, within a half-hour commuting radius of Hong Kong situating on the outskirts of Shenzhen. Qianhai is a pilot area to be built into an international financial hub with a mandate to spearhead RMB internationalization. We expect to work closely with the authorities in the coming years to capitalize on the favorable policies introduced in Qianhai and realize the business potential there.

Corporate updates

In the period under review, our Co-CIO Mr. Louis So was appointed Deputy Chairman of the Group while retaining the Co-CIO position; and I assumed the role of Chief Executive Officer. Such changes are in line with the Group’s long-term objective to uphold strong governance and performance excellence.

Last but not least, we would like to thank our colleagues whose dedication and hard work have contributed to Value Partners’ continued success. In continuation of our client-centric culture, our team will remain committed to serving the needs of our clients, and partner with them to embrace the challenges ahead.

TSE Wai Ming, Timothy, CFA

*Chief Executive Officer
Executive Director*

- ¹ *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%; 2012 (YTD as at 30 June 2012): -3.4%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*
- ² *Performance of Value Partners High-Dividend Stocks Fund over past five years: 2007: +44.2%; 2008: -46.8%; 2009: +82.8%; 2010: +25.8%; 2011: -11.9%; 2012 (YTD as at 30 June 2012): +7.5%. 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 for its suitability for any particular investor or class of investors.*
- ⁴ *All awards based on data as of year-end 2011.*
- ⁵ *Not authorized by the SFC and not available for public distribution in Hong Kong.*
- ⁶ *“China: The World’s Best Opportunity for Asset Managers?” (May 2012) by Citi and Z-BEN Advisors.*

Despite the challenging external environment, the Group managed to maintain a strong financial position with AUM stably held at US\$7.2 billion as at 30 June 2012. The Group's business continued to be profitable but a decline was recorded in performance fees, as most of the funds with performance fee crystallizing in the first half of year 2012 did not exceed their high watermark or benchmark. With fewer performance fees collected, the Group's revenue declined by 30.8% to HK\$266.6 million for the period (1H 2011: HK\$385.4 million). Profit attributable to equity holders of the Company for the first half of 2012 was HK\$88.2 million, marking a 55.6% decrease from the same period last year (1H 2011: HK\$198.7 million). Since the performance fee crystallization for most of our major own branded funds is at the end of the year, the performance of our funds in the second half of the year would determine whether we can collect further performance fees in 2012.

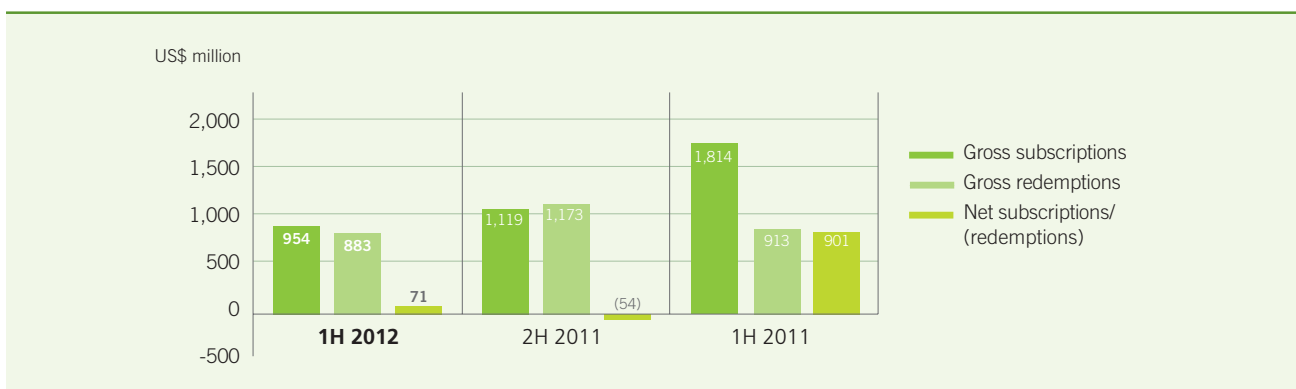
Assets Under Management

AUM and return

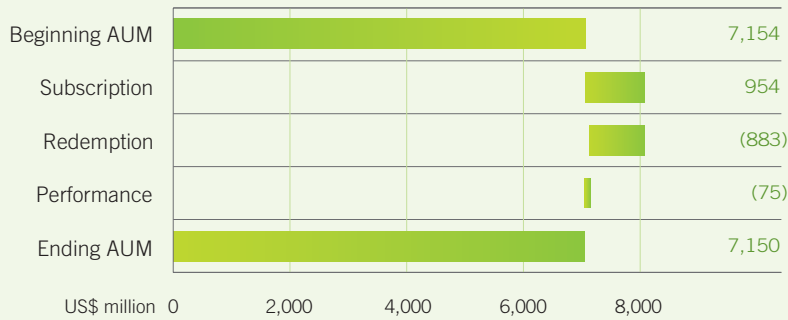
The Group's AUM amounted to US\$7,150 million at the end of June 2012, at par with the size at the end of 2011. In the period under review, the Group recorded net subscriptions of US\$71 million.

Our overall fund performance, as calculated in asset-weighted average return of funds under management, retreated 1.0% in the first half of 2012. For reference, Value Partners' flagship Classic Fund¹, a more aggressive product designed to leverage the power of value investing, recorded a loss of 3.4% in the six-month period; while Value Partners High-Dividend Stocks Fund², the Group's second largest public fund in Hong Kong with a more defensive strategy, managed to stay resilient with a net gain of 7.5% in the six-month period.

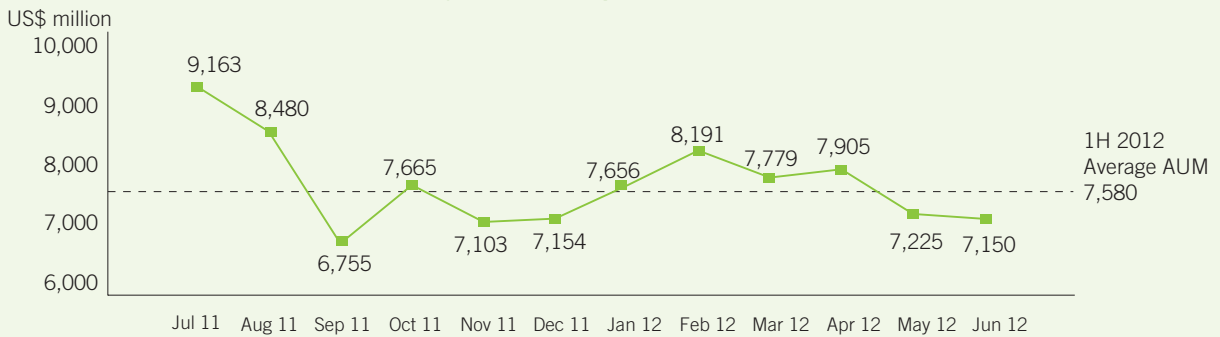
Gross subscriptions in the first half of 2012 amounted to US\$954 million, fewer than in the second half of 2011 (US\$1,119 million) as weakened market sentiment weighed on investor activity. On the other hand, redemptions reduced to US\$883 million³ compared to US\$1,173 million in the second half of 2011. All in all, we were able to have a small net subscriptions of US\$71 million (2H 2011: net redemptions of US\$54 million) despite market volatility which dampened investor appetite.



AUM change in the first half of 2012⁴



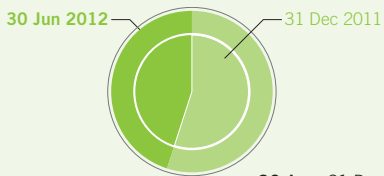
Monthly AUM in the past twelve months



AUM by category

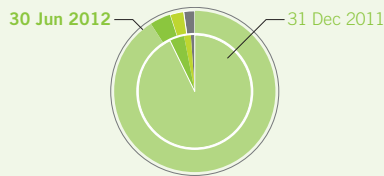
The charts below provide an analysis of the Group’s AUM as at 30 June 2012 by three different classifications: brand, strategy and fund type. For the period under review, our product mix by brand remained stable, and own branded funds accounted for 55% of our total AUM at period-end (2011: 55%). By strategy, our Absolute Return Long-biased Funds continued to represent the majority of our funds (91%), while our Quantitative Funds & ETFs recorded an increase due to our newly launched ETFs during the current period. Besides, our newly launched fund, which focuses on Greater China high yield investments⁵ also contributed to the increase in fixed income and credit strategy. In terms of fund type, Hong Kong Securities and Futures Commission (“SFC”) authorized funds⁶ (i.e. public funds in Hong Kong) maintained the largest portion of our AUM (77%).

Classification by brand



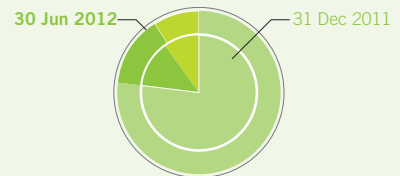
	30 Jun 2012	31 Dec 2011
Own Branded Funds	55%	55%
White Label & Co-branded Funds	45%	45%

Classification by strategy



	30 Jun 2012	31 Dec 2011
Absolute Return Long-biased Funds	91%	93%
Long-short Hedge Funds	4%	4%
Quantitative Funds & ETFs	3%	2%
Fixed Income & Credit Funds	2%	1%

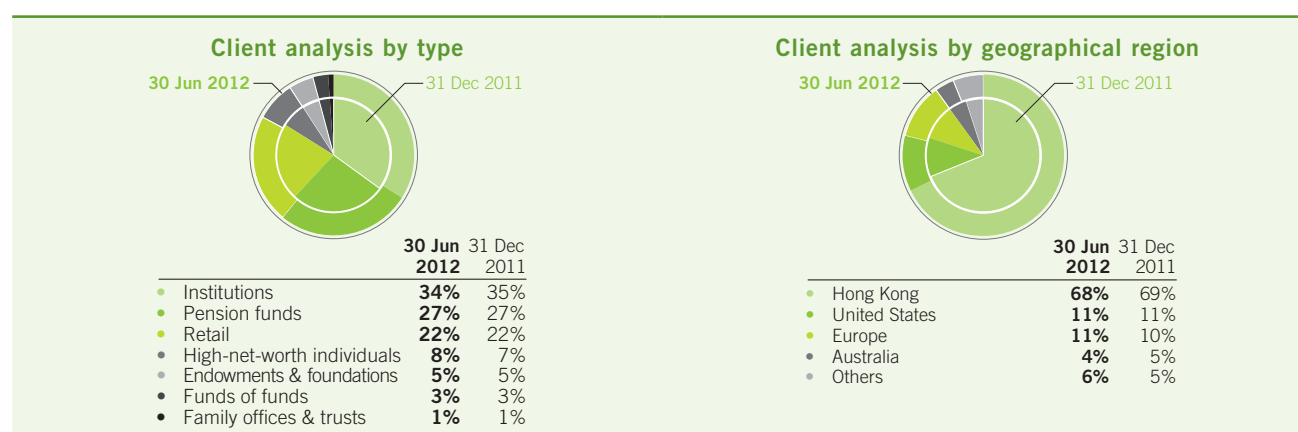
Classification by type



	30 Jun 2012	31 Dec 2011
SFC authorized Funds ⁶	77%	77%
Non-SFC authorized Funds	14%	13%
Managed Accounts	9%	10%

Client base

Institutional clients – including institutions, pension funds, high-net-worth individuals (HNWs), endowments and foundations, funds of funds, and family offices and trusts – remained the Group's primary set of fund investors, accounting for 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 remained stable and accounted for 22% of the AUM. By geographical region, Hong Kong clients accounted for 68% of the Group's AUM (2011: 69%), while the percentage of clients in the United States and Europe was 22% (2011: 21%).



Summary of results

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

(In HK\$ million)	1H 2012	1H 2011	% Change
Total revenue	266.6	385.4	-30.8%
Gross management fees	228.3	251.0	-9.0%
Gross performance fees	0.9	107.0	-99.2%
Profit attributable to equity holders of the Company	88.2	198.7	-55.6%
Basic earnings per share (HK cents)	5.0	11.3	-55.8%
Diluted earnings per share (HK cents)	5.0	11.1	-55.0%
Interim dividend per share	Nil	Nil	

Revenue and fee margins

Breakdown of total net income

(In HK\$ million)	1H 2012			1H 2011 Total ⁷
	Core ⁷	Others ⁷	Total	
Fee income	266.0	0.6	266.6	385.4
Management fees	227.7	0.6	228.3	251.0
Performance fees	0.9	–	0.9	107.0
Other revenue	37.4	–	37.4	27.4
Distribution and advisory fee expenses	(86.4)	(0.0)	(86.4)	(80.6)
Management fees rebate	(50.6)	(0.0)	(50.6)	(51.1)
Performance fees rebate	(0.0)	–	(0.0)	(3.9)
Other revenue rebate	(35.8)	–	(35.8)	(25.6)
Other income	19.8	5.6	25.4	13.3
Total net income	199.4	6.2	205.6	318.1

The Group's total revenue decreased by 30.8% to HK\$266.6 million for the six months ended 30 June 2012 (1H 2011: HK\$385.4 million). The major contribution to our revenue was gross management fees, which dropped to HK\$228.3 million (1H 2011: HK\$251.0 million) as a result of a 10.9% decrease in the Group's average AUM to US\$7,580 million (1H 2011: US\$8,504 million). With comparatively higher fund inflows from distribution channels into our Own Branded Funds, annualized gross management fee margin increased to 78 basis points (1H 2011: 76 basis points). The distribution and advisory fee expenses paid to channels increased correspondingly by 7.2% to HK\$86.4 million (1H 2011: HK\$80.6 million), resulting in a less significant increase of 1 basis point in annualized net management fee margin (1H 2012: 61 basis points; 1H 2011: 60 basis points).

Gross performance fees, another source of revenue, amounted to HK\$0.9 million, representing a HK\$106.1 million decrease (1H 2011: HK\$107.0 million). The decline was primarily due to the performance of the Group's funds, most of which crystallizing in the first half of 2012 did not exceed their high watermark or benchmark. Since the performance fee crystallization for most of our major own branded funds is at the end of the year, the performance of our funds in the second half of the year would determine whether we can collect further performance fees in 2012.

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\$25.4 million (1H 2011: HK\$13.3 million). Dividend income decreased to HK\$2.5 million (1H 2011: HK\$5.1 million), while interest income rose to HK\$21.7 million (1H 2011: HK\$2.9 million) due to the increase in the value of bank deposits and interest-bearing bonds investments.

Other gains and losses

Breakdown of other gains – net

(In HK\$ million)	1H 2012			1H 2011
	Core ⁷	Others ⁷	Total	Total ⁷
Changes in fair value of investment properties	15.0	–	15.0	9.7
Gains on financial assets at fair value through profit or loss	27.9	–	27.9	29.8
Losses on financial assets at fair value through profit or loss	(27.3)	–	(27.3)	(5.4)
Net foreign exchange (losses)/gains	(1.2)	–	(1.2)	8.5
Other gains – net	14.4	–	14.4	42.6

Gains and losses on financial assets at fair value through profit or loss comprises fair value changes and realized gains or losses on our fund investments and other short term investments.

Cost management

Breakdown of total expenses

(In HK\$ million)	1H 2012			1H 2011
	Core ⁷	Others ⁷	Total	Total ⁷
Compensation and benefit expenses	66.2	9.9	76.1	100.0
Fixed salaries and staff benefits	48.8	9.9	58.7	43.5
Management bonus	15.4	–	15.4	48.7
Staff rebates	1.2	–	1.2	2.3
Share-based compensation expenses	0.8	–	0.8	5.5
Other expenses	34.9	5.8	40.7	31.6
Other fixed operating costs	24.0	4.3	28.3	22.3
Sales and marketing	6.6	1.1	7.7	5.7
Depreciation	2.5	0.4	2.9	2.2
Non-recurring expenses	1.8	–	1.8	1.4
Total expenses	101.1	15.7	116.8	131.6

The Group's management continued to exercise stringent cost discipline and aimed to keep fixed operating expenses well covered by its net management fee income, a relatively stable income source. We measure this objective with the "fixed cost coverage ratio", an indicator of how many times fixed operating expenses are covered by net management fee income. For the current period, the Group's fixed cost coverage (for asset management business) was 2.1 times.

Compensation and benefit expenses

Fixed salaries and staff benefits increased by HK\$15.2 million compared with the same period last year to HK\$58.7 million (1H 2011: HK\$43.5 million). The increase was mainly attributable to the salary and headcount costs incurred by non-wholly owned subsidiaries in Taiwan, Chengdu and Yunnan, which amounted to HK\$9.9 million, while salary increment also added to the rise in fixed salaries and staff benefits in Hong Kong.

Management bonuses amounted to HK\$15.4 million for the current period (1H 2011: HK\$48.7 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.

Staff rebates decreased to HK\$1.2 million (1H 2011: HK\$2.3 million). Staff are entitled to partial rebates of management fees and performance fees when investing in the funds managed by the Group.

The Group also recorded expenses of HK\$0.8 million relating to stock options granted to employees. This expense item had no impact on cash flow and is recognized in accordance with Hong Kong Financial Reporting Standards.

Other expenses

Other non-staff-related operating costs such as rent, legal & professional fees, investment research and other administrative and office expenses, amounted to HK\$28.3 million (1H 2011: HK\$22.3 million). The increase is attributable to the HK\$4.3 million incurred by our non-wholly owned subsidiaries.

Sales and marketing expenses increased to HK\$7.7 million for the current period (1H 2011: HK\$5.7 million) as a result of increased spending on advertising for new products launch and distributor sponsorship, following the expansion of our distribution network.

Non-recurring expenses mainly consisted of donations. The Group entered into a partnership with the Hong Kong University of Science and Technology ("HKUST") in 2011, and launched the "Value Partners Center for Investing at the HKUST Business School", for which the Group pledged a donation of up to HK\$10.0 million over five years and HK\$1.8 million was donated during the current period.

Net profit and core earnings

Profit attributable to equity holders of the Company came to HK\$88.2 million (1H 2011: HK\$198.7 million), and core earnings fell by 61.8% to HK\$66.7 million (1H 2011: HK\$174.6 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 developments

In March 2012, we acquired a 49% stake in KBC Goldstate Fund Management Company Limited and the company was subsequently renamed as Value Partners Goldstate Fund Management Company Limited ("VP Goldstate^B"). The capital involved amounted to HK\$49.9 million. As at end of June, VP Goldstate had 66 staff members and RMB1.1 billion (US\$179 million) AUM. VP Goldstate's first public equity fund post-acquisition⁵, which is still gathering assets, raised a solid RMB732 million (US\$115 million) in July 2012.

The acquisition of 55.46% stake of KBC Concord Asset Management Company Limited, a Taiwan fund management firm, was completed in August 2011, and was renamed as Value Partners Concord Asset Management Company Limited ("VP Concord"). We subsequently raised our stake to slightly over 60% for NT\$318.9 million in total. As at the end of June, VP Concord had 23 staff members and NT\$1.1 billion (US\$35 million) AUM. In June 2012, VP Concord launched a new fixed income fund⁵ with NT\$875 million (US\$29 million) AUM at of end of June.

Chengdu Vision Credit Limited (“Vision Credit”), our joint venture company to operate and develop small loan business in Chengdu, Sichuan Province in China, was formed in November 2011. We own 90% of the joint venture, which has registered capital of RMB300.0 million. Vision Credit has completed the development phase and is planning to commence business in the second half of 2012.

Dividends

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

Liquidity and financial resources

Fee income is the Group’s main source of income, while other income sources include interest income generated from bank deposits and dividend income from investments held. During the period, the Group’s balance sheet and cash flow positions remained strong, with a net cash balance of HK\$996.3 million. Net cash inflows from operating activities amounted to HK\$38.1 million, and the Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities. The debt-to-equity ratio (interest bearing external borrowings divided by shareholders’ equity) stood at zero, while the current ratio (current assets divided by current liabilities) came to 12.4 times.

Capital structure

As at 30 June 2012, the Group’s shareholders’ equity and total number of shares in issue for the Company stood at HK\$2,404.6 million and 1.76 billion, respectively.

- 1 *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%; 2012 (YTD as at 30 June 2012): -3.4%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*
- 2 *Performance of Value Partners High-Dividend Stocks Fund over past five years: 2007: +44.2%; 2008: -46.8%; 2009: +82.8%; 2010: +25.8%; 2011: -11.9%; 2012 (YTD as at 30 June 2012): +7.5%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*
- 3 *Includes cash distributions and return of capital which amounted to US\$14 million in the first half of 2012.*
- 4 *Excludes AUM of Value Partners Goldstate Fund Management Company Limited (“VP Goldstate”), in which the Group holds an ownership interest of 49%.*
- 5 *Not authorized by the SFC and not available for public distribution in Hong Kong.*
- 6 *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.*
- 7 *“Core” refers to the Group’s wholly owned subsidiaries while “Others” refers to non-wholly owned subsidiaries in Taiwan, Chengdu and Yunnan. Since the acquisitions or formation of non-wholly owned subsidiaries were completed in the second half of 2011, there was no corresponding profit and loss impact in the first half of 2011.*
- 8 *The investment in VP Goldstate is recorded as interest in an associate and its operating results were not consolidated. The share of gain/loss was recorded under “share of loss of an associate”.*

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

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 14 to 29, which comprises the condensed consolidated balance sheet of Value Partners Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2012 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Note	Six months ended 30 June	
		2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Income			
Fee income	5	266,577	385,427
Distribution and advisory fee expenses	6	(86,438)	(80,662)
Net fee income		180,139	304,765
Other income	7	25,437	13,340
Total net income		205,576	318,105
Expenses			
Share-based compensation		(803)	(5,469)
Other compensation and benefit expenses		(75,268)	(94,488)
Operating lease rentals		(6,466)	(5,958)
Other expenses		(34,221)	(25,661)
Total expenses		(116,758)	(131,576)
Other gains – net	8	14,361	42,647
Operating profit		103,179	229,176
Share of loss of an associate	14	(4,505)	(158)
Share of loss of a joint venture		–	(2,186)
Profit before tax		98,674	226,832
Tax expense	9	(14,700)	(28,101)
Profit for the period		83,974	198,731
Other comprehensive loss for the period			
Fair value losses on available-for-sale financial assets		(170)	(1,310)
Foreign exchange translation reserve		(2,192)	–
Other comprehensive loss for the period		(2,362)	(1,310)
Total comprehensive income for the period		81,612	197,421
Profit attributable to			
Equity holders of the Company		88,158	198,731
Non-controlling interests		(4,184)	–
		83,974	198,731
Total comprehensive income for the period attributable to			
Equity holders of the Company		85,726	197,421
Non-controlling interests		(4,114)	–
		81,612	197,421
Earnings per share for profit attributable to equity holders of the Company (HK cents per share)			
– basic		5.0	11.3
– diluted		5.0	11.1

The notes on pages 18 to 29 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET |

As at 30 June 2012

	Note	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited
Non-current assets			
Property, plant and equipment	11	9,190	8,129
Intangible assets	12	54,746	52,670
Investment properties	13	93,000	78,000
Investment in an associate	14	45,414	–
Deferred tax assets		132	328
Investments	15	1,162,835	959,556
Other assets	18	13,636	13,529
		1,378,953	1,112,212
Current assets			
Investments	15	25,548	21,081
Fees receivable	16	62,548	61,427
Prepayments and other receivables		31,584	37,362
Cash and cash equivalents	17	996,277	1,315,348
		1,115,957	1,435,218
Current liabilities			
Accrued bonus		15,412	69,501
Distribution fee expenses payable	20	26,034	23,933
Other payables and accrued expenses		25,962	21,197
Current tax liabilities		22,875	8,785
		90,283	123,416
Net current assets		1,025,674	1,311,802
Net assets		2,404,627	2,424,014
Equity			
Capital and reserves attributable to equity holders of the Company			
Issued equity	19	889,213	889,213
Other reserves		152,042	153,671
Retained earnings			
– proposed dividends		–	101,802
– others		1,273,356	1,185,198
		2,314,611	2,329,884
Non-controlling interests		90,016	94,130
Total equity		2,404,627	2,424,014

The notes on pages 18 to 29 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to equity holders of the Company				Non-controlling Interests HK\$'000	Total equity HK\$'000
	Issued equity HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
Unaudited						
As at 1 January 2011	866,717	150,169	1,401,048	2,417,934	–	2,417,934
Profit for the period	–	–	198,731	198,731	–	198,731
Other comprehensive loss						
Fair value losses on available-for-sale financial assets	–	(1,310)	–	(1,310)	–	(1,310)
Total comprehensive income/(loss)	–	(1,310)	198,731	197,421	–	197,421
Transactions with owners						
Shares issued upon exercise of share options	28,659	–	–	28,659	–	28,659
Share-based compensation	–	5,469	–	5,469	–	5,469
Dividends to equity holders of the Company	–	–	(281,107)	(281,107)	–	(281,107)
Total transactions with owners	28,659	5,469	(281,107)	(246,979)	–	(246,979)
As at 30 June 2011	895,376	154,328	1,318,672	2,368,376	–	2,368,376
Unaudited						
As at 1 January 2012	889,213	153,671	1,287,000	2,329,884	94,130	2,424,014
Profit/(loss) for the period	–	–	88,158	88,158	(4,184)	83,974
Other comprehensive income/(loss)						
Fair value losses on available-for-sale financial assets	–	(170)	–	(170)	–	(170)
Foreign exchange translation reserve	–	(2,262)	–	(2,262)	70	(2,192)
Total comprehensive income/(loss)	–	(2,432)	88,158	85,726	(4,114)	81,612
Transactions with owners						
Share-based compensation	–	803	–	803	–	803
Dividends to equity holders of the Company	–	–	(101,802)	(101,802)	–	(101,802)
Total transactions with owners	–	803	(101,802)	(100,999)	–	(100,999)
As at 30 June 2012	889,213	152,042	1,273,356	2,314,611	90,016	2,404,627

The notes on pages 18 to 29 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS |

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Cash flows from operating activities		
Net cash generated from operations	35,859	532,705
Interest received	2,616	2,395
Tax paid	(414)	(695)
Net cash generated from operating activities	38,061	534,405
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(6,085)	(3,452)
Purchase of investment properties	–	(53,671)
Acquisition of an associate	(49,919)	–
Purchase of investments	(300,420)	(232,245)
Disposal of investments	97,020	–
Closing of derivative financial instruments	–	(647)
Dividends received from investments	1,735	2,987
Interest received from held-to-maturity financial assets	4,531	–
Net cash used in investing activities	(253,138)	(287,028)
Cash flows from financing activities		
Proceeds from shares issued upon exercise of share options	–	28,659
Dividends paid	(101,802)	(281,107)
Net cash used in financing activities	(101,802)	(252,448)
Net decrease in cash and cash equivalents	(316,879)	(5,071)
Net foreign exchange losses on cash and cash equivalents	(2,192)	–
Cash and cash equivalents at beginning of the period	1,315,348	1,218,561
Cash and cash equivalents at end of the period	996,277	1,213,490

The notes on pages 18 to 29 are an integral part of this condensed consolidated interim financial information.

For the six months ended 30 June 2012

1 General information

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

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

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 21 August 2012.

This condensed consolidated interim financial information has not been audited.

Key events

The business highlight of the period was the acquisition of 49% interest in Value Partners Goldstate Fund Management Company Limited (“VP Goldstate”). Further details are given in Note 14.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

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

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

New standards issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

- HKAS 28 (revised 2011) “Investments in Associates and Joint Ventures” includes the requirements for joint ventures, as well as associates, to be equity accounted for following the issue of HKFRS 11 (“Joint Arrangements”). The Group has already used the equity method to account for the associate, refer to Note 14 for details. The adoption of this accounting standard is not expected to have a significant impact on the Group’s consolidated financial statements and the Group intends to adopt HKAS 28 (revised 2011) no later than the accounting period beginning on or after 1 January 2013.

3 Accounting policies (continued)

New standards issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted (continued)

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

4 Segment information

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

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

The Group has set up a small loan business in Chengdu and will commence business in the second half of 2012. There was no disclosure of this segment in the 2011 annual financial statements as there was no operation in 2011. Major sources of income of this small loan business will include interest income and administrative fee income from small loans.

For the six months ended 30 June 2012

4 Segment information (continued)

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

	Six months ended 30 June 2012			Six months ended 30 June 2011		
	Asset management business HK\$'000 Unaudited	Small loan business HK\$'000 Unaudited	Total HK\$'000 Unaudited	Asset management business HK\$'000 Unaudited	Small loan business HK\$'000 Unaudited	Total HK\$'000 Unaudited
Income from external customers	266,577	–	266,577	385,427	–	385,427
Distribution and advisory fee expenses	(86,438)	–	(86,438)	(80,662)	–	(80,662)
Net fee income	180,139	–	180,139	304,765	–	304,765
Other income	20,183	5,254	25,437	13,340	–	13,340
Total net income	200,322	5,254	205,576	318,105	–	318,105
Operating expenses	(112,788)	(3,970)	(116,758)	(131,576)	–	(131,576)
Other gains – net	14,361	–	14,361	42,647	–	42,647
Operating profit	101,895	1,284	103,179	229,176	–	229,176
Share of loss of an associate	(4,505)	–	(4,505)	(158)	–	(158)
Share of loss of a joint venture	–	–	–	(2,186)	–	(2,186)
Reportable segment profit before tax	97,390	1,284	98,674	226,832	–	226,832

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

	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited
Asset management business	2,127,324	2,178,280
Small loan business	367,586	369,150
Total	2,494,910	2,547,430

5 Fee income

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

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Management fees	228,302	251,003
Performance fees	905	106,954
Front-end fees	37,370	26,713
Back-end fees	–	757
Total fee income	266,577	385,427

6 Distribution and advisory fee expenses

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

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Distribution fee expenses	84,434	76,774
Advisory fee expenses	2,004	3,888
Total distribution and advisory fee expenses	86,438	80,662

7 Other income

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Interest income on cash and cash equivalents and restricted bank balances	7,087	2,913
Interest income from held-to-maturity financial assets	14,575	–
Dividend income on available-for-sale financial assets	992	913
Dividend income on financial assets at fair value through profit or loss	1,530	4,155
Rental income from investment properties	1,115	470
Others	138	4,889
Total other income	25,437	13,340

8 Other gains – net

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Changes in fair value of investment properties (Note 13)	15,000	9,694
Gains on financial assets at fair value through profit or loss	27,876	29,824
Losses on financial assets at fair value through profit or loss	(27,265)	(5,444)
Net foreign exchange (losses)/gains	(1,250)	8,573
Total other gains – net	14,361	42,647

9 Tax expense

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

For the six months ended 30 June 2012

9 Tax expense (continued)

Hong Kong profits tax has been provided on the estimated assessable profit for the six months ended 30 June 2012 at the rate of 16.5% (2011: 16.5%).

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Current tax		
Hong Kong profits tax	14,574	27,329
Overseas tax	229	699
Adjustments in respect of prior years	(299)	–
Total current tax	14,504	28,028
Deferred tax	196	73
Total tax expense	14,700	28,101

10 Dividends

Dividends declared by the Company of HK\$101,802,000 related to the year ended 31 December 2011 and were paid on 21 May 2012.

No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2012 (2011: Nil).

11 Property, plant and equipment

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Opening net book amount	8,129	7,951
Additions	3,573	3,010
Depreciation	(2,512)	(1,910)
Closing net book amount	9,190	9,051

12 Intangible assets

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Opening net book amount	52,670	1,583
Additions	2,512	442
Amortisation	(436)	(258)
Impairment	–	(393)
Closing net book amount	54,746	1,374

13 Investment properties

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Opening balance	78,000	58,743
Additions	–	563
Changes in fair value of investment properties (Note 8)	15,000	9,694
Closing balance	93,000	69,000

The investment properties were revalued as at 30 June 2012 on an open market value basis by CB Richard Ellis Limited, an independent firm of professional qualified valuer.

14 Investment in an associate

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Opening balance	–	710
Additions	49,919	–
Share of results – loss after tax	(4,505)	(158)
Closing balance	45,414	552

On 26 March 2012, the Group acquired 49% interest in VP Goldstate (formerly KBC Goldstate Fund Management Company Limited) for a consideration of HK\$49,919,000. As at 30 June 2012, the Group accounted for its investment in VP Goldstate as an associate. The Group has the ability to exercise significant influence over VP Goldstate with representation on its Board of Directors.

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

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	
Fee income	2,373	
Share of loss	(4,505)	
	30 June 2012 HK\$'000 Unaudited	
Assets	34,909	
Liabilities	(4,263)	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

15 Investments

Investments include the following:

	Financial assets at fair value through profit or loss		Held-to-maturity financial assets		Available-for-sale financial assets		Total	
	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited
Listed securities (by place of listing)								
Debt securities – Hong Kong	-	-	2,437	2,458	-	-	2,437	2,458
Debt securities – Singapore	-	-	244,015	58,630	-	-	244,015	58,630
Investment funds – Hong Kong	225,753	196,599	-	-	-	-	225,753	196,599
Market value of listed securities	225,753	196,599	246,452	61,088	-	-	472,205	257,687
Unlisted securities (by place of incorporation/ establishment)								
Debt securities – China	-	-	85,156	85,107	-	-	85,156	85,107
Equity securities – Singapore	-	-	-	-	1,284	1,187	1,284	1,187
Investment fund – Australia	16,128	-	-	-	-	-	16,128	-
Investment funds – Cayman Islands	473,108	571,424	-	-	-	-	473,108	571,424
Investment fund – Ireland	75,427	-	-	-	-	-	75,427	-
Investment funds – Luxembourg	5,576	5,873	-	-	-	-	5,576	5,873
Investment funds – Taiwan	23,904	22,908	-	-	-	-	23,904	22,908
Investment funds – United States	24,995	25,371	-	-	10,600	10,867	35,595	36,238
Fair value of unlisted securities	619,138	625,576	85,156	85,107	11,884	12,054	716,178	722,737
Derivative financial instruments								
Currency option contract	-	213	-	-	-	-	-	213
Total investments	844,891	822,388	331,608	146,195	11,884	12,054	1,188,383	980,637
Representing:								
Non-current	819,343	801,307	331,608	146,195	11,884	12,054	1,162,835	959,556
Current	25,548	21,081	-	-	-	-	25,548	21,081
Total investments	844,891	822,388	331,608	146,195	11,884	12,054	1,188,383	980,637

There is no currency option contract outstanding as at 30 June 2012. The notional value of the currency option contract outstanding as at 31 December 2011 was HK\$232,500,000.

There was no impairment provision on held-to-maturity financial assets as at 30 June 2012 (31 December 2011: Nil).

16 Fees receivable

The carrying amounts of fees receivable approximate their fair value due to the short-term maturity. The maximum exposure to credit risk at the reporting date is the carrying amounts of the fees receivable. The Group did not hold any collateral as security as at 30 June 2012 (31 December 2011: Nil).

16 Fees receivable (continued)

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

	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited
Fees receivable that were past due but not impaired		
1 – 30 days	751	1,421
31 – 60 days	234	455
	985	1,876
Fees receivable that were within credit period	61,563	59,551
Total fees receivable	62,548	61,427

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

There was no impairment provision on fees receivable as at 30 June 2012 (31 December 2011: Nil).

17 Cash and cash equivalents

	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited
Cash at banks and in hand	196,901	1,266,858
Short-term bank deposits	792,169	47,505
Deposits with brokers	7,207	985
Total cash and cash equivalents	996,277	1,315,348

18 Other assets

	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited
Restricted bank balances	11,660	11,552
Other assets	1,976	1,977
Total other assets	13,636	13,529

In accordance with the Regulations Governing the Conduct of Discretionary Investment Business and the Regulations Governing Offshore Funds of Taiwan, as at 30 June 2012, Value Partners Concord Asset Management Company Limited, a subsidiary of the Group, placed a deposit of NT\$45 million (equivalent to HK\$11,660,000) (31 December 2011: 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.

For the six months ended 30 June 2012

19 Issued equity

	Number of shares	Issued equity HK\$'000
Unaudited		
As at 1 January 2011	1,752,192,981	866,717
Shares issued upon exercise of share options	5,210,819	28,659
As at 30 June 2011	1,757,403,800	895,376
Unaudited		
As at 1 January 2012 and 30 June 2012	1,755,202,800	889,213

Share options

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

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

	Average exercise price (HK\$ per share)	Number of options ('000)
Unaudited		
As at 1 January 2011	5.33	106,196
Exercised	5.50	(5,211)
Expired	7.56	(2,667)
As at 30 June 2011	5.26	98,318
Unaudited		
As at 1 January 2012	5.26	98,118
Granted	3.94	4,700
Forfeited	5.50	(703)
Forfeited	5.00	(2,000)
As at 30 June 2012	5.20	100,115

Out of the 100,115,000 (2011: 98,318,000) outstanding share options, 93,382,000 (31 December 2011: 92,718,000) options were exercisable as at 30 June 2012. No (2011: 5,211,000) options were exercised during the six months ended 30 June 2012.

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

Expiry date	Exercise price (HK\$ per share)	Number of options ('000)	
		30 June 2012 Unaudited	30 June 2011 Unaudited
25 September 2014	5.50	27,464	28,367
14 November 2014	5.50	55,451	55,451
26 October 2015	2.44	6,400	6,400
22 December 2016	5.00	6,100	8,100
30 May 2022	3.94	4,700	–

20 Distribution fee expenses payable

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

	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited
0 – 30 days	24,080	23,070
31 – 60 days	1,236	327
61 – 90 days	471	151
Over 90 days	247	385
Total distribution fee expenses payable	26,034	23,933

21 Commitments

21.1 Operating lease commitments

The Group as the lessee

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

	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited
Not later than one year	14,154	11,447
Later than one year and not later than five years	14,286	14,934
Total operating lease commitments	28,440	26,381

The Group as the lessor

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

	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited
Not later than one year	2,379	2,379
Later than one year and not later than five years	1,883	3,073
Total operating lease commitments	4,262	5,452

22 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.

22 Contingencies (continued)

22.1 Contingent assets

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

As a result, as at 30 June 2012 and 31 December 2011, performance fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding period/year have not been recognised. These performance fees may be receivable in cash if a positive performance results (for non-private equity fund products) or a performance threshold is exceeded (for private equity fund products) on the performance fee valuation days, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

22.2 Contingent liabilities

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

As a result, as at 30 June 2012 and 31 December 2011, the performance fee element of distribution fee expenses in respect of performance periods ending on a performance fee valuation day not falling within the corresponding period/year have not been recognised. These distribution fee expenses may be payable in cash if the performance fees are subsequently earned on the performance fee valuation days.

23 Related-party transactions

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

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

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

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Expenses recharged by a subsidiary to a joint venture	–	4,452

23.2 Key management compensation

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

	Six months ended 30 June	
	2012 HK\$'000 Unaudited	2011 HK\$'000 Unaudited
Salaries and other short-term employee benefits	7,480	9,368
Share-based compensation	301	3,101
Pension costs – mandatory provident fund scheme	30	35
Total key management compensation	7,811	12,504

23 Related-party transactions (continued)

23.3 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:

	Fair value	
	30 June 2012 HK\$'000 Unaudited	31 December 2011 HK\$'000 Audited
Asia Value Formula Fund ^(a)	70,926	67,764
Manulife Global Fund – China Value Fund ^(b)	5,576	5,873
Premium Asia Income Fund	16,128	–
Value Gold ETF	175,957	175,731
Value Japan ETF	7,644	–
Value Korea ETF	7,755	–
Value Partners Absolute Greater China Classic Fund ^(a)	75,427	–
Value Partners Asia Fund, LLC	24,995	25,371
Value Partners China Greenchip Fund Limited ^(c)	8,306	8,186
Value Partners Classic Fund ^(d)	142,704	224,878
Value Partners Concord Taiwan Home Run Fund ^(a)	23,904	22,908
Value Partners Credit Fund ^(a)	168,150	170,456
Value Partners Greater China Property Hedge Fund ^{(a), (e)}	–	17,748
Value Partners Hedge Fund Limited ^(e)	16,321	15,603
Value Partners High-Dividend Stocks Fund	16,819	15,691
Value Partners Intelligent Funds – China Convergence Fund	15,865	16,488
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	15,678	16,348
Value Partners Strategic Equity Fund ^(f)	466	1,867
Value Partners Taiwan Fund	17,863	16,385
Value Taiwan ETF	8,850	–
Total investments in own investment funds	819,334	801,297

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

(b) The shares held were Class A shares.

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

(d) The units held were “A” and “C” units.

(e) The shares held were participating redeemable preference shares.

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

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

As at 30 June 2012, the Group had investments in Malabar India Fund, LP amounted to HK\$10,600,000 (31 December 2011: HK\$10,867,000) which is managed by Malabar Investment LLC in which the Group had an interest of 8.80% (31 December 2011: 9.04%). The Group also had a receivable of HK\$1,164,000 (31 December 2011: HK\$1,167,000) from Malabar Investment LLC as at 30 June 2012.

24 Cyclicity

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

Directors' interests in shares, underlying shares and debentures

As at 30 June 2012, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which had required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange, were as follows:

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

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

Notes:

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

(c) Share options

The Company adopted a share option scheme on 24 October 2007 (and as amended on 15 May 2008) (the “Scheme”). Details of the grant of share options and a summary of the movements of the outstanding share options during the six months ended 30 June 2012 are as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2012	Number of Share Options			As at 30/06/2012
					Granted	Exercised	Lapsed	
Directors								
Mr. CHEAH Cheng Hye	26/03/2008	26/03/2008-25/09/2014	5.50	1,600,000	-	-	-	1,600,000
	15/05/2008	15/05/2008-14/11/2014	5.50	55,450,828	-	-	-	55,450,828
Ms. HUNG Yeuk Yan Renee	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	-	-	-	4,036,140
	27/04/2009	27/10/2011-26/10/2015	2.436	3,200,000	-	-	-	3,200,000
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	25/03/2010-25/09/2014	5.50	266,668	-	-	-	266,668
	23/06/2010	25/03/2011-25/09/2014	5.50	283,332	-	-	-	283,332
		23/06/2011-22/12/2016	5.00	250,000	-	-	-	250,000
		23/06/2012-22/12/2016	5.00	250,000	-	-	-	250,000
	31/05/2012	23/06/2013-22/12/2016	5.00	250,000	-	-	-	250,000
		31/12/2013 -30/05/2022	3.94	-	666,667	-	-	666,667
		31/05/2014 -30/05/2022	3.94	-	666,667	-	-	666,667
31/05/2015 -30/05/2022	3.94	-	666,666	-	-	666,666		
Dr. CHEN Shih-Ta Michael	31/05/2012	31/05/2013 -30/05/2022	3.94	-	66,667	-	-	66,667
		31/05/2014 -30/05/2022	3.94	-	66,667	-	-	66,667
		31/05/2015 -30/05/2022	3.94	-	66,666	-	-	66,666
Mr. LEE Siang Chin	31/05/2012	31/05/2013 -30/05/2022	3.94	-	66,667	-	-	66,667
		31/05/2014 -30/05/2022	3.94	-	66,667	-	-	66,667
		31/05/2015 -30/05/2022	3.94	-	66,666	-	-	66,666
Mr. Nobuo OYAMA	31/05/2012	31/05/2013 -30/05/2022	3.94	-	66,667	-	-	66,667
		31/05/2014 -30/05/2022	3.94	-	66,667	-	-	66,667
		31/05/2015 -30/05/2022	3.94	-	66,666	-	-	66,666
Employees	26/03/2008	26/03/2008-25/09/2014	5.50	14,515,923	-	-	(703,000)	13,812,923
		25/03/2009-25/09/2014	5.50	1,010,335	-	-	-	1,010,335
		25/03/2010-25/09/2014	5.50	1,084,335	-	-	-	1,084,335
		25/03/2011-25/09/2014	5.50	1,334,330	-	-	-	1,334,330
		23/06/2010	23/06/2011-22/12/2016	5.00	1,950,003	-	-	(666,667)
	23/06/2010	23/06/2012-22/12/2016	5.00	1,950,003	-	-	(666,667)	1,283,336
		23/06/2013-22/12/2016	5.00	1,949,994	-	-	(666,666)	1,283,328
		31/05/2012	31/12/2013 -30/05/2022	3.94	-	500,000	-	-
	31/05/2012	31/05/2014 -30/05/2022	3.94	-	500,000	-	-	500,000
		31/05/2015 -30/05/2022	3.94	-	500,000	-	-	500,000
		31/05/2012	31/05/2013 -30/05/2022	3.94	-	200,000	-	-
	31/05/2012	31/05/2014 -30/05/2022	3.94	-	200,000	-	-	200,000
		31/05/2015 -30/05/2022	3.94	-	200,000	-	-	200,000
Total				98,118,031	4,700,000	-	(2,703,000)	100,115,031

OTHER INFORMATION

Notes:

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

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

Share Option Expenses

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

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

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

Substantial Shareholders' Interests

As at 30 June 2012, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Position in the Shares under the SFO

Name	Nature of interest	Number of Shares	Approximate percentage of issued Shares
Ms. TO Hau Yin ⁽¹⁾	Spouse	556,781,312	31.72%
Mr. YEH V-Nee	Beneficial	298,689,324	17.01%
Mrs. YEH Mira ⁽²⁾	Spouse	298,689,324	17.01%
Cheah Capital Management Limited ⁽³⁾	Beneficial	499,730,484	28.47%
Cheah Company Limited ⁽³⁾	Corporate	499,730,484	28.47%
Hang Seng Bank Trustee International Limited ^{(3) (4)}	Trustee	526,435,067	29.99%
Hang Seng Bank Limited ^{(3) (4)}	Interest of controlled corporation	526,435,067	29.99%
HSBC Holdings plc ^{(3) (4)}	Interest of controlled corporation	526,735,067	30.00%
Affiliated Managers Group, Inc.	Interest of controlled corporation	137,244,000	7.81%
Legg Mason Inc. ⁽⁶⁾	Interest of controlled corporation	158,620,400	9.03%
State Street Corporation ⁽⁷⁾	Corporate (lending pool)	156,927,386	8.94%

Notes:

- (1) Ms. TO Hau Yin is the spouse of Mr. CHEAH Cheng Hye.
- (2) Mrs. YEH Mira is the spouse of Mr. YEH V-Nee.
- (3) Cheah Capital Management Limited (“CCML”) is wholly-owned by Cheah Company Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Mr. CHEAH Cheng Hye is the founder of this trust.
- (4) This includes 499,730,484 Shares held by CCML and 26,704,583 Shares held by Bright Starlight Limited. Bright Starlight Limited is wholly-owned by Scenery Investments Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. HUNG Yeuk Yan Renee. For the purposes of the SFO, Ms. HUNG Yeuk Yan Renee is the founder of this trust. Hang Seng Bank Trustee International Limited is wholly-owned by Hang Seng Bank Limited and the ultimate holding company is HSBC Holdings plc.
- (5) These Shares are held by AKH Holding LLC and the ultimate holding company is by Affiliated Managers Group, Inc.
- (6) These Shares are held by Royce & Associates, LLC and the ultimate holding company is Legg Mason Inc.
- (7) The 156,927,386 Shares were held in lending pool.

Save as aforesaid and as disclosed in the “Directors’ Interests in Shares, Underlying Shares and Debentures” and “Substantial Shareholders’ Interests” sections of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 30 June 2012 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

Foreign Exchange

Except for its Renminbi-denominated bank deposit in China, which has a balance of around HK\$368 million, the Group has no significant foreign currency exposure because the majority of receipts and payments as well as assets and liabilities are denominated in the Hong Kong dollar (the Company’s functional and presentation currency) and the United States dollar, which is linked to the Hong Kong dollar.

Human Resources

As at 30 June 2012, the Group employed a total of 114 staff (30 June 2011: 121) in Hong Kong and the research office in Shanghai, 23 staff (30 June 2011: nil) in Taiwan, 10 staff (30 June 2011: nil) in Chengdu and 8 staff (30 June 2011: nil) in Yunnan. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options are granted and discretionary bonuses are also given based on the Group’s and individual staff’s performances.

Purchase, Sale or Redemption of the Company’s Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2012.

Audit Committee

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Company has an audit committee comprising three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Group for the six months ended 30 June 2012.

Independent Review of Interim Results

The unaudited interim results of the Group for the six months ended 30 June 2012 have been reviewed by PricewaterhouseCoopers, the Company's Auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Corporate Governance

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012.

Model Code for Securities Transactions by Directors

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

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2012.

Publication of Interim Results and Interim Report on the Stock Exchange

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.valuepartners.com.hk). The interim report will be despatched to shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

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:

Mr. SO Chun Ki Louis was promoted to Deputy Chairman of the Company and his monthly salary was revised from HK\$184,680 to HK\$212,000 with effect from 1 June 2012.

Mr. TSE Wai Ming, Timothy was promoted to Chief Executive Officer of the Company and his monthly salary was revised from HK\$157,500 to HK\$178,000 with effect from 1 June 2012.

Mr. LEE Siang Chin has been appointed as an independent non-executive director of AmInvestment Management Sdn Bhd with effect from 15 June 2012.

Our Appreciation

Finally, we would like to express our gratitude to shareholders, business partners, distributors and customers for their unfaltering support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

By order of the board of

Value Partners Group Limited

TSE Wai Ming, Timothy, cfa

Chief Executive Officer and Executive Director

Hong Kong, 21 August 2012

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