2012

ANNUAL REPORT | 年報

Value Partners Group Limited
惠 理 集 團 有 限 公 司

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

惠 理 集 團
Value Partners Group

20 YEARS

Stock Code 股份代號：806

CORPORATE PROFILE

Value Partners Group is one of Asia's largest independent asset management firms with assets under management of over US$8.5 billion as of 31 December 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 products for institutional and individual clients in Asia Pacific, Europe and the United States.

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20 YEARS

CORPORATE INFORMATION

Board of Directors

Chairman and Co-Chief Investment Officer

Mr. CHEAH Cheng Hye

Executive Directors

Ms. HUNG Yeuk Yan Renee
(Deputy Chief Investment Officer)
Mr. SO Chun Ki Louis
(Deputy Chairman and Co-Chief Investment Officer)
Mr. TSE Wai Ming, Timothy, CFA
(Chief Executive Officer)

Independent Non-executive Directors

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

Non-executive Honorary Chairman

Mr. YEH V-Nee

Company Secretary

Mr. CHEUNG Kwong Chi, Aaron

Authorized Representatives

Mr. CHEUNG Kwong Chi, Aaron
Mr. TSE Wai Ming, Timothy, CFA

Members of the Audit Committee

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

Members of the Nomination Committee

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

Members of the Remuneration Committee

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

Members of the Risk Management Committee

Ms. LEE Vivienne (*Chairman*)
Mr. CHEAH Cheng Hye
Mr. SO Chun Ki Louis
Mr. TSE Wai Ming, Timothy, CFA

Members of the Valuation Committee

Ms. WONG Ngai Sze, Icy (*Chairman*)
Ms. CHOY Kit Hung, Kit
Mr. TSE Wai Ming, Timothy, CFA

Registered Office

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

Principal Office

9th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Auditor

PricewaterhouseCoopers

Legal Advisor

Reed Smith Richards Butler

Principal Bankers

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

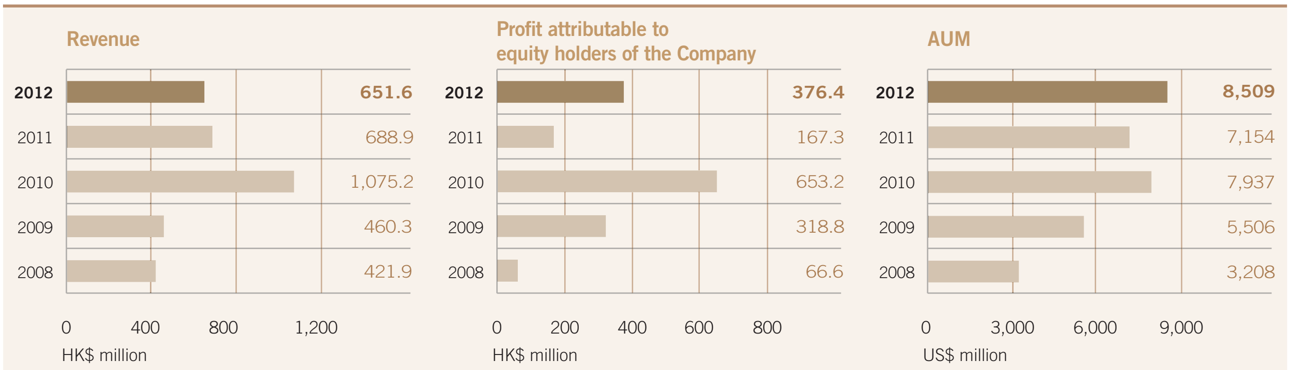
Website

www.valuepartners.com.hk

Stock Code

Stock Exchange of Hong Kong: 806

FINANCIAL HIGHLIGHTS



Results for the year ended 31 December

(In HK$ million)	2012	2011	% Change	2010	2009	2008
Revenue	**651.6**	688.9	-5.4%	1,075.2	460.3	421.9
Operating profit	**431.3**	209.6	+105.8%	759.5	348.3	92.5
Profit attributable to equity holders of the Company	**376.4**	167.3	+125.0%	653.2	318.8	66.6
Earnings per share (HK cents)						
– Basic	**21.4**	9.5	+125.3%	40.1	19.9	4.2
– Diluted	**21.4**	9.5	+125.3%	39.9	19.9	4.2

Assets and liabilities as at 31 December

(In HK$ million)	2012	2011	% Change	2010	2009	2008
Total assets	**2,982.6**	2,547.4	+17.1%	2,792.1	1,221.0	769.1
Less: Total liabilities	**265.4**	123.4	+115.1%	374.2	151.6	27.0
Total net assets	**2,717.2**	2,424.0	+12.1%	2,417.9	1,069.4	742.1

Assets under management (“AUM”) as at 31 December

(In US$ million)	2012	2011	% Change	2010	2009	2008
AUM	**8,509**	7,154	+18.9%	7,937	5,506	3,208

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

January 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.

Our fund manager, Mr. Philip LI accepted the award from Asia Asset Management on behalf of our Co-CIOs.

February 2012

Value Partners won the Lipper Fund Awards 2012 in Best Equity Group (3 Years) category out of more than 30 fund houses. Our High-Dividend Stocks Fund, China Greenchip Fund and Chinese Mainland Focus Fund also won the performance award from Lipper.

Our CEO, Mr. Timothy TSE accepted the awards from Mr. CHO Yan Chiu (Director of Hong Kong Economic Journal) at the presentation ceremony.

March 2012

Value Partners acquired 49% stake in KBC Goldstate Fund Management Co. Ltd., a licensed mutual fund management company headquartered in Shanghai. This represents the first Sino-foreign joint venture mutual fund management company with a 49% stake acquired by a Hong Kong headquartered fund management firm.

A press conference was held in Shanghai to announce our joint venture in Value Partners Goldstate.

Value Partners launched its first Greater China high-yield income private placement fund.

May 2012

The three value-styled ETFs, covering the Japan, Korea and Taiwan markets, were launched and listed on the Stock Exchange of Hong Kong.

The senior management from the Hong Kong Securities and Futures Commission, the Stock Exchange of Hong Kong Limited and Value Partners attended the listing ceremony of Value ETF.

Value Partners launched a UCITS-compliant fund.

HIGHLIGHTS OF THE YEAR

June 2012

Qianhai development plan – Value Partners signed the Memorandum of Understanding, indicated interest in investing in the Qianhai Bay Economic Zone. It is a pilot area to be built into an international financial hub with a mandate to spearhead RMB internalization.

Value Partners Concord launched its first China Dim Sum bond fund in Taiwan.

July 2012

Value Partners Goldstate launched its first public equity fund. By the end of January 2013, the firm's AUM reached RMB2.1 billion.

August 2012

Value Partners was awarded the "Highly Commended ETF House" prize in The Asset Triple A Investment Awards for the Hong Kong locality.

Mr. William CHOW, Managing Director of our ETF Business, accepted the award from the organizer.

December 2012

On 31 December 2012, the Group's AUM reached US$8.5 billion. This represented the highest year-end AUM in the Group's history.

January 2013

The State Administration of Foreign Exchange granted Value Partners Hong Kong Limited a Qualified Foreign Institutional Investors (QFII) quota of US$100 million for the use in its investment funds.

Value Partners Center for Investing organized the China Securities Market and Valuation Conference and brought together academic researchers and industry practitioners to discuss various issues relating to China securities market. One of our senior fund managers was invited to speak at the conference and shared with the audience on how Value Partners' Investment Team researches and evaluates Chinese companies.

February & March 2013

Value Partners' first Qualified Domestic Institutional Investors (QDII) investment fund (for private investors) was launched in February, in partnership with China Merchant Bank and Yinhua Fund Management.

Value Partners organized its inaugural Investment Conference in Hong Kong on 1 March, with the attendance of representatives from first-tier mainland financial institutions.

In the 2013 Lipper Fund Awards, our Chinese Mainland Focus Fund and China Greenchip Fund were named winners in the China equity and Greater China equity categories over 5 years.

Value Partners launched its first China A-share fund in March.

CHEAH Cheng Hye
Chairman and Co-Chief Investment Officer

Value Partners, once a small boutique in the 1990s, has matured into one of Asia's largest asset-management institutions – well-capitalized, operationally robust, with a leading brand reputation. Our coming of age can be seen further in 2012, when solid results were achieved despite an uncertain investment environment for much of the year, particularly in our core China-related markets.

Thus, net profit still increased by 125% to reach HK$376.4 million, while we were still able to grow in terms of assets under management ("AUM") by 18.9% to reach US$8.5 billion, the highest year-end AUM in our history.

If, as we hope, 2013 turns out to be a good year for China-related markets, the outlook is promising indeed. In 2012, we didn't benefit much from performance fees but in 2013, this could change. (Under the "high-on-high" principle, a fund has to exceed its previous record high before a performance fee becomes payable; by the end of 2012, our funds had recovered most, if not all, of their 2011 losses, which means even small advances in 2013 should likely carry us into performance fee territory.)

We are pleased to propose a dividend for 2012 of HK6.3 cents (compared to HK5.8 cents in 2011) and, in addition, we propose a special "anniversary" dividend of HK9.7 cents, as Value Partners celebrates the 20th anniversary of its founding in 2013.

We are deeply grateful to the clients, employees, shareholders and friends who have supported us over these two decades.

Profit contributions

To provide more detail, since performance fees didn't contribute a great deal in 2012, Value Partners' profit for the year was tied to some extent to "treasury operations," meaning investment returns from our own capital, a major part of which is subscribed to our various funds, side-by-side with clients. We should clarify, however, that it is the "fund management operation," not the "treasury operation," that is our overriding focus. From fund management, we collect not only performance fees but also a fixed management fee, which represents a stable income source, even though clients are charged only a low fixed fee. As an indication of how established the business has become, Value Partners' fixed costs were 2.2 times covered by the net management fee collection alone, not counting other revenue sources, made possible by our huge asset base, and this collection far exceeds the contribution from treasury operations.

For an in-depth discussion of this and other relevant topics, including our progress in various business-development projects, please refer to the accompanying report from our Chief Executive Officer (CEO). Worth highlighting is the progress made in Chengdu city (population: 14 million) by our 90% owned micro-finance firm, Vision Credit, which has become a full-fledged operating business making small loans under a highly professional management.

Some other points

From the beginning, Value Partners' success has depended very much on fund performance, and this remains our highest priority. Value Partners has put tremendous resources and thinking into making value-investing work on a large scale in Asia. In 2012, we expanded further our Investment Team and enhanced the team's sector specialization system, which ensures that we have specialists to cover every major market sector. Value Partners' corporate mission, as previously stated, is to build a "Temple of Value-Investing" for Asia, and in 2012, our team conducted around 2,500 company visits in the region, with a major focus on the Greater China region.

Our experience teaches us that while fund performance is key, it is also very important to build a full support infrastructure. In Value Partners, we now have a complete range of support systems within the group, including legal and compliance, risk management, client services, portfolio administration, information technology, auditing and accounting, human resources and corporate communications. We consider this a major achievement, as in Hong Kong, it is usually only the big foreign institutions that possess the resources to enjoy full-fledged support systems in-house.

To report on another achievement: we just learnt that Value Partners has captured two of the latest Lipper Fund Awards (Hong Kong)[1] – our Chinese Mainland Focus Fund and China Greenchip Fund were the winners in the China equity and Greater China equity categories, for their performance over five years. These add to our harvest of more than 70 performance awards and prizes that have been won through our history, with the first award (from Micropal) received in 1994, a year after inception.

Finally, a quick point about China. It was only towards the end of 2012 that we saw a tentative recovery in China-related stocks. There is a decent chance that this is the beginning of a new market cycle for China-related stockmarkets. It is sometimes forgotten that stocks in mainland China crashed in the second half of 2007, even before the global market crash of 2008. After so many years, a recovery in Chinese equities seems due, especially since the much-feared hard landing in the economy hasn't happened.

CHEAH Cheng Hye
Chairman and Co-Chief Investment Officer

1 Awards based on data as of year-end 2012.

Financial markets in 2012

Dominated by macro-driven trends and changing news flow, 2012 was a year of roller-coaster ride in global financial markets, which posted challenges for value investors. Market sentiment improved approaching the end of the year, with encouraging outlook for the global economy, particularly following China's smooth leadership transition in November. Greater China financial markets concluded the year on a high note and a sense of positivity, which contributed to the gains of Value Partners' funds towards the end of the year.

Solid results in a volatile year

In a year generally marked by volatility and challenges for the fund industry, our Group managed to post a solid growth of 18.9% in assets under management ("AUM") to US$8.5 billion by the end of the year (2011: US$7.2 billion). This is the highest year-end AUM in the Group's history (see chart on the right). With Value Partners' strong branding, distribution network and strategic product development, we continued to record a net subscription of US$183 million in the year (2011: US$847 million). We are seeing a strong momentum in AUM growth of late, which already hit an all-time high of US$9.4 billion by the end of February 2013. Our net sales in the first two months exceeded US$520 million, of which US$100 million came from our Taiwan and China sales[1]. Both the strong growth in our AUM and solid sales signal a good start for 2013.

Profit attributable to our equity holders amounted to HK$376.4 million – a 125.0% increase from the previous year (2011: HK$167.3 million) – driven by significant gains made with our treasury operation comprising investment in our own funds and other treasury returns. Revenue from our fund management operation, including mostly management fees and performance fees, saw a slight drop, but our net management fee margins stayed at a stable level (60 basis points) in the year. Our management fee income continued to offer a stable income, albeit slightly lower than the previous year (2012: HK$461.8 million; 2011: HK$491.4 million) due to lower average AUM in the period. As in the past years, the fixed costs of our fund management business were still well covered by net management fee income alone at a coverage ratio of 2.2 times.

Despite the challenging market environment in the year, we earned performance fees (2012: HK$112.1 million; 2011: HK$139.5 million) with products such as our High-Dividend Stocks Fund[2], our second largest own-branded fund which saw a gain of 25.2% in 2012. In the period, our other major funds almost pared the losses they had suffered in 2011, and many of them were on the way to reach their respective high watermarks. For example, our flagship Classic Fund was only 0.7% from its high watermark by the end of February 2013, while our High-Dividend Stocks Fund surpassed its high watermark by 4.7%. The sizes of the two funds were US$1.6 billion and US$1.1 billion, respectively, as of end-February 2013. We are entering a phase of growth for value investing where performance fee will likely be a bigger income contributor going forward.

Focusing on priorities, building success

As we continue to build Value Partners as a world-class, independent fund management firm in the region, we continue to develop our business strategically on various fronts:

(I) Diverse initiatives in Hong Kong headquarters

(A) Strengthening distribution channels

For 2012, sales through our various intermediaries in Hong Kong constituted around half of the Group's gross sales. Leveraging our leading market position in the fund landscape, we have been expanding our distribution channels in the Hong Kong retail bank space and, by the end of 2012, Value Partners' fund products were on all significant retail bank platforms locally. With deepened collaboration with our retail bank partners, we saw a more complete product offering on those platforms, and we worked to add more of our funds to their "focused/recommended list" for a stronger sales push. We intensified our efforts in promoting these products with branch events and seminars throughout the year, which contributed to the funds' popularity among local investors. Going forward, we will continue intensifying our existing sales efforts and enhance our marketing initiatives.

Observing that the number of high-net-worth individuals has been on a steady rise, we have been aggressively expanding our reach to this pool of investors, particularly through the network of private banks with an Asia-wide coverage. In the year, we strengthened ties with our existing private bank partners and won presence on a number of new platforms. We will be signing up additional ones, and place more funds on the existing platforms.

The channel of insurance companies has been an area that poses further penetration opportunities for the Group, where strong growth is expected in the coming years. Our exploration with insurance companies was met with success, having signed up new partners in the year for greater exposure to insurance-linked products (ILAS), which tend to generate sticky inflows into the Group.

(B) Manager of choice in MPF

Pension money from Hong Kong's Mandatory Provident Fund ("MPF") system is another stable source of inflow – the MPF fund we manage demonstrated such stickiness with US$126 million net inflow in the year. Collaborating with a leading player in the field who commands a strong sales force and quality service platform, Value Partners has built a strong track record as an MPF manager, and the MPF fund we manage is now regarded as a popular choice among members. The said MPF fund is the largest across all active MPF fund categories, with US$2.3 billion AUM as of the end of 2012, attesting to its popularity and investor confidence in our investment team. In the entire MPF space, the total AUM amounted to US$56.7 billion by the end of 2012[3].

(C) Expanding global investor base

Our global investors – spanning the US, Europe and Australia with clients ranging from family offices & trusts to endowments and foundations, as well as pension funds and institutions – made up more than a quarter of the Group's AUM as of the end of 2012. As we believe China is the engine of global growth set to attract overseas investors, our institutional sales continued to make inroads into the United States and European institutions. In the year, we launched a UCITS-compliant fund[4] for European distribution and were appointed to run a China B-share managed account for a European institution. We were also awarded a mandate to manage assets of a well-established and sizeable European pension plan. The expansion in this segment contributed to solid inflows in the second half of the year.

With a series of roadshows by our globe-trotting team covering primarily the United States, Europe and Australia, we have been laying the groundwork in uncharted territories, with which we expect to see further diversification of our investor base in the next few years.

(D) Strategic product development

Diversification is also seen in the Group's product suite, and Value Partners has ventured into other asset classes, as exemplified in our newly launched income fund and A-share fund. Seeing that investors were seeking funds with an income component at a time of high market volatility and low interest rate, we launched in March 2012 a Greater China high-yield private fund[4], which recorded the biggest net inflow in the year (US$271 million) among our fund products. We also added a new class with a monthly dividend distribution feature[5] to our High-Dividend Stocks Fund, which saw strong net inflow (US$177 million). The two funds helped our Group to capitalize on different opportunities across market cycles.

With the US$100 million Qualified Foreign Institutional Investors ("QFII") quota we received by the end of 2012, we launched in March 2013 an A-share product[4] primarily for institutional investors, which was fully subscribed with US$45 million. In 2013, we will continue to enrich our product offering, with new funds already in the pipeline. Following the expansion of the Renminbi Qualified Foreign Institutional Investors ("RQFII") scheme as announced in March by the China Securities Regulatory Commission (CSRC) to cover Hong Kong-registered financial institutions with major business in the territory, the Group will be applying for RQFII quota to capture related business opportunities.

(E) Enriching ETF product suite

Following the listing of three new single-market exchange-traded funds ("ETF") capturing value opportunities in Taiwan, Korea and Japan, our ETF product suite now consists of five products, with a total AUM of US$203 million by the end of 2012. We are pleased that our Value China ETF was rated 5-star by Morningstar as of 28 February 2013, and is the only fund in the China equity ETF space to have received such top rating from the agency.

(II) Greater China development and opportunities

(A) New products, partners and opportunities with China sales

China's financial markets are undergoing a strategic reform, with liberalization attempts by the central government to broaden and deepen the capital markets. In this wave of change, our dedicated China business team has been aggressively exploring channels for business opportunities, through both banks and trust platforms.

Leveraging our long-standing experience in investing in Asian markets, we launched a Qualified Domestic Institutional Investors ("QDII") product for private investors in partnership with China Merchant Bank and Yinhua Fund Management. The fund raising exercise was completed with success, with more than RMB209 million (US$33 million) gathered in February 2013. We will continue to develop investment advisory products for both banks and trust platforms.

For our mainland joint venture, Value Partners Goldstate Fund Management Company Limited ("VP Goldstate"), we acquired 49% of the company in March 2012 at HK$49.9 million, and further injected HK$57.2 million in October. VP Goldstate had a 70-strong team and RMB1.4 billion (US$219 million) AUM by the end of 2012.

(B) Vast opportunities across the strait

As China liberalizes its capital accounts and reforms the financial system, we believe its fund market will thrive and Hong Kong asset managers will likely benefit. We are seeing huge opportunities as ties between the mainland and Hong Kong grow closer under the Closer Economic Partnership Arrangement (CEPA). In the year, we made our foray into China's Qianhai Bay Economic Zone – within a half-hour commuting radius of Hong Kong situating on the outskirts of Shenzhen – where rapid progress has been witnessed of late. Upon our signing of a Memorandum of Understanding with the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen in July 2012, we have been working closely with the authorities. We are hopeful that we will be able to capitalize on the favorable policies to be introduced in Qianhai and realize the business potential there.

Across the strait, we have successfully rebuilt the investment team of Value Partners Concord Asset Management Company Limited ("VP Concord"), our joint venture arm in Taiwan. VP Concord is strategically positioned as a Greater China expert on the Island where opportunities are driven by tighter cross-strait financial cooperation. RMB opportunities will be abound in Taiwan with the cross-strait settlement setting in place, while expanding QFII and RQFII quotas for the territory means more investment opportunities. VP Concord launched a Dim Sum bond fund[4] in 2012, and the company's AUM as of the end of the year was at NT$560 million (US$19 million). A newly launched Greater China equity fund[4] brought the AUM of our Taiwan business to approximately NT$2.5 billion (US$84 million) by the end of February 2013.

For our Chengdu venture, Chengdu Vision Credit Limited, which focuses on micro-financing in the city, the loan size stood at RMB6.8 million by the end of 2012. We are particularly pleased that the company was among the 15 small loan companies – out of more than 5,000 of its competitors in China – to receive a "2012 Small Loan Company with Most Potential" award in January 2013 from China's Small-Loan Company Association.

A milestone reached, a new era ahead

This year marks the 20th anniversary of Value Partners, which is an important landmark for the Group. In Value Partners' twenty-year journey, the listing in 2007 signifies a solid step forward in its corporate development – the boutique house has transformed into a highly institutionalized company with strong governance and effective management. The support and confidence of our fund investors in us and in value investing have proven to be crucial to our continued success. We would like to take this opportunity to express our gratitude to them for their long-term support.

In the recently held 2013 Lipper Fund Awards (Hong Kong), our Chinese Mainland Focus Fund and China Greenchip Fund were named winners in the China equity and Greater China equity categories for their 5-year performance as at year-end 2012. The two funds, as well as our High-Dividend Stocks Fund, garnered 5-star ratings from Morningstar as of the end of February 2013, while our Classic Fund, China Convergence Fund and Taiwan Fund were rated 4 stars. Such accolades attest to our investment success and the broad recognition we receive from the industry.

Appreciation

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

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

1 Excluding sales figures of VP Goldstate, in which the Group holds an ownership interest of 49%.

2 Performance of Value Partners High-Dividend Stocks Fund (Class A1) over past five years: 2008: -46.8%; 2009: +82.8%; 2010: +25.8%; 2011: -11.9%; 2012: +25.2%; 2013 (YTD as at 28 February 2013): +4.1%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.

3 Mandatory Provident Fund Schemes Statistical Digest, December 2012, Mandatory Provident Fund Schemes Authority.

4 Not authorized by the Securities and Futures Commission (SFC) and not available for public distribution in Hong Kong.

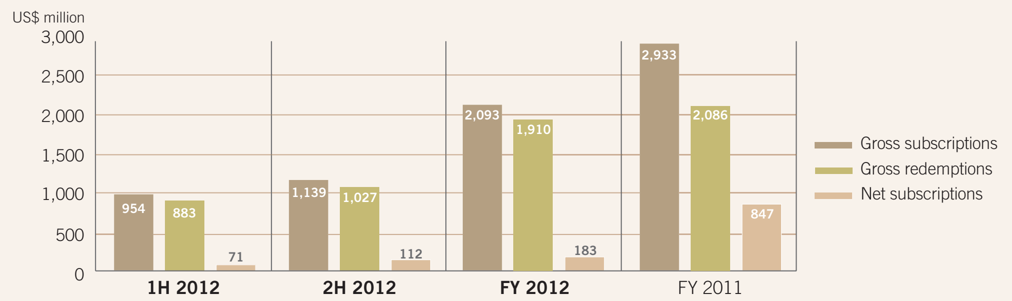
5 It is currently intended that monthly dividend distribution will be made in respect of the A2 MDis Class; actual dividend payout is not guaranteed and will be subject to the Manager's discretion.

Assets Under Management

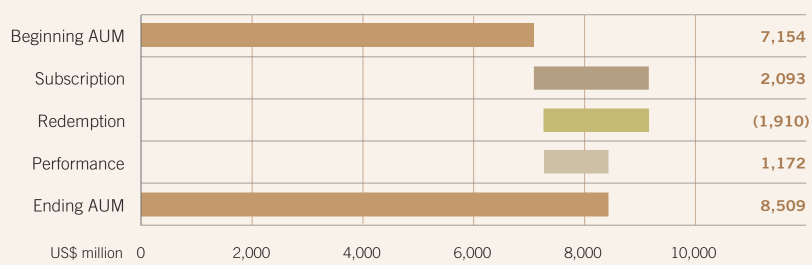
AUM and return

The Group's AUM amounted to US$8,509 million at the end of December 2012 (2011: US$7,154 million). The 18.9% increase was mainly driven by the positive fund returns, which accounted for a US$1,172 million increase in AUM. Our overall fund performance, as calculated in asset-weighted average return of funds under management, recorded a gain of 16.3% in 2012. Value Partners High-Dividend Stocks Fund[1], the Group's second largest public fund[2] in Hong Kong, managed to generate solid returns with a gain of 25.2% in the year, while Value Partners' flagship Classic Fund[3] recorded a gain of 14.0% in the year.

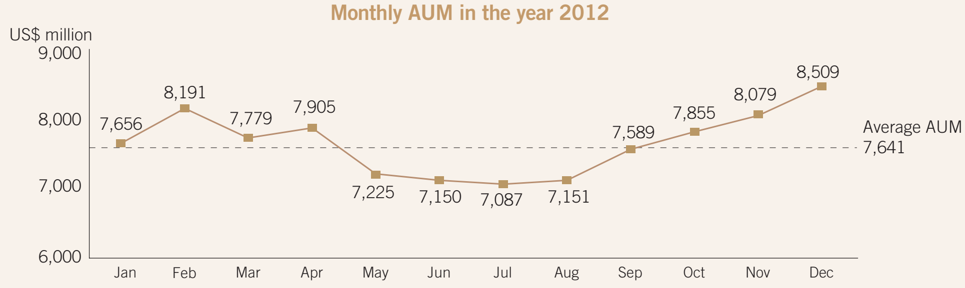
Benefiting from the market recovery approaching the end of the year, gross subscriptions in the second half of 2012 (US$1,139 million) increased from the first half (US$954 million). The annual total subscription of US$2,093 million was mild compared with the previous year (2011: US$2,933 million). Gross redemptions in the second half of 2012 (US$1,027 million) increased from the first half of 2012 (US$883 million), bringing the full year total to US$1,910 million[4], which was still lower than the previous year (2011: US$2,086 million). All in all, we were able to achieve net subscriptions of US$183 million (2011: net subscriptions of US$847 million).



AUM change in the year 2012[5]



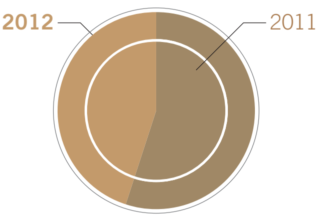
Monthly AUM in the year 2012



AUM by category

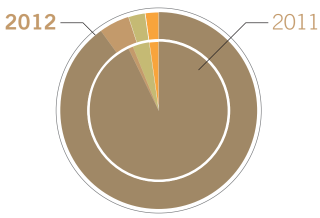
The charts below provide an analysis of the Group's AUM as at 31 December 2012 by three different classifications: brand, strategy and fund type. For the year, our product mix by brand remained stable, and own branded funds accounted for 55% of our total AUM at year-end. By strategy, our Absolute Return Long-biased Funds continued to represent the majority of our funds (90%), while our Fixed Income & Credit Funds recorded an increase due to our newly launched fund during the year, which focuses on Greater China high yield investments[6] (5%). In terms of fund type, Hong Kong Securities and Futures Commission ("SFC") authorized funds[2] (i.e. public funds in Hong Kong) maintained the largest portion of our AUM (75%).

Classification by brand



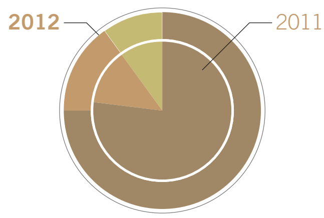
	2012	2011
Own Branded Funds	**55%**	55%
White Label & Co-branded Funds	**45%**	45%

Classification by strategy



	2012	2011
Absolute Return Long-biased Funds	**90%**	93%
Fixed Income & Credit Funds	**5%**	1%
Long-short Hedge Funds	**3%**	4%
Quantitative Funds & ETF	**2%**	2%

Classification by type

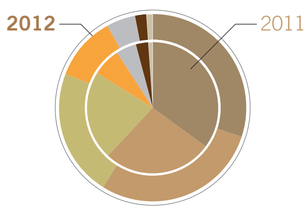


	2012	2011
SFC authorized Funds[2]	**75%**	77%
Non-SFC authorized Funds	**15%**	13%
Managed Accounts	**10%**	10%

Client base

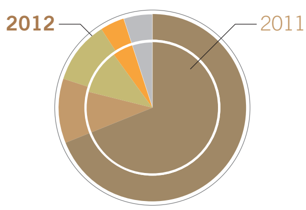
Institutional clients – including institutions, pension funds, high-net-worth individuals (HNWs), endowments and foundations, funds of funds, and family offices and trusts – remained the Group's primary set of fund investors, accounting for 78% of our AUM. In particular, the increase in HNWs is attributable to the newly launched fixed income fund[6] and 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 69% of the Group's AUM (2011: 69%), while the percentage of clients in the United States and Europe was 22% (2011: 21%).

Client analysis by type



	2012	2011
Institutions	**30%**	35%
Pension funds	**29%**	27%
Retail	**22%**	22%
High-net-worth individuals	**11%**	7%
Endowments & foundations	**5%**	5%
Funds of funds	**2%**	3%
Family offices & trusts	**1%**	1%

Client analysis by geographical region



	2012	2011
Hong Kong	**69%**	69%
Europe	**11%**	10%
United States	**11%**	11%
Australia	**4%**	5%
Others	**5%**	5%

Summary of results

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

(In HK$ million)	2012	2011	% Change
Total revenue	**651.6**	688.9	-5.4%
Gross management fees	**461.8**	491.4	-6.0%
Gross performance fees	**112.1**	139.5	-19.6%
Profit attributable to equity holders of the Company	**376.4**	167.3	+125.0%
Basic earnings per share (HK cents)	**21.4**	9.5	+125.3%
Diluted earnings per share (HK cents)	**21.4**	9.5	+125.3%
Interim dividend per share	**Nil**	Nil	
Final dividend per share (HK cents)	**6.3**	5.8	+8.6%
Special dividend per share (HK cents)	**9.7**	Nil	

Revenue and fee margin

Breakdown of total net income

(In HK$ million)	2012	2011
Revenue	**651.6**	688.9
Management fees	**461.8**	491.4
Performance fees	**112.1**	139.5
Other revenue	**77.7**	58.0
Distribution and advisory fee expenses	**(179.0)**	(166.9)
Management fees rebate	**(104.5)**	(103.2)
Performance fees rebate	**(0.5)**	(8.9)
Other revenue rebate	**(74.0)**	(54.8)
Other income	**54.1**	24.8
Total net income	**526.7**	546.8

The Group's total revenue decreased by 5.4% to HK$651.6 million for the year (2011: HK$688.9 million). The major contribution to our revenue was gross management fees, which dropped to HK$461.8 million (2011: HK$491.4 million) as a result of a 6.2% decrease in the Group's average AUM to US$7,641 million (2011: US$8,142 million). Our annualized gross management fee margin maintained at 78 basis points (2011: 78 basis points). Due to the expansion in the Group's retail and private banks channels, the distribution and advisory fee expenses paid to channels increased correspondingly by 7.2% to HK$179.0 million (2011: HK$166.9 million), resulting in a contraction of 1 basis point in annualized net management fee margin (2012: 60 basis points; 2011: 61 basis points).

Gross performance fees, another source of revenue, amounted to HK$112.1 million, representing a HK$27.4 million decrease (2011: HK$139.5 million), due to a slight decline in the performance of the Group's funds. In the year, most of our funds pared the losses they had suffered in 2011 and many of them are on the way to reach their respective high watermarks or benchmarks.

Other revenue mainly includes front-end load and back-end load, with a substantial amount of front-end load rebated to distribution channels, and such rebate is a usual market practice.

Other income, which mainly comprised dividend income and interest income, increased to HK$54.1 million (2011: HK$24.8 million). Dividend income decreased to HK$4.7 million (2011: HK$7.2 million), while interest income rose to HK$46.9 million (2011: HK$7.8 million) due to the increase in the bank deposits and interest-bearing bonds investments.

Other gains and losses

Breakdown of other gains/(losses) – net

(In HK$ million)	2012	2011
Changes in fair value of investment properties	**24.0**	18.7
Net gains/(losses) on investments	**132.7**	(114.1)
Net gains on investments held-for-sale	**23.5**	–
Others	**(3.3)**	11.4
Other gains/(losses) – net	**176.9**	(84.0)

Gains and losses on investments and investments held-for-sale comprise fair value changes and realized gains or losses on our fund investments, debt securities and other short term investments. In the review period, the Group purchased certain interest-bearing debt securities, which also contributed to the Group's net gains on investments.

Cost management

Breakdown of total expenses

(In HK$ million)	2012	2011
Compensation and benefit expenses	**197.1**	182.0
Fixed salaries and staff benefits	**122.6**	100.5
Management bonus	**68.2**	69.5
Staff rebates	**2.9**	3.5
Share based compensation expenses	**3.4**	8.5
Other expenses	**75.3**	71.1
Other fixed operating costs	**53.4**	48.9
Sales and marketing	**13.7**	14.4
Depreciation	**5.9**	4.5
Non-recurring expenses	**2.3**	3.3
Total expenses	**272.4**	253.1

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 year, the Group's fixed cost coverage (for asset management business) was 2.2 times.

Compensation and benefit expenses

Fixed salaries and staff benefits increased by HK$22.1 million to HK$122.6 million (2011: HK$100.5 million). The increase was mainly attributable to the salary and headcount costs incurred by non-wholly owned subsidiaries in Taiwan, Chengdu and Yunnan[7], which amounted to HK$20.1 million, while salary increment also added to the rise in fixed salaries and staff benefits in Hong Kong.

Management bonuses amounted to HK$68.2 million for the year (2011: HK$69.5 million). This is consistent with the Group's compensation policy, which distributes 20% to 23% of the net profit pool every year as a management bonus to employees. The net profit pool comprises net profit before management bonus and taxation, and after certain adjustments including cost of capital. This discretionary bonus promotes staff loyalty and performance, while aligning the interests of employees with those of shareholders.

Staff rebates decreased to HK$2.9 million (2011: HK$3.5 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$3.4 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$53.4 million (2011: HK$48.9 million). The increase is attributable to the HK$7.7 million incurred by our non-wholly owned subsidiaries.

Sales and marketing expenses remained at a steady level of HK$13.7 million for the year (2011: HK$14.4 million).

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 in 2012.

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")[8]. The capital involved amounted to HK$49.9 million. In October 2012, we further injected HK$57.2 million to VP Goldstate. As at end of December, VP Goldstate had 70 staff members and RMB1.4 billion (US$219 million) AUM.

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 December, VP Concord had 25 staff members and NT$560 million (US$19 million) AUM.

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 commenced business in the second half of 2012, and it had 27 staff members as at end of December.

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.

For 2012, the Board of Directors recommended a final dividend of HK6.3 cents per share and a special "anniversary" dividend of HK9.7 cents per share to shareholders as Value Partners celebrates its 20th anniversary in 2013.

Liquidity and financial resources

Fee income is the Group's main source of income, while other income sources include interest income generated from bank deposits and interest-bearing bonds investments, and dividend income from investments held. During the year, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK$888.1 million. Net cash inflows from operating activities amounted to HK$41.7 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 6.6 times.

Capital structure

As at 31 December 2012, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK$2,717.2 million and 1.76 billion, respectively.

1 Performance of Value Partners High-Dividend Stocks Fund (Class A1) over past five years: 2008: -46.8%; 2009: +82.8%; 2010: +25.8%; 2011: -11.9%; 2012: +25.2%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.

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

3 Performance of Value Partners Classic Fund (A Units) over past five years: 2008: -47.9%; 2009: +82.9%; 2010: +20.2%; 2011: -17.2%; 2012: +14.0%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.

4 Including cash distributions and return of capital which amounted to US$25 million in the year 2012.

5 Excluding AUM of VP Goldstate, in which the Group holds an ownership interest of 49%.

6 Not authorized by the SFC and not available for public distribution in Hong Kong.

7 Yunnan Value Partners Equity Investment Fund Management Company Limited was disposed of in September 2012.

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".

Chairman

CHEAH Cheng Hye

Chairman and Co-Chief Investment Officer

Mr. CHEAH Cheng Hye, aged 59, is Chairman and Co-Chief Investment Officer ("Co-CIO") of Value Partners. He is in 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 business operation. He led Value Partners to a successful listing on the Main Board of the Hong Kong Stock Exchange in 2007, the first and only asset management company listed 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 the co-winner of "CIO of the Year in Asia" along with Mr. Louis SO in the 2011 Best of the Best Awards by Asia Asset Management. In October 2010, he was named 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 "Capital Markets Person of the Year" by FinanceAsia in 2007, and in October 2003, he was voted the "Most Astute Investor" in the Asset Benchmark Survey.

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 as the 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 financial news across East and Southeast Asia markets. Mr. CHEAH served for nine years (1993 to 2002) as an independent non-executive director of Hong Kong-listed JCG Holdings, a leading micro-finance company (renamed from 2006 as Public Financial Holdings).

Executive Directors

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 38 and she graduated from the University of California in Los Angeles in the U.S.A. with a degree in Applied Mathematics.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SO Chun Ki Louis

Deputy Chairman and Co-Chief Investment Officer
Executive Director

Mr. Louis SO is Deputy Chairman and Co-Chief Investment Officer ("Co-CIO") of Value Partners Group Limited, responsible for assisting Mr. Cheah Cheng Hye, Chairman of the Board, for the Group's affairs and activities, 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 promoted to the role of Co-CIO in July 2010 and most recently promoted to the role of Deputy Chairman in June 2012. Mr. SO was the co-winner of "CIO of the Year in Asia" along with Mr. Cheah Cheng Hye in the 2011 Best of the Best Awards by Asia Asset Management.

Mr. SO is 37 and he graduated from the University of Auckland with a degree in Commerce, and from the University of New South Wales with a Master's degree in Commerce.

TSE Wai Ming, Timothy, CFA

Chief Executive Officer
Executive Director

Mr. Timothy TSE is Chief Executive Officer of Value Partners, responsible for the overall business development of the group. He assumes a leadership role in devising corporate strategy, and managing the company's business operations as well as corporate affairs. He also led the group's efforts to provide best-in-class asset management services to top-tier institutional investors around the world, while driving the group's China business initiatives. In addition to his responsibilities at the Hong Kong headquarters, he is also engaged in guiding and overseeing all aspects of the group's regional joint venture businesses on the mainland and in Taiwan. He joined the group in January 2007.

Prior to joining Value Partners, Mr. TSE worked in PricewaterhouseCoopers and KPMG, covering Investment Management Practice, and Transactions and Restructuring. He has extensive knowledge in the investment management industry and solid experience in capital markets and financial strategy in the Greater China Region.

Mr. TSE currently serves as an executive committee member of the Alternative Investment Management Association in Hong Kong.

Mr. TSE is 37 and he graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration. He is a CFA charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants.

Independent Non-executive Directors

CHEN Shih-Ta Michael

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 67 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

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 64 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.

Nobuo OYAMA

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

Mr. OYAMA is the Chief Financial Officer of XTrillion, Inc., Japan, Chief Financial Officer of PreXion Co., Ltd., Japan and PreXion, Inc., USA, forefront ventures of medical IT developments, and the founder and Managing Director of Asiavest Co., Ltd., Japan. Mr. OYAMA was a Director and Chief Financial Officer of Yappa Corporation, Japan. He had previously served as the Managing Director of Nichimen Co., (Hong Kong) Ltd. and the Managing Director of Sojitz Trade & Investment Services (Hong Kong) Ltd. Including the above, Mr. OYAMA had over 30 years in offshore treasury operations across Japan, UK and Hong Kong for Nichimen Corporation, Japan and its overseas subsidiaries.

Mr. OYAMA is 59 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 37 and he graduated with a Master's degree in Science in Operational Research from the London School of Economics and Political Science (UK), and a Bachelor's degree in Engineering (Hons) in Civil Engineering from the University College London (UK).

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 46 and he graduated with a Bachelor's degree in Social Sciences (majoring in Management Studies) from The University of Hong Kong, and he is a CFA charterholder.

TAM Hin Tat Raymond

Deputy Chief Executive Officer, Head of Sales
Value Partners Limited

Mr. Raymond TAM is Deputy Chief Executive Officer and Head of Sales of Value Partners where he holds a leadership role in driving the Company's sales and marketing activities. Mr. TAM joined the Group in April 2008 as the Director of Sales, and was promoted to become Executive Director of Sensible Asset Management Limited in July 2009. Then, he was promoted to the role of Director, Head of Sales, and Managing Director of Sales of Value Partners in January 2010 and January 2012 respectively, and most recently promoted to the roles of Deputy Chief Executive Officer and Head of Sales of the Group in June 2012.

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 39 and he graduated from the University of Western Ontario in Canada, with a Bachelor's degree in Economics.

LEE Vivienne

Chief Compliance Officer
Value Partners Limited

Ms. Vivienne LEE is Chief Compliance Officer of Value Partners, where she oversees the Company's compliance function.

Ms. LEE 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 May 2004 as an Assistant Compliance Manager and was promoted to the role of Compliance Manager, then Senior Manager, Compliance and again as Compliance Director in 2004, 2005 and 2008, respectively. In May 2012 she was promoted to the role of Chief Compliance Officer.

Previously, she was an Assistant Manager with the Hong Kong Securities and Futures Commission ("SFC") responsible for monitoring and conducting inspection of a portfolio of licensed intermediaries. Prior to that, she was a staff accountant in Ernst & Young responsible for providing financial audit and business advisory services to a number of companies.

Ms. LEE is 39 and she graduated from the University of New South Wales with a Bachelor degree in Economics. She is a member of the CPA Australia.

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 2012.

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.

Dividends

No interim dividend was paid during the year. The Directors recommend the payment of final dividend of HK6.3 cents per share and a special dividend of HK9.7 cents per share for the year ended 31 December 2012 to the shareholders whose names are registered on the register of members of the Company on 15 May 2013. Subject to the approval of shareholders of the Company at the Annual General Meeting for the year 2013, the final and special dividends will be payable on or about 29 May 2013.

Summary of results, assets and liabilities

Summary of results, assets and liabilities for the years of 2008 to 2012 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 28 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 2012, the Company's distributable reserve was HK$1,743,873,000.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$1,750,000.

Board of Directors

During the year ended 31 December 2012 and up to the date of this report the Board comprised:

Executive Directors

Mr. CHEAH Cheng Hye *(Chairman)*
Mr. CHAN Sheung Lai, Jimmy (resigned on 1 June 2012)
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. CHEAH Cheng Hye, Ms. HUNG Yeuk Yan Renee and Mr. LEE Siang Chin 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 18 to 22.

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 2012 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 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 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%
Ms. HUNG Yeuk Yan Renee	Founder of trust[(2)]	26,704,583	–	1.52%
	Beneficial	–	8,436,140	0.48%
Mr. SO Chun Ki Louis	Beneficial	26,641,583	10,336,140	2.10%
Mr. TSE Wai Ming, Timothy	Beneficial	100,000	3,300,000	0.19%
Dr. CHEN Shih-Ta Michael	Beneficial	–	200,000	0.01%
Mr. LEE Siang Chin	Corporate[(3)]	500,000	–	0.02%
	Beneficial	–	200,000	0.01%
Mr. Nobuo OYAMA	Beneficial	390,000	200,000	0.03%

Notes:

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

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

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

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

(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 2012 is as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2012	Number of Share Options Granted	Exercised	Lapsed	As at 31/12/2012
Directors								
Mr. CHEAH Cheng Hye	26/03/2008	26/03/2008-25/09/2014	5.50	1,600,000	–	–	–	1,600,000
	15/05/2008	15/05/2008-14/11/2014	5.50	55,450,828	–	–	–	55,450,828
Ms. HUNG Yeuk Yan Renee	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	–	–	–	4,036,140
	27/04/2009	27/10/2011-26/10/2015	2.436	3,200,000	–	–	–	3,200,000
	07/12/2012	31/12/2013-06/12/2022	4.56	–	400,000	–	–	400,000
		07/12/2014-06/12/2022	4.56	–	400,000	–	–	400,000
		07/12/2015-06/12/2022	4.56	–	400,000	–	–	400,000
Mr. SO Chun Ki Louis	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	–	–	–	4,036,140
	27/04/2009	27/10/2011-26/10/2015	2.436	3,200,000	–	–	–	3,200,000
	23/06/2010	23/06/2011-22/12/2016	5.00	500,000	–	–	–	500,000
		23/06/2012-22/12/2016	5.00	500,000	–	–	–	500,000
		23/06/2013-22/12/2016	5.00	500,000	–	–	–	500,000
	07/12/2012	31/12/2013-06/12/2022	4.56	–	533,334	–	–	533,334
		07/12/2014-06/12/2022	4.56	–	533,333	–	–	533,333
		07/12/2015-06/12/2022	4.56	–	533,333	–	–	533,333
Mr. TSE Wai Ming, Timothy	26/03/2008	25/03/2010-25/09/2014	5.50	266,668	–	–	–	266,668
		25/03/2011-25/09/2014	5.50	283,332	–	–	–	283,332
	23/06/2010	23/06/2011-22/12/2016	5.00	250,000	–	–	–	250,000
		23/06/2012-22/12/2016	5.00	250,000	–	–	–	250,000
		23/06/2013-22/12/2016	5.00	250,000	–	–	–	250,000
	31/05/2012	31/12/2013-30/05/2022	3.94	–	666,667	–	–	666,667
		31/05/2014-30/05/2022	3.94	–	666,667	–	–	666,667
		31/05/2015-30/05/2022	3.94	–	666,666	–	–	666,666
Dr. CHEN Shih-Ta Michael	31/05/2012	31/05/2013-30/05/2022	3.94	–	66,667	–	–	66,667
		31/05/2014-30/05/2022	3.94	–	66,667	–	–	66,667
		31/05/2015-30/05/2022	3.94	–	66,666	–	–	66,666
Mr. LEE Siang Chin	31/05/2012	31/05/2013-30/05/2022	3.94	–	66,667	–	–	66,667
		31/05/2014-30/05/2022	3.94	–	66,667	–	–	66,667
		31/05/2015-30/05/2022	3.94	–	66,666	–	–	66,666
Mr. Nobuo OYAMA	31/05/2012	31/05/2013-30/05/2022	3.94	–	66,667	–	–	66,667
		31/05/2014-30/05/2022	3.94	–	66,667	–	–	66,667
		31/05/2015-30/05/2022	3.94	–	66,666	–	–	66,666

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2012	Number of Share Options Granted	Exercised	Lapsed	As at 31/12/2012
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)	1,283,336
		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	–	–	500,000
		31/05/2014-30/05/2022	3.94	–	500,000	–	–	500,000
		31/05/2015-30/05/2022	3.94	–	500,000	–	–	500,000
	31/05/2012	31/05/2013-30/05/2022	3.94	–	200,000	–	–	200,000
		31/05/2014-30/05/2022	3.94	–	200,000	–	–	200,000
		31/05/2015-30/05/2022	3.94	–	200,000	–	–	200,000
	07/12/2012	31/12/2013-06/12/2022	4.56	–	400,000	–	–	400,000
		07/12/2014-06/12/2022	4.56	–	400,000	–	–	400,000
		07/12/2015-06/12/2022	4.56	–	400,000	–	–	400,000
Total				98,118,031	8,700,000	–	(2,703,000)	104,115,031

Notes:

1. The closing prices of the Shares immediately before the share options granted on 26 March 2008, 15 May 2008, 27 April 2009, 23 June 2010, 31 May 2012 and 7 December 2012 were HK$5.50, HK$7.56, HK$2.20, HK$5.00, HK$3.90 and HK$4.54 respectively.

2. No share option was cancelled during the year.

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 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 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.[(5)]	Interest of controlled corporation	137,244,000	7.81%
Legg Mason Inc.[(6)]	Interest of controlled corporation	157,225,300	8.95%
State Street Corporation[(7)]	Corporate	157,749,322	8.98%

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.

(7) The 157,749,322 Shares were held in lending pool.

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 2012

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 Ms. HUNG Yeuk Yan Renee was revised from HK$157,500 to HK$168,800 with effect from 1 January 2013.

- The monthly salary of Mr. SO Chun Ki Louis was revised from HK$212,000 to HK$233,200 with effect from 1 January 2013.

- The monthly salary of Mr. TSE Wai Ming, Timothy was revised from HK$178,000 to HK$195,800 with effect from 1 January 2013.

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

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 2012) accounted for 31.6% of the Group's total fee income, and the Group's five largest suppliers accounted for 66.9% of the Group's distribution fee expenses for the year ended 31 December 2012.

The Group's largest customer (in terms of AUM as at the end of year) accounted for approximately 10.6% of the Group's total fee income whereas our largest supplier accounted for approximately 20.5% 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

There was no post balance sheet event for the year ended 31 December 2012.

Auditor

The consolidated financial statements for the year ended 31 December 2012 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 2013

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. In running a regulated business, the Group adopts sound corporate governance principles that emphasize 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 (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) (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 2012. 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.

All Directors have separate and independent access rights to the senior management about the conduct of the business and development of the Company. In order to facilitate the Directors in discharging their duties, a monthly management report incorporating financial highlights, business analysis and budget & forecast analysis has been circulated to the Directors. The management report of the preceding month would be released to the Directors by the end of each month.

The Board held four meetings in 2012 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	2/2 (Note)
Ms. HUNG Yeuk Yan Renee	4/4
Mr. SO Chun Ki Louis	4/4
Mr. TSE Wai Ming, Timothy	4/4
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	4/4
Mr. LEE Siang Chin	4/4
Mr. Nobuo OYAMA	4/4

Note: Mr. CHAN Sheung Lai, Jimmy resigned as Executive Director on 1 June 2012.

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.

According to the records provided by the directors, a summary of training received by the Directors during 2012 is as follows:

	Type of continuous professional development programmes
Executive Directors	
Mr. CHEAH Cheng Hye *(Chairman)*	A, B
Ms. HUNG Yeuk Yan Renee	A, B
Mr. SO Chun Ki Louis	A, B
Mr. TSE Wai Ming, Timothy	A, B
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	B, C
Mr. LEE Siang Chin	B, C
Mr. Nobuo OYAMA	B, C

Notes: A: Attending seminars and courses relating to regulations, updates and development on fund management business
B: Reading materials relating to the latest development of the Listing Rules and Securities and Futures Ordinance
C: Attending seminars for updating the latest accounting standards

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. TSE Wai Ming, Timothy, the Chief Executive Officer of the Company, is responsible for overall business development of the Group. He assumes a leadership role in devising corporate strategy, and managing the company's business operations as well as corporate affairs.

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 and/or the Stock Exchange's website(s):

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 providing an independent review of the effectiveness of the financial reporting process and the system of internal controls and risk management, including the corporate audit function, certain corporate governance functions and overseeing the appointment, remuneration and terms of engagement of the Company's auditor, as well as their independence. 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 2012. The Chief Executive Officer, the Chief Compliance Officer, the Head of Corporate Audit, Head of Finance, Director of Operations and representatives of the Auditor attended all/some of the meetings. 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 2012, 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 corporate audit departments.
- The review of the Group's adherence to the code provisions in the CG Code.
- The adoption of new whistle-blowing policy.

In order to further enhance independent reporting, the members met in separate private sessions with the Auditor, Chief Compliance Officer and Head of Corporate Audit respectively without the presence of the management once a year.

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 2012. 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 2012, the Remuneration Committee reviewed, discussed and/or approved the issues related to:

- The remuneration level for Directors and senior management for the year 2013 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 granting of share options to certain Directors and employees under the share option scheme of the Company.
- The service contracts of Directors.
- The remuneration policy on long-term incentives.

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.

The Nomination Committee held one meeting in 2012. The attendance record of each member at the Nomination Committee meeting is set out below:

	No. of Nomination Committee meeting attended/held
Mr. CHEAH Cheng Hye *(Chairman)*	1/1
Dr. CHEN Shih-Ta Michael	1/1
Mr. LEE Siang Chin	1/1
Mr. Nobuo OYAMA	1/1
Mr. TSE Wai Ming, Timothy	1/1

In 2012, the Nomination Committee reviewed, discussed and/or approved the issues related to:

- Reviewing and recommending the structure, size and composition of the Board.
- Assessment of the independence of Independent Non-executive Directors.
- Offering recommendation to the Board on relevant matters relating to the re-appointment of Directors.

During 2012, no new Director has been selected or recommended for directorship.

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, Ms. Vivienne LEE and Mr. TSE Wai Ming, Timothy. The Risk Management Committee is chaired by Ms. Vivienne LEE, the Chief Compliance Officer of the Group.

In the meetings which the Risk Management Committee held during 2012, the members reviewed, discussed and/or approved measures related to enhancement of the regular risk report, upgrade of the external risk system, monitoring liquidity risk, market risk and counterparty risk, enhancement of certain features in the in-house fund management system and enhancement of 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 include 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. TSE Wai Ming, Timothy, Ms. CHOY Kit Hung, Kit (our Director of Product Development and Operations) and Ms. WONG Ngai Sze, Icy (our Head of Finance). The Valuation Committee is chaired by Ms. WONG Ngai Sze, Icy.

In the meetings which the Valuation Committee held during 2012, the members reviewed, discussed and/or approved the valuation of various securities and 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 controls 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 2012 was approximately HK$2.9 million. In addition, the auditor of the Company also provided tax services and other engagements to the Group in 2012 and the fee was approximately HK$0.4 million and HK$0.4 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 2012 (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.

Communication with Shareholders

During 2012, the Company has adopted a shareholders communication policy to ensure that Shareholders, and in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

1. Information Disclosure

The Company endeavours to disclose all material information about the Group to all interested parties as timely as possible. The Company maintains a website at www.valuepartners.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.

Since 2008, the Company has voluntarily commenced releasing the information of the unaudited assets under management of the Company and its subsidiaries on monthly basis to further increase the transparency of the Company.

To ensure our investors have a better understanding of the Company, our Chief Executive Officer and Head of Finance communicate with research analysts and investors in an on-going manner.

2. General Meetings with Shareholders

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. The Chairman himself took the chair in the AGM to ensure shareholders' views and questions were well communicated and answered by the Board. Separate resolutions are proposed on each substantially separate issue at the general meetings.

The attendance record of each Director at the annual general meeting for the year 2012 is set out below:

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

Note: Mr. CHAN Sheung Lai, Jimmy resigned as Executive Director on 1 June 2012.

Representatives of the auditor also attended the AGM for the year 2012.

3. Shareholders' Rights

The Marketing and Communications Department of the Company responds to emails, letters and telephone enquiries from the public, shareholders and investors. Any enquiry on matters related to the Company and to be addressed to the Board may be put in writing and address to the principal office of the Company in Hong Kong or through an email to vpg@vp.com.hk.

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.

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at general meeting. Proposal shall be sent to the Board or the Secretary of the Company by written requisition. Pursuant to the articles of association of the Company, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in above paragraph.

The memorandum and articles of association of the Company (no change in 2012) is available on the Company's website.

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 92, which comprise the consolidated and company balance sheets as at 31 December 2012, 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 2012, 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 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Income			
Fee income and other revenue	6	**651,576**	688,936
Distribution and advisory fee expenses	7	**(178,965)**	(166,940)
Net fee income		**472,611**	521,996
Other income	8	**54,119**	24,760
Total net income		**526,730**	546,756
Expenses			
Compensation and benefit expenses	9	**(197,052)**	(181,992)
Operating lease rentals		**(12,943)**	(11,965)
Other expenses	10	**(62,382)**	(59,168)
Total expenses		**(272,377)**	(253,125)
Changes in fair value of investment properties		**24,000**	18,694
Net gains/(losses) on investments		**132,753**	(114,123)
Net gains on investments held-for-sale	23	**23,455**	–
Others		**(3,274)**	11,400
Other gains/(losses) – net	11	**176,934**	(84,029)
Operating profit		**431,287**	209,602
Share of loss of an associate	20	**(16,152)**	(185)
Share of loss of a joint venture	21	**–**	(2,345)
Profit before tax		**415,135**	207,072
Tax expense	12	**(45,657)**	(42,300)
Profit for the year		**369,478**	164,772
Other comprehensive income/(loss) for the year			
Fair value gains/(losses) on available-for-sale financial assets	29	**18,673**	(4,205)
Foreign exchange translation reserve		**7,864**	(664)
Other comprehensive income/(loss) for the year		**26,537**	(4,869)
Total comprehensive income for the year		**396,015**	159,903
Profit attributable to			
Equity holders of the Company		**376,361**	167,299
Non-controlling interests		**(6,883)**	(2,527)
		369,478	164,772
Total comprehensive income for the year attributable to			
Equity holders of the Company		**400,956**	163,403
Non-controlling interests		**(4,941)**	(3,500)
		396,015	159,903
Earnings per share for profit attributable to equity holders of the Company (HK cents per share)			
– basic	14.1	**21.4**	9.5
– diluted	14.2	**21.4**	9.5
Dividends (HK$'000)	15	**280,832**	101,802

The notes on pages 45 to 92 are an integral part of these consolidated financial statements.

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	17	**7,747**	8,129
Intangible assets	18	**54,404**	52,670
Investment properties	19	**102,000**	78,000
Investment in an associate	20	**90,944**	–
Deferred tax assets	30	**399**	328
Investments	22	**953,135**	959,556
Other assets	26	**13,987**	13,529
Loan portfolio, net	27	**8,024**	–
		1,230,640	1,112,212
Current assets			
Investments	22	**240,862**	21,081
Investments held-for-sale	23	**245,899**	–
Fees receivable	24	**179,067**	61,427
Loan portfolio, net	27	**337**	–
Amounts receivable on sale of investments		**164,224**	17,748
Prepayments and other receivables		**33,473**	19,614
Cash and cash equivalents	25	**888,090**	1,315,348
		1,751,952	1,435,218
Current liabilities			
Accrued bonus		**68,243**	69,501
Distribution fee expenses payable	31	**28,915**	23,933
Amounts payable on purchase of investments		**135,033**	–
Other payables and accrued expenses		**17,870**	21,197
Current tax liabilities		**15,353**	8,785
		265,414	123,416
Net current assets		**1,486,538**	1,311,802
Net assets		**2,717,178**	2,424,014
Equity			
Capital and reserves attributable to equity holders of the Company			
Issued equity	28	**889,213**	889,213
Other reserves	29	**181,653**	153,671
Retained earnings			
– proposed dividends	15	**280,832**	101,802
– others		**1,280,727**	1,185,198
		2,632,425	2,329,884
Non-controlling interests		**84,753**	94,130
Total equity		**2,717,178**	2,424,014

On behalf of the Board

SO Chun Ki Louis
Director

TSE Wai Ming, Timothy
Director

The notes on pages 45 to 92 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	16	**1,395,816**	1,390,816
Amounts due from subsidiaries	36.5	**418,043**	438,752
		1,813,859	1,829,568
Current assets			
Dividends receivable	36.6	**100,000**	100,000
Current tax assets		**168**	175
Prepayments and other receivables		**292**	202
Cash and cash equivalents	25	**11,478**	2,057
		111,938	102,434
Current liabilities			
Other payables and accrued expenses		**404**	519
Net current assets		**111,534**	101,915
Total assets less current liabilities		**1,925,393**	1,931,483
Non-current liabilities			
Amounts due to a subsidiary	36.5	**6,000**	6,000
Net assets		**1,919,393**	1,925,483
Equity			
Share capital and share premium	28	**1,756,027**	1,756,027
Other reserves	29	**156,575**	153,188
Retained earnings	29	**6,791**	16,268
Total equity		**1,919,393**	1,925,483

On behalf of the Board

SO Chun Ki Louis
Director

TSE Wai Ming, Timothy
Director

The notes on pages 45 to 92 are an integral part of these consolidated financial statements.

For the year ended 31 December 2012

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Issued equity	Other reserves	Retained earnings	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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	29	–	(4,205)	–	(4,205)	–	(4,205)
Foreign exchange translation reserve	29	–	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	28	29,759	–	–	29,759	–	29,759
Repurchase of issued ordinary shares	28, 29	(7,263)	240	(240)	(7,263)	–	(7,263)
Share-based compensation	28, 29	–	8,499	–	8,499	–	8,499
Acquisition of a subsidiary	33.2	–	–	–	–	37,575	37,575
Deemed acquisition of additional interest in a subsidiary	29, 33.3	–	(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
As at 1 January 2012		**889,213**	**153,671**	**1,287,000**	**2,329,884**	**94,130**	**2,424,014**
Profit for the year		**–**	**–**	**376,361**	**376,361**	**(6,883)**	**369,478**
Other comprehensive income/(loss)							
Fair value gains on available-for-sale financial assets	29	**–**	**18,673**	**–**	**18,673**	**–**	**18,673**
Foreign exchange translation reserve	29	**–**	**5,922**	**–**	**5,922**	**1,942**	**7,864**
Total comprehensive income/(loss)		**–**	**24,595**	**376,361**	**400,956**	**(4,941)**	**396,015**
Transactions with owners							
Share-based compensation	28, 29	**–**	**3,387**	**–**	**3,387**	**–**	**3,387**
Disposal of subsidiaries	16.1	**–**	**–**	**–**	**–**	**(4,436)**	**(4,436)**
Dividends to equity holders of the Company		**–**	**–**	**(101,802)**	**(101,802)**	**–**	**(101,802)**
Total transactions with owners		**–**	**3,387**	**(101,802)**	**(98,415)**	**(4,436)**	**(102,851)**
As at 31 December 2012		**889,213**	**181,653**	**1,561,559**	**2,632,425**	**84,753**	**2,717,178**

The notes on pages 45 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Net cash generated from operations	33.1	**73,560**	742,762
Interest received		**6,997**	6,461
Interest received from loan portfolio		**260**	–
Tax paid		**(39,160)**	(107,225)
Net cash generated from operating activities		**41,657**	641,998
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(7,614)**	(4,907)
Disposal of property, plant and equipment and intangible assets		**–**	114
Purchase of investment properties		**–**	(53,671)
Acquisition of subsidiaries, net of cash acquired	33.2	**–**	(21,363)
Acquisition of an associate	20	**(107,096)**	–
Disposal of subsidiaries	16.1	**(8,689)**	–
Disposal of an associate	20	**–**	501
Purchase of investments		**(885,688)**	(456,895)
Disposal of investments		**608,263**	181,985
Return of capital from investments		**2,198**	390
Closing of derivative financial instruments		**–**	1,392
Dividends received from investments		**3,264**	7,151
Interest received from debt securities		**20,423**	157
Net cash used in investing activities		**(374,939)**	(345,146)
Cash flows from financing activities			
Proceeds from shares issued upon exercise of share options		**–**	29,759
Repurchase of issued ordinary shares		**–**	(7,263)
Dividends paid		**(101,802)**	(281,107)
Capital contributions by non-controlling interests		**–**	58,714
Net cash used in financing activities		**(101,802)**	(199,897)
Net (decrease)/increase in cash and cash equivalents		**(435,084)**	96,955
Exchange gains/(losses) on cash and cash equivalents		**7,826**	(168)
Cash and cash equivalents at beginning of the year		**1,315,348**	1,218,561
Cash and cash equivalents at end of the year		**888,090**	1,315,348

The notes on pages 45 to 92 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 2013.

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.

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

- Amendment to HKAS 1, "Financial Statement Presentation" requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group is yet to assess HKAS 1's full impact and intends to adopt HKAS 1 upon its effective date, which is for the accounting period beginning on or after 1 July 2012.

- 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 20 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.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New standards, amendments and interpretations 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 financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKFRS 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 assessing HKFRS 10's 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 HKFRSs. The requirements, which are largely between HKFRSs and US GAAP, 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 HKFRSs. 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.

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

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including special purpose 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. 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.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

(a) Consolidation (continued)

De-facto control may arise from circumstances 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

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 value 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 acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in the consolidated statement of comprehensive income.

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 acquired of the carrying value of net assets of the subsidiary 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.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. 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 in the consolidated financial statements of the investee's net assets including goodwill.

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. The Group's investment in associates includes goodwill identified on 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.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

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 Summary of significant accounting policies (continued)

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.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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.

(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 other comprehensive income.

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(d) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to the consolidated statement of comprehensive income.

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

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 associates and represents the excess of the consideration transferred over the Group's interest in the net 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.

2 Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(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 value are recorded in the consolidated statement of comprehensive income.

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 Summary of significant accounting policies (continued)

2.10 Impairment (continued)

(b) Impairment of financial assets (continued)

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics which are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period which are indicative of changes in the probability of losses in the group and their magnitude. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectable, it is written off against the related allowance for loan impairment at the discretion of the Credit Risk Committee. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of comprehensive income.

2.11 Non-current assets held-for-sale

Non-current assets are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

2.12 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.

2 Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

(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.

If, as a result of change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and re-measured at fair value, and the difference between its carrying amount and fair value shall be recognized in other comprehensive income.

(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 loan portfolio, fees receivable, other receivables and cash equivalents.

(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.

2 Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

(d) Available-for-sale financial assets (continued)

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.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

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.

2.13 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.

2.14 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.

2.15 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.

2.16 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 Summary of significant accounting policies (continued)

2.17 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.

2.18 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.

(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.

2 Summary of significant accounting policies (continued)

2.18 Income recognition (continued)

(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.

2.19 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.

2.20 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)

2.20 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.

2.21 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.

2.22 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 Summary of significant accounting policies (continued)

2.23 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 minimise 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 receivable 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 currently pegged to the United States dollar within a narrow range, 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 other components of 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**	
The Group	**2012**	2011	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Renminbi	**+/-5%**	+/-5%	**+/-7,130**	+/-6,479	**+/-18,659**	+/-18,457
Taiwan dollar	**+/-5%**	+/-5%	**+/-1,349**	+/-1,348	**+/-4,861**	+/-5,272

Refer to Notes 22, 24, 25 and 31 below for additional disclosures on foreign exchange exposure.

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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.

The loan portfolio consists of fixed-interest loans and is not exposed to interest rate risk.

As at 31 December 2012, if interest rates had been 50 basis points (2011: 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$2,782,000 lower or HK$2,786,000 higher respectively (2011: HK$1,310,000 higher or HK$1,283,000 lower). The sensitivity analysis for the year ended 31 December 2012 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 2011 was primarily arising from the increase/decrease in interest income on cash and cash equivalents.

(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**	
The Group	**2012**	2011	**2012** **HK$'000**	2011 HK$'000
MSCI China Index	**+/-10%**	+/-10%	**+/-46,244**	+/-29,002

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 and the investment held-for-sale.

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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Credit risk

Credit risk arises from cash and cash equivalents, loan portfolio, 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.

Cash

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

	2012 HK$'000	2011 HK$'000
The Group		
A+	**90,522**	861,269
A	**228,924**	12
A-	**183,746**	26,984
BBB+	**10,685**	15,800
BBB	**25,966**	53,662
BBB-	**4,542**	–
BB+	**334,511**	332,235
Unrated	**30,099**	37,041
	908,995	1,327,003
The Company		
A+	**8,209**	2,075
A	**269**	–
A-	**3,021**	–
	11,499	2,075

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.

Loan portfolio

Maximum exposures to credit risk before taking account of collateral held or other credit enhancements are HK$8,445,000 (2011: Nil).

Credit quality of the loan portfolio is analysed as follows.

The Group	**2012 HK$'000**	2011 HK$'000
Neither past due nor impaired	**8,445**	–
Gross loan portfolio	**8,445**	–
Allowance for loan impairment	**(84)**	–
	8,361	–

The principal collateral types consist of land and property.

There is no individually impaired loan.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Credit risk (continued)

Fees receivable

As at 31 December 2012, fees receivable from the five major investment funds and managed accounts amounted to HK$141,240,000 (2011: HK$38,292,000), which accounted for 79% (2011: 62%) of the total outstanding balance. Refer to Note 24 below for additional disclosures on credit risk.

Investments

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 2012, the Group and the Company held liquid assets of HK$888,090,000 (2011: HK$1,315,348,000) and HK$11,478,000 (2011: HK$2,057,000) respectively, being cash and cash equivalents, that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's and the Company's non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cashflow.

	2012				2011			
The Group	No stated maturity HK$'000	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	No stated maturity HK$'000	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000
Assets								
Investments	876,009	86,421	206,821	24,746	834,442	–	146,195	–
Investments held-for-sale	–	245,899	–	–	–	–	–	–
Fees receivables	–	179,067	–	–	–	61,427	–	–
Loan portfolio, net	–	337	8,024	–	–	–	–	–
Amounts receivable on sale of investments	–	164,224	–	–	–	17,748	–	–
Prepayments and other receivables	–	33,473	–	–	–	19,614	–	–
Cash and cash equivalents	216,150	671,940	–	–	1,267,843	47,505	–	–
	1,092,159	1,381,361	214,845	24,746	2,102,285	146,294	146,195	–
Liabilities								
Accrued bonus	–	(68,243)	–	–	–	(69,501)	–	–
Distribution fee expenses payable	–	(28,915)	–	–	–	(23,933)	–	–
Amounts payable on purchase of investments	–	(135,033)	–	–	–	–	–	–
Other payables and accrued expenses	(963)	(16,907)	–	–	(1,606)	(19,591)	–	–
Total	1,091,196	1,132,263	214,845	24,746	2,100,679	33,269	146,195	–

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk (continued)

The Company	2012 No stated maturity HK$'000	2012 Less than 3 months HK$'000	2011 No stated maturity HK$'000	2011 Less than 3 months HK$'000
Assets				
Amounts due from subsidiaries	**418,043**	**–**	438,752	–
Dividends receivable	**–**	**100,000**	–	100,000
Prepayments and other receivables	**–**	**292**	–	202
Cash and cash equivalents	**8,478**	**3,000**	2,057	–
	426,521	**103,292**	440,809	100,202
Liabilities				
Other payables and accrued expenses	**–**	**(404)**	–	(519)
Amounts due to a subsidiary	**(6,000)**	**–**	(6,000)	–
Total	**420,521**	**102,888**	434,809	99,683

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 2012, 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 Financial risk management (continued)

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.

The Group	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2012				
Investments	**599,858**	**594,087**	**52**	**1,193,997**
Investments held-for-sale	**–**	**245,899**	**–**	**245,899**
As at 31 December 2011				
Investments	196,599	635,966	1,877	834,442

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 analysed into the fair value measurement hierarchy in accordance with the above. As at 31 December 2012 and 2011, 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 2012 (2011: Nil).

The following table presents the changes in level 3 instruments.

	Investments	
	2012 HK$'000	2011 HK$'000
Beginning of the year	**1,877**	2,267
Addition to level 3	**6**	–
Disposal of level 3 investment	**(2)**	–
Return of capital from investments	**(2,198)**	(390)
Gains recognized in profit or loss	**369**	–
End of the year	**52**	1,877
Total gains for the year included in the consolidated statement of comprehensive income for level 3 instruments held at the end of the year	**369**	–

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.

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 28 below. Any change in the subjective input assumptions may materially affect the fair value of an option.

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 capitalisation 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.

Impairment allowances on loan portfolio

The Group reviews its loan portfolios to assess impairment regularly. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5 Segment information

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

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

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

5 Segment information (continued)

The Group set up a small loan business in Chengdu and commenced 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 include interest income and administrative fee income from small loans. The comparatives have been restated.

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

Profit or loss

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

	Year ended 31 December 2012			Year ended 31 December 2011		
	Asset management business HK$'000	**Small loan business HK$'000**	**Total HK$'000**	Asset management business HK$'000	Small loan business HK$'000	Total HK$'000
Income from external customers	**651,050**	**526**	**651,576**	688,936	–	688,936
Distribution and advisory fee expenses	**(178,965)**	**–**	**(178,965)**	(166,940)	–	(166,940)
Net fee income	**472,085**	**526**	**472,611**	521,996	–	521,996
Other income	**43,349**	**10,770**	**54,119**	24,760	–	24,760
Total net income	**515,434**	**11,296**	**526,730**	546,756	–	546,756
Depreciation and amortization	**(5,481)**	**(390)**	**(5,871)**	(4,513)	–	(4,513)
Operating expenses	**(256,129)**	**(10,377)**	**(266,506)**	(248,612)	–	(248,612)
Goodwill impairment	**–**	**–**	**–**	(27,414)	–	(27,414)
Other gains/(losses) – net	**176,934**	**–**	**176,934**	(56,615)	–	(56,615)
Operating profit	**430,758**	**529**	**431,287**	209,602	–	209,602
Share of loss of an associate	**(16,152)**	**–**	**(16,152)**	(185)	–	(185)
Share of loss of a joint venture	**–**	**–**	**–**	(2,345)	–	(2,345)
Profit before tax	**414,606**	**529**	**415,135**	207,072	–	207,072
Tax expense	**(45,475)**	**(182)**	**(45,657)**	(42,300)	–	(42,300)
Profit for the year	**369,131**	**347**	**369,478**	164,772	–	164,772

Income from external customers consists of fee income from asset management business of HK$651,050,000 (2011: HK$688,936,000), interest income from small loan business of HK$322,000 (2011: Nil) and fee income from small loan business of HK$204,000 (2011: Nil).

Refer to Note 18 for details of the impairment of goodwill of HK$27,414,000 in the asset management operating segment in 2011. There was no impairment charge recognized in 2012. There has been no further impact on the measurement of the company's assets and liabilities.

5 Segment information (continued)

Assets

	As at 31 December 2012			As at 31 December 2011		
	Asset management business HK$'000	Small loan business HK$'000	Total HK$'000	Asset management business HK$'000	Small loan business HK$'000	Total HK$'000
Property, plant and equipment	6,452	1,295	7,747	8,129	–	8,129
Intangible assets	54,311	93	54,404	52,670	–	52,670
Investment properties	102,000	–	102,000	78,000	–	78,000
Investment in an associate	90,944	–	90,944	–	–	–
Deferred tax assets	399	–	399	328	–	328
Investments	1,193,997	–	1,193,997	980,637	–	980,637
Investments held-for-sale	245,899	–	245,899	–	–	–
Fees receivable	179,067	–	179,067	61,427	–	61,427
Loan portfolio, net	–	8,361	8,361	–	–	–
Amounts receivable on sale of investments	164,224	–	164,224	17,748	–	17,748
Prepayments and other receivables	24,621	8,852	33,473	19,614	–	19,614
Cash and cash equivalents	531,863	356,227	888,090	946,198	369,150	1,315,348
Other assets	13,987	–	13,987	13,529	–	13,529
Total assets per the balance sheet	2,607,764	374,828	2,982,592	2,178,280	369,150	2,547,430

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment.

The Company is domiciled in the Cayman Islands with the Group's major operations in the Greater China and the Asia Pacific region. The revenue from external customers arises from 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$69,167,000 (2011: HK$74,859,000) are derived from a single external customer of the asset management business segment.

6 Turnover and revenue

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

	2012 HK$'000	2011 HK$'000
Management fees	461,799	491,433
Performance fees	112,087	139,532
Front-end fees	77,164	57,214
Back-end fees	–	757
Total fee income	651,050	688,936
Interest income from loan portfolio	322	–
Fee income from loan portfolio	204	–
Total turnover and revenue	651,576	688,936

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.

	2012 HK$'000	2011 HK$'000
Distribution fee expenses	**175,320**	160,632
Advisory fee expenses	**3,645**	6,308
Total fee expenses	**178,965**	166,940

8 Other income

	2012 HK$'000	2011 HK$'000
Interest income on cash and cash equivalents and restricted bank balances	**15,789**	6,267
Interest income on debt securities	**31,091**	1,522
Dividend income on financial assets at fair value through profit or loss	**3,721**	6,257
Dividend income on available-for-sale financial assets	**992**	913
Rental income from investment properties	**2,229**	1,585
Expenses recharged by a subsidiary to a joint venture (Note 36.1)	**–**	5,165
Others	**297**	3,051
Total other income	**54,119**	24,760

Dividend income from listed and unlisted investments for the year ended 31 December 2012 amounted to HK$2,272,000 (2011: HK$6,238,000) and HK$2,441,000 (2011: HK$932,000) respectively.

Interest income from listed and unlisted debt securities for the year ended 31 December 2012 amounted to HK$29,514,000 (2011: HK$1,119,000) and HK$1,577,000 (2011: HK$403,000) respectively. The financial assets are reclassified to available-for-sale during the year. Refer to Note 22 for details.

9 Compensation and benefit expenses

	2012 HK$'000	2011 HK$'000
Management bonus	**68,243**	69,501
Salaries, wages and other benefits	**123,621**	102,626
Share-based compensation (Notes 28 and 29)	**3,387**	8,499
Pension costs – mandatory provident fund scheme	**1,801**	1,366
Total compensation and benefit expenses	**197,052**	181,992

9.1 Pension costs – mandatory provident fund scheme

There were no forfeited contributions utilized during the year ended 31 December 2012 (2011: Nil) and as at 31 December 2012 (2011: Nil) to reduce future contributions.

As at 31 December 2012, no contributions were payable to the mandatory provident fund scheme (2011: 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 2012					
Executive directors					
Mr CHAN, Sheung Lai, Jimmy[(b)]	**–**	**1,005**	**–**	**6**	**1,011**
Mr CHEAH, Cheng Hye	**12,891**	**7,757**	**–**	**14**	**20,662**
Ms HUNG, Yeuk Yan Renee	**5,831**	**2,194**	**61**	**14**	**8,100**
Mr SO, Chun Ki Louis[(c)]	**8,445**	**2,619**	**440**	**14**	**11,518**
Mr TSE, Wai Ming, Timothy[(d)]	**3,400**	**2,220**	**850**	**14**	**6,484**
Independent non-executive directors					
Dr CHEN, Shih Ta Michael	**–**	**275**	**92**	**–**	**367**
Mr LEE, Siang Chin	**–**	**275**	**92**	**–**	**367**
Mr OYAMA, Nobuo	**–**	**275**	**92**	**–**	**367**
	30,567	**16,620**	**1,627**	**62**	**48,876**
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[(e)]	200	690	–	5	895
Ms HUNG, Yeuk Yan Renee	5,500	2,282	959	12	8,753
Mr SO, Chun Ki Louis[(c)]	7,952	2,223	2,169	12	12,356
Mr TSE, Wai Ming, Timothy[(d)]	1,350	1,962	613	12	3,937
Non-executive director					
Mr COOREY, Michael Francis[(e)]	–	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

(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 2012 amounted to HK$2,166,000 (2011: HK$2,911,000).

(b) 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. Mr CHAN subsequently resigned as Chief Executive Officer of the Company with effect from 1 June 2012.

(c) Mr SO Chun Ki, Louis became the Deputy Chairman of the Company with effect from 1 June 2012.

(d) Mr TSE Wai Ming, Timothy became the Chief Executive Officer of the Company with effect from 1 June 2012.

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

9 Compensation and benefit expenses (continued)

9.2 Directors' emoluments (continued)

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.

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 2012 (2011: Nil). No directors waived or agreed to waive any emoluments for the year ended 31 December 2012 (2011: Nil).

9.3 Five highest paid individuals

The five highest paid individuals in the Group during the year ended 31 December 2012 included four (2011: four) directors whose emoluments are reflected in the analysis presented above. Details of the remuneration of the remaining highest paid individuals are as follows:

	2012 HK$'000	2011 HK$'000
Management bonus	**5,831**	5,500
Salaries, wages and other benefits	**2,402**	2,158
Share-based compensation	**61**	–
Pension costs – mandatory provident fund scheme	**14**	12
	8,308	7,670

Individual emoluments were within the following bands:

	Number of individuals	
	2012	2011
HK$5,000,001 to HK$10,000,000	**1**	1

9.4 Senior management remuneration by band

Details of the remuneration of other senior management were within following bands:

	Number of individuals	
	2012	2011
Below HK$5,000,000	**2**	3
HK$5,000,001 to HK$10,000,000	**2**	1

10 Other expenses

	2012 HK$'000	2011 HK$'000
Marketing expenses	**10,524**	8,305
Research expenses	**10,194**	8,446
Legal and professional fees	**7,995**	6,244
Travelling expenses	**6,819**	9,201
Depreciation and amortization (Notes 17 and 18)	**5,871**	4,513
Office expenses	**4,824**	3,648
Insurance expenses	**3,419**	2,901
Auditor's remuneration	**2,874**	2,819
Donations	**1,750**	3,000
Recruitment expenses	**1,545**	4,165
Entertainment expenses	**1,524**	1,223
Registration and licensing fees	**1,059**	1,847
Charge of loan impairment allowances (Note 27.2)	**84**	–
Others	**3,900**	2,856
Total other expenses	**62,382**	59,168

11 Other gains/(losses) – net

	2012 HK$'000	2011 HK$'000
Changes in fair value of investment properties (Note 19)	**24,000**	18,694
Net gains/(losses) on investments		
Gains on financial assets at fair value through profit or loss	**155,825**	26,171
Losses on financial assets at fair value through profit or loss	**(60,448)**	(140,294)
Gains on disposal of held-to-maturity financial assets (Note 22.1)	**13,633**	–
Gains on disposal of available-for-sale financial assets	**23,743**	–
Gains on investments held-for-sale (Note 23)	**23,455**	–
Others		
Gain on remeasuring previously held interest in a joint venture at fair value upon further acquisition as a subsidiary (Note 33.2(a))	**–**	27,021
Impairment loss on goodwill (Note 18)	**–**	(27,414)
Gains on disposal of property, plant and equipment	**–**	48
Loss on disposal of subsidiaries (Note 16.1)	**(3,975)**	–
Loss on disposal of an associate (Note 20)	**–**	(24)
Net foreign exchange gains	**701**	11,769
Total other gains/(losses) – net	**176,934**	(84,029)

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 2012 at the rate of 16.5% (2011: 16.5%).

12 Tax expense (continued)

	2012 HK$'000	2011 HK$'000
Current tax		
Hong Kong profits tax	**46,985**	42,067
Overseas tax	**1,113**	1,356
Adjustments in respect of prior years	**(2,373)**	(854)
Total current tax	**45,725**	42,569
Deferred tax		
Origination and reversal of temporary differences (Note 30)	**(68)**	(269)
Total tax expense	**45,657**	42,300

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:

	2012 HK$'000	2011 HK$'000
Profit before tax	**415,135**	207,072
Tax calculated at domestic tax rates applicable to profits in the respective countries of 16.5% (2011: 16.5%)	**68,497**	34,167
Tax effects of:		
Share of an associate's results	**2,665**	30
Share of a joint venture's results	**–**	387
Non-taxable income and gains on investments	**(43,790)**	(30,433)
Non-deductible expenses and losses on investments	**20,658**	39,003
Adjustments in respect of prior years	**(2,373)**	(854)
Tax expense	**45,657**	42,300

13 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for the year ended 31 December 2012 was dealt with in the financial statements of the Company to the extent of HK$92,325,000 (2011: HK$100,366,000).

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.

	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**376,361**	167,299
Weighted average number of ordinary shares in issue (thousands)	**1,755,203**	1,755,785
Basic earnings per share (HK cents per share)	**21.4**	9.5

14 Earnings per share (continued)

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.

	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**376,361**	167,299
Weighted average number of ordinary shares in issue (thousands)	**1,755,203**	1,755,785
Adjustments for share options (thousands)	**2,713**	10,082
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,757,916**	1,765,867
Diluted earnings per share (HK cents per share)	**21.4**	9.5

15 Dividends

	2012 HK$'000	2011 HK$'000
Proposed final dividend of HK6.3 cents (2011: HK5.8 cents) per ordinary share	**110,578**	101,802
Proposed special dividend of HK9.7 cents (2011: Nil) per ordinary share	**170,254**	–
Total dividends	**280,832**	101,802

The directors recommend payment of a final dividend of HK6.3 cents per ordinary share and a special dividend of HK9.7 cents per ordinary share. The estimated total final dividend and total special dividend, based on the number of shares outstanding as at 31 December 2012, are HK$110,578,000 and HK$170,254,000 respectively. Such dividends are to be approved by the shareholders at the Annual General Meeting of the Company on 7 May 2013 and have not been recognized as a liability at the balance sheet date.

16 Investments in subsidiaries – the Company

	2012 HK$'000	2011 HK$'000
Unlisted shares	**1,395,816**	1,390,816

16 Investments in subsidiaries – the Company (continued)

As at 31 December 2012, 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	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 in PRC	Registered capital of RMB300,000,000 〔有限責任公司（合資）〕	–	90%
Chief Union Investments Limited	Hong Kong	Money lending	1 ordinary share of HK$1	100%	–
Hong Kong Asset Management Group Limited (formerly Value Funds 3 Limited)	Hong Kong	Dormant	1 ordinary share of HK$1	100%	–
Hong Kong Fund Management Group Limited (formerly Hongkong Fund Management Limited)	Hong Kong	Dormant	1 ordinary share of HK$1	100%	–
Hong Kong Investment Management Co, Limited (formerly Hongkong Investment Management Limited)	Hong Kong	Dormant	1 ordinary share of HK$1	100%	–
Middle Star Capital Limited	Hong Kong	Investment holding	1 ordinary share of HK$1	100%	–
Rough Seas Capital Holdings Limited (formerly Sensible Asset Management Asia Limited)	Hong Kong	Dormant	1,000,000 ordinary shares of HK$1.00 each	100%	–
Rough Seas Investing Group Limited (formerly Value Funds 2 Limited)	Hong Kong	Dormant	1 ordinary share of HK$1	100%	–
Sensible Asset Management Hong Kong Limited	Hong Kong	Investment management in Hong Kong	6,000,000 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 Investing Group Company Limited (formerly Value Partners Chuan Kong Equity Investment 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 Concord Asset Management Co., Ltd.	Taiwan	Investment management in Taiwan	30,000,000 ordinary shares of NT$10 each	–	60.89%
Value Partners Corporate Consulting Limited	Hong Kong	Dormant	5,000,000 ordinary shares of HK$1 each	100%	–
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%	–
Valuegate Holdings Limited	British Virgin Islands	Trademark holding in Hong Kong	2 ordinary shares of US$1 each	100%	–
上海惠理投資管理諮詢有限公司	The People's Republic of China	Investment advisory in PRC	Registered capital of RMB10,000,000 〔有限責任公司（獨資）〕	–	100%

16 Investments in subsidiaries – the Company (continued)

16.1 Disposal of subsidiaries

On 7 September 2012, the Group disposed of its 100% interests in Value Partners Yun Kong Equity Investment Limited and 60% interests in Yunnan Value Partners Equity Investment Fund Management Co., Ltd with a consideration of HK$3,420,000 (RMB2,800,000). Loss on disposal of HK$3,975,000 was recognized in other gains/(losses)-net in the consolidated statement of comprehensive income.

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 2011					
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 33.2(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
Year ended 31 December 2012					
Opening net book amount	**5,911**	**508**	**1,288**	**422**	**8,129**
Additions	**2,026**	**29**	**2,728**	**–**	**4,783**
Disposals	**(157)**	**(88)**	**(34)**	**–**	**(279)**
Exchange differences	**7**	**–**	**32**	**–**	**39**
Depreciation (Note 10)	**(3,209)**	**(217)**	**(1,129)**	**(370)**	**(4,925)**
Closing net book amount	**4,578**	**232**	**2,885**	**52**	**7,747**
As at 31 December 2012					
Cost	**12,405**	**3,666**	**8,704**	**1,589**	**26,364**
Accumulated depreciation	**(7,827)**	**(3,434)**	**(5,819)**	**(1,537)**	**(18,617)**
Net book amount	**4,578**	**232**	**2,885**	**52**	**7,747**

18 Intangible assets – the Group

	Licence HK$'000	Goodwill HK$'000	Computer software HK$'000	Total HK$'000
As at 1 January 2011				
Cost	–	393	4,505	4,898
Accumulated amortization	–	–	(3,315)	(3,315)
Net book amount	–	393	1,190	1,583
Year ended 31 December 2011				
Opening net book amount	–	393	1,190	1,583
Additions	–	–	748	748
Acquisition of subsidiaries (Note 33.2)	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
Year ended 31 December 2012				
Opening net book amount	**24,050**	**27,021**	**1,599**	**52,670**
Additions	**–**	**–**	**2,831**	**2,831**
Disposals	**–**	**–**	**(151)**	**(151)**
Amortization (Note 10)	**–**	**–**	**(946)**	**(946)**
Closing net book amount	**24,050**	**27,021**	**3,333**	**54,404**
As at 31 December 2012				
Cost	**24,050**	**54,435**	**8,135**	**86,620**
Accumulated amortization	**–**	**–**	**(4,802)**	**(4,802)**
Accumulated impairment	**–**	**(27,414)**	**–**	**(27,414)**
Net book amount	**24,050**	**27,021**	**3,333**	**54,404**

18.1 Impairment tests of goodwill and other intangible assets

Refer to Note 33.2 for the origination of goodwill and licence on the acquisition of subsidiaries. As at 31 December 2012, the carrying amounts of goodwill and licence acquired in business combinations have been allocated to the following CGUs:

	Licence		Goodwill	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Sensible Asset Management Hong Kong Limited ("SAMHK"), in relation to the exchange-traded fund ("ETF") business				
– Beginning of the year	**–**	–	**27,021**	–
– Addition	**–**	–	**–**	54,042
– Impairment	**–**	–	**–**	(27,021)
Value Partners Concord Asset Management Co., Ltd. ("VP Concord"), in relation to the investment management business in Taiwan				
– Beginning of the year	**24,050**	–	**–**	–
– Addition	**–**	24,050	**–**	–
End of the year	**24,050**	24,050	**27,021**	27,021

18 Intangible assets – the Group (continued)

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

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 30% and 50% (2011: 35% and 50%) have been applied to the SAMHK CGU and a range between 10% and 20% (2011: 10% and 22%) have been applied to the VP Concord CGU. A terminal growth rate of 3% (2011: 5% for the SAMHK CGU and 3% for the VP Concord CGU) has been used for the SAMHK CGU and the VP Concord CGU. The pre-tax rate used to discount the forecast cash flows was 19.0% (2011: 19.3%) for the SAMHK CGU and 18.6% (2011: 19.4%) for the VP Concord CGU.

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 gains/(losses) – net in the consolidated statement of comprehensive income.

19 Investment properties – the Group

	2012 HK$'000	2011 HK$'000
Beginning of the year	78,000	58,743
Additions	–	563
Changes in fair value of investment properties	24,000	18,694
End of the year	102,000	78,000

The investment properties were revalued as at 31 December 2012 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

	2012 HK$'000	2011 HK$'000
Beginning of the year	–	710
Acquisition	49,918	–
Capital injection	57,178	–
Share of results – loss after tax	(16,152)	(185)
Disposal	–	(525)
End of the year	90,944	–

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

		Interest held	
Name	Place of incorporation	2012	2011
Averon Capital Partners Limited ("Averon")	Hong Kong	–	–
Value Partners Goldstate Fund Management Company Limited ("VP Goldstate")[(a)]	The People's Republic of China	49%	–

(a) The total registered capital of VP Goldstate as at 31 December 2012 was RMB245,000,000.

20 Investment in an associate – the Group (continued)

Averon

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.

VP Goldstate

On 26 March 2012, the Group acquired 49% interest in VP Goldstate for a consideration of HK$49,918,000. A positive goodwill of HK$14,460,000 was generated from the acquisition and was recognized within "Investment in an associate" in the consolidated balance sheet. As at 31 December 2012, there is no impairment loss on such positive goodwill arising on the acquisition transaction. In October 2012, the Group further injected HK$57,178,000 to VP Goldstate.

The Group has the ability to exercise significant influence over VP Goldstate with representation on its Board of Directors.

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

	2012 HK$'000	2011 HK$'000
Assets		
Non-current assets	**2,147**	–
Current assets	**78,492**	–
	80,639	–
Liabilities		
Current liabilities	**(4,155)**	–
Net assets	**76,484**	–
Income	**11,231**	–
Expenses	**(27,383)**	(185)
Loss after tax	**(16,152)**	(185)

21 Interest in a joint venture

	2012 HK$'000	2011 HK$'000
The Group		
Beginning of the year	**–**	6,484
Share of results – loss after tax	**–**	(2,345)
Acquisition of additional interest as a subsidiary (Note 33.2(a))	**–**	(4,139)
End of the year	**–**	–
The Company		
Unlisted shares, at cost	**–**	11,625
Accumulated impairment	**–**	(7,486)
	–	4,139
Acquisition of additional interest as a subsidiary (Note 33.2(a))	**–**	(4,139)
	–	–

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

Name	**Place of incorporation**	**Principal activities**	**Interest held 2012**	2011
Sensible Asset Management Hong Kong Limited (Note 33.2(a))	Hong Kong	Investment management in Hong Kong	**–**	–

21 Interest in a joint venture (continued)

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

	2012 HK$'000	2011 HK$'000
Assets – current assets	–	–
Liabilities – current liabilities	–	–
Net assets	–	–
Income	–	895
Expenses	–	(3,240)
Loss after tax	–	(2,345)

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	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Listed securities (by place of listing)								
Debt securities – Hong Kong	–	–	–	2,458	2,477	–	2,477	2,458
Debt securities – Singapore	–	–	–	58,630	229,089	–	229,089	58,630
Investment funds – Hong Kong	368,292	196,599	–	–	–	–	368,292	196,599
Market value of listed securities	368,292	196,599	–	61,088	231,566	–	599,858	257,687
Unlisted securities (by place of incorporation/establishment)								
Debt securities – China	–	–	–	85,107	86,422	–	86,422	85,107
Equity securities – Singapore	–	–	–	–	5,649	1,187	5,649	1,187
Investment funds – Australia	18,358	–	–	–	–	–	18,358	–
Investment funds – Cayman Islands	471,088	571,424	–	–	–	–	471,088	571,424
Investment funds – Luxembourg	–	5,873	–	–	–	–	–	5,873
Investment funds – Taiwan	–	22,908	–	–	–	–	–	22,908
Investment funds – United States	263	25,371	–	–	12,359	10,867	12,622	36,238
Fair value of unlisted securities	489,709	625,576	–	85,107	104,430	12,054	594,139	722,737
Derivative financial instruments								
Currency option contract	–	213	–	–	–	–	–	213
Total investments	858,001	822,388	–	146,195	335,996	12,054	1,193,997	980,637
Representing:								
Non-current	703,561	801,307	–	146,195	249,574	12,054	953,135	959,556
Current	154,440	21,081	–	–	86,422	–	240,862	21,081
Total investments	858,001	822,388	–	146,195	335,996	12,054	1,193,997	980,637

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

Some investments were classified as held-for-sale as at 31 December 2012 (2011: Nil). Refer to Note 23 for details.

22 Investments – the Group (continued)

Investments are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
Hong Kong dollar	**368,292**	204,784
Australia dollar	**18,358**	–
Renminbi	**138,218**	111,136
Singapore dollar	**5,649**	1,187
Taiwan dollar	**–**	22,908
United States dollar	**663,480**	640,622
Total investments	**1,193,997**	980,637

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

	2012 HK$'000	2011 HK$'000
A+	**2,477**	2,458
A	**–**	60,866
A-	**–**	24,241
B+	**98,709**	–
BB	**45,338**	49,011
BB-	**–**	9,619
Unrated	**171,464**	–
Total investments in debt securities	**317,988**	146,195

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

22.1 Held-to-maturity financial assets

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

	2012 HK$'000	2011 HK$'000
Beginning of the year	**146,195**	–
Additions	**244,693**	145,689
Amortization	**6,965**	506
Disposal	**(106,620)**	–
Reclassified to available-for-sale financial assets (Note 22.2)	**(291,233)**	–
End of the year	**–**	146,195

During the year, the Group sold some held-to-maturity financial assets and recorded the gains of HK$13,633,000 (2011: Nil). The Group subsequently reclassified all the held-to-maturity financial assets to available-for-sale financial assets. There was no such reclassification in 2011.

22.2 Available-for-sale financial assets

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

	2012 HK$'000	2011 HK$'000
Beginning of the year	**12,054**	16,259
Addition	**142,307**	–
Fair value gains/(losses) transferred to/(from) equity (Note 29)	**18,673**	(4,205)
Disposal	**(128,880)**	–
Reclassified from held-to-maturity financial assets (Note 22.1)	**291,233**	–
Amortization	**609**	–
End of the year	**335,996**	12,054

There was no impairment provision on available-for-sale financial assets as at 31 December 2012 (2011: Nil).

23 Investments held-for-sale – the Group

The Group classified the following interests in investment funds as held-for-sale as the Group intended to dispose these investments as soon as practically possible. There was no investments held-for-sale as at 31 December 2011.

	Fair Value	
	2012	2011
	HK$'000	HK$'000
Investment funds – Cayman Islands	**133,262**	–
Investment funds – Ireland	**85,638**	–
Investment funds – Taiwan	**26,999**	–
Total investments held-for-sale	**245,899**	–

As at 31 December 2012, the major assets of the above funds were securities.

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

	2012	2011
	HK$'000	HK$'000
Unrealized gains on investments held-for-sale	**23,455**	–

24 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 2012 (2011: 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.

	2012	2011
	HK$'000	HK$'000
Fees receivable that were past due but not impaired		
1 – 30 days	**692**	1,421
31 – 60 days	**–**	455
61 – 90 days	**483**	–
	1,175	1,876
Fees receivable that were within credit period	**177,892**	59,551
Total fees receivable	**179,067**	61,427

Fees receivable are denominated in the following currencies:

	2012	2011
	HK$'000	HK$'000
Australian dollar	**2,141**	99
Hong Kong dollar	**15,875**	12,894
Taiwan dollar	**159**	77
United States dollar	**160,892**	48,357
Total fees receivable	**179,067**	61,427

24 Fees receivable – the Group (continued)

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 2012 (2011: Nil).

25 Cash and cash equivalents

	2012 HK$'000	2011 HK$'000
The Group		
Cash at bank and in hand	207,709	1,266,858
Short-term bank deposits	671,940	47,505
Deposits with brokers	8,441	985
Total cash and cash equivalents	888,090	1,315,348
The Company		
Cash at bank and in hand	8,478	2,057
Short-term bank deposits	3,000	–
Total cash and cash equivalents	11,478	2,057

Cash and cash equivalents are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
The Group		
Australian dollar	15,564	1,619
Hong Kong dollar	220,452	807,712
Japanese yen	312	201
Renminbi	377,352	386,206
Singapore dollar	10,224	9,257
Taiwan dollar	85,130	95,320
United States dollar	179,056	15,033
Total cash and cash equivalents	888,090	1,315,348
The Company		
Hong Kong dollar	11,259	1,981
United States dollar	219	76
Total cash and cash equivalents	11,478	2,057

26 Other assets – the Group

	2012 HK$'000	2011 HK$'000
Restricted bank balances	**12,010**	11,552
Other assets	**1,977**	1,977
Total other assets	**13,987**	13,529

In accordance with the Regulations Governing the Conduct of Discretionary Investment Business and the Regulations Governing Offshore Funds of Taiwan, as at 31 December 2012, VP Concord, a subsidiary of the Group, placed a deposit of NT$45 million (equivalent to HK$12,010,000) (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.

27 Loan portfolio, net – the Group

27.1 Loan portfolio less allowance

	As at 31 December	
	2012 HK$'000	2011 HK$'000
Loan portfolio in the People's Republic of China		
– Corporate	**4,852**	–
– Personal	**3,593**	–
	8,445	–
Allowance for impairment	**(84)**	–
Total loan portfolio, net	**8,361**	–
Representing:		
Non-current	**8,024**	–
Current	**337**	–
Total loan portfolio, net	**8,361**	–

The fair value of the loan portfolio approximates its carrying value.

As at 31 December 2012, the loan portfolio had a weighted average remaining term of 2.06 years (2011: Nil) on a contractual basis, without taking into account any prepayment of loans. Final maturity of the loan portfolio is in the year 2017.

Total allowance for loan impairment as a percentage of the outstanding principal balances of the loan portfolio is 1% (2011: Nil).

27.2 Allowance for loan impairment

	As at 31 December	
	2012 HK$'000	2011 HK$'000
As at 1 January	**–**	–
Charged to the consolidated statement of comprehensive income (Note 10)	**84**	–
As at 31 December	**84**	–

Allowance for loan impairment was made after taking into account the current market value of the collateral of the delinquent loan. There is no individually impaired loan as at 31 December 2012 (2011: Nil).

28 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 2011	1,752,192,981	866,717
Shares issued upon exercise of share options	5,410,819	29,759
Repurchase of issued ordinary shares	(2,401,000)	(7,263)
As at 31 December 2011	1,755,202,800	889,213
As at 1 January 2012 and 31 December 2012	**1,755,202,800**	**889,213**

As at 31 December 2012, the total authorized number of ordinary shares of the Company was 5,000,000,000 shares (2011: 5,000,000,000 shares) with a par value of HK$0.1 (2011: 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.

In 2011, the Company repurchased 2,401,000 issued ordinary shares in 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	Lowest price per share paid	Aggregate price paid
		HK$	HK$	HK$'000
September 2011	2,401,000	3.19	2.69	7,263

Share capital and share premium – the Company

	Share capital	Share premium	Total
	HK$'000	HK$'000	HK$'000
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
As at 1 January 2012 and 31 December 2012	**175,520**	**1,580,507**	**1,756,027**

28 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. 8,700,000 options were granted under the share option scheme during the year ended 31 December 2012 (2011: Nil).

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 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
As at 1 January 2012	**5.26**	**98,118**
Granted	**3.94**	**4,700**
Granted	**4.56**	**4,000**
Forfeited	**5.50**	**(703)**
Forfeited	**5.00**	**(2,000)**
As at 31 December 2012	**5.18**	**104,115**

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

Out of the 104,115,000 (2011: 98,118,000) outstanding share options, 93,382,000 (2011: 92,718,000) options were exercisable as at 31 December 2012 with weighted average exercise price of HK$5.27 (2011: HK$5.27) per share. No options were exercised during the year ended 31 December 2012 (2011: 5,411,000).

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

	Exercise price	**Number of options ('000)**	
Expiry date	(HK$ per share)	**2012**	2011
25 September 2014	5.50	**27,464**	28,167
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**	–
6 December 2022	4.56	**4,000**	–

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

The weighted average fair value of options granted during the year ended 31 December 2012 determined using the Black-Scholes valuation model was HK$1.75 per option. The significant inputs into the model were weighted average share price of HK$4.23 at the grant date, exercise price shown above, estimated volatility of 50.72%, estimated dividend yield of 1.38% based on historical dividend of HK5.8 cents per share for the financial year 2011, expected option life of 6.04 years, and annual risk-free interest rate of 0.38%. 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 7 December 2012, 31 May 2012, 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.

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

The Group	Share-based compensation reserve	Revaluation reserve	Capital redemption reserve	Capital reserve[a]	Foreign exchange translation reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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 28)	–	–	240	–	–	240
Deemed acquisition of additional interest in a subsidiary (Note 33.3)	–	–	–	(1,341)	–	(1,341)
As at 31 December 2011	152,948	1,515	240	(1,341)	309	153,671
As at 1 January 2012	**152,948**	**1,515**	**240**	**(1,341)**	**309**	**153,671**
Share-based compensation (Note 9)	**3,387**	**–**	**–**	**–**	**–**	**3,387**
Fair value gains on available-for-sale financial assets (Note 22.2)	**–**	**18,673**	**–**	**–**	**–**	**18,673**
Foreign exchange translation reserve	**–**	**–**	**–**	**–**	**5,922**	**5,922**
As at 31 December 2012	**156,335**	**20,188**	**240**	**(1,341)**	**6,231**	**181,653**

The Company	Share-based compensation reserve	Capital redemption reserve	Retained earnings
	HK$'000	HK$'000	HK$'000
As at 1 January 2011	144,449	–	197,249
Share-based compensation (Note 9)	8,499	–	–
Repurchase of issued ordinary shares (Note 28)	–	240	(240)
Profit for the year	–	–	100,366
Dividends	–	–	(281,107)
As at 31 December 2011	152,948	240	16,268

29 Other reserves – the Group/Other reserves and retained earnings – the Company (continued)

The Company (continued)	Share-based compensation reserve HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000
As at 1 January 2012	**152,948**	**240**	**16,268**
Share-based compensation (Note 9)	**3,387**	**–**	**–**
Profit for the year	**–**	**–**	**92,325**
Dividends	**–**	**–**	**(101,802)**
As at 31 December 2012	**156,335**	**240**	**6,791**

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

30 Deferred tax – the Group

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

	Accelerated tax depreciation HK$'000
As at 1 January 2011	(32)
Credited to consolidated statement of comprehensive income (Note 12)	269
Acquisition of a subsidiary (Note 33.2(b))	95
Exchange differences	(4)
As at 31 December 2011	328
As at 1 January 2012	**328**
Credited to consolidated statement of comprehensive income (Note 12)	**68**
Exchange differences	**3**
As at 31 December 2012	**399**

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 2012, the Group did not have any tax losses that can be carried forward against future taxable profits (2011: Nil).

31 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:

	2012 HK$'000	2011 HK$'000
0 – 30 days	**28,610**	23,070
31 – 60 days	**136**	327
61 – 90 days	**–**	151
Over 90 days	**169**	385
Total distribution fee expenses payable	**28,915**	23,933

31 Distribution fee expenses payable – the Group (continued)

Distribution fee expenses payable are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
Japanese yen	–	212
Taiwan dollar	18	–
United States dollar	28,897	23,721
Total distribution fee expenses payable	28,915	23,933

32 Financial instruments by category

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Category of financial assets				
Loans and receivables				
Loan portfolio, net (Note 27)	8,361	–	–	–
Amounts due from subsidiaries	–	–	418,043	438,752
Restricted bank balances	12,011	11,552	–	–
Fees receivable	179,067	61,427	–	–
Dividends receivable	–	–	100,000	100,000
Amounts receivable on sale of investments	164,224	17,748	–	–
Other receivables	23,055	9,355	21	18
Cash and cash equivalents	888,090	1,315,348	11,478	2,057
	1,274,808	1,415,430	529,542	540,827
Financial assets at fair value through profit or loss				
Investments (Note 22)	858,001	822,388	–	–
Investments held-for-sale (Note 23)	245,899	–	–	–
	1,103,900	822,388	–	–
Held-to-maturity financial assets				
Investments (Note 22)	–	146,195	–	–
Available-for-sale financial assets				
Investments (Note 22)	335,996	12,054	–	–
Total	2,714,704	2,396,067	529,542	540,827
Category of financial liabilities				
Other financial liabilities at amortized cost				
Accrued bonus	68,243	69,501	–	–
Distribution fee expenses payable	28,915	23,933	–	–
Amounts payable on purchase of investments	135,033	–	–	–
Other payables and accrued expenses	17,870	21,197	404	519
Amounts due to a subsidiary	–	–	6,000	6,000
Total	250,061	114,631	6,404	6,519

33 Notes to the consolidated cash flow statement

33.1 Net cash generated from operations

	2012 HK$'000	2011 HK$'000
Profit before tax	**415,135**	207,072
Adjustments for		
Interest income on cash and cash equivalents	**(15,789)**	(6,267)
Interest income from debt securities	**(31,091)**	(1,522)
Interest income from loan portfolio	**(322)**	–
Dividend income	**(4,713)**	(7,170)
Share-based compensation	**3,387**	8,499
Depreciation and amortization	**5,871**	4,513
Loan impairment allowance	**84**	–
Write-off of property, plant and equipment	**–**	23
Other (gains)/losses – net	**(176,363)**	95,815
Share of loss of an associate	**16,152**	185
Share of loss of a joint venture	**–**	2,345
Changes in working capital		
Other assets	**(458)**	(130)
Fees receivable	**(117,640)**	593,126
Loans receivable	**(8,445)**	–
Prepayments and other receivables	**(147,678)**	(17,787)
Accrued bonus	**(1,258)**	(120,683)
Distribution fee expenses payable	**4,982**	(10,031)
Other payables and accrued expenses	**131,706**	(5,226)
Net cash generated from operations	**73,560**	742,762

33.2 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 becomes 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)

33 Notes to the consolidated cash flow statement (continued)

33.2 Acquisition of subsidiaries (continued)

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

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).

(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 30)	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

33.3 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:

	2012 **HK$'000**	2011 HK$'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)

34 Commitments

34.1 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). The acquisition was completed on 26 March 2012. Refer to Note 20 for details.

There was no capital commitment as at 31 December 2012.

34.2 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:

	2012 HK$'000	2011 HK$'000
Not later than one year	**12,569**	11,447
Later than one year and not later than five years	**6,349**	14,934
Total operating lease commitments	**18,918**	26,381

The Group as the lessor

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

	2012 HK$'000	2011 HK$'000
Not later than one year	**2,379**	2,379
Later than one year and not later than five years	**694**	3,073
Total operating lease commitments	**3,073**	5,452

35 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.

35.1 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.

35 Contingencies (continued)

35.1 Contingent assets (continued)

As a result, as at 31 December 2012 and 2011, 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.

35.2 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 2012 and 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 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.

36 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.

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

	2012 **HK$'000**	2011 HK$'000
Expenses recharged by a subsidiary to a joint venture (Note 8)	**–**	5,165
Rental expenses paid by a subsidiary to an associate	**(445)**	–

36.2 Key management compensation

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

	2012 **HK$'000**	2011 HK$'000
Management bonus, salaries and other short-term employee benefits	**46,362**	50,506
Share-based compensation	**1,351**	4,951
Pension costs – mandatory provident fund scheme	**62**	65
Total key management compensation	**47,775**	55,522

36 Related-party transactions (continued)

36.3 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	
	2012 HK$'000	2011 HK$'000
Asia Value Formula Fund[a]	**–**	67,764
Manulife Global Fund – China Value Fund[b]	**–**	5,873
Premium Asia Income Fund	**18,358**	–
Value China ETF	**5,168**	–
Value Gold ETF	**183,185**	175,731
Value Japan ETF	**7,574**	–
Value Korea ETF	**8,565**	–
Value Partners Asia Fund, LLC	**263**	25,371
Value Partners China Greenchip Fund Limited[c]	**133,262**	8,186
Value Partners Classic Equity Fund (formerly Value Partners Absolute Greater China Classic Fund)[a]	**85,638**	–
Value Partners Classic Fund[d]	**70,032**	224,878
Value Partners Concord Taiwan Home Run Fund[a]	**26,999**	22,908
Value Partners Credit Fund[a]	**192,230**	170,456
Value Partners Greater China Property Hedge Fund[a], [e]	**–**	17,748
Value Partners Hedge Fund Limited[e]	**16,742**	15,603
Value Partners High-Dividend Stocks Fund	**–**	15,691
Value Partners Intelligent Funds – China Convergence Fund	**57,672**	16,488
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	**134,360**	16,348
Value Partners Strategic Equity Fund[f]	**52**	1,867
Value Partners Taiwan Fund	**–**	16,385
Value Taiwan ETF	**9,360**	–
Total investments in own investment funds	**949,460**	801,297

(a) The Group has waived its voting rights in respect of its holding of the shares or units.
(b) The shares held were Class A shares.
(c) The shares held were redeemable Class A shares.
(d) The units held were "C" units in 2012 and "A" units and "C" units in 2011.
(e) The shares held were participating redeemable preference shares.
(f) The shares held were non-voting shares.

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

As at 31 December 2012, the Group had investments in Malabar India Fund, LP amounted to HK$12,359,000 (2011: HK$10,867,000) which is managed by Malabar Investment LLC in which the Group had an interest of 8.80% (2011: 9.04%). The Group also had a receivable of HK$1,163,000 (2011: HK$1,167,000) from Malabar Investment LLC as at 31 December 2012.

36.5 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.

36.6 Dividends receivable

The amount is an interim dividend for the year ended 31 December 2012 and 2011 declared by Value Partners Hong Kong Limited to Value Partners Group Limited. The amount is unsecured, non-interest bearing and repayable on demand.

As at 31 December 2012, 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 in PRC	Registered capital of RMB300,000,000〔有限責任公司（合資）〕
Chief Union Investments Limited	Hong Kong	Money lending	1 ordinary share of HK$1
Hong Kong Asset Management Group Limited (formerly Value Funds 3 Limited)	Hong Kong	Dormant	1 ordinary share of HK$1
Hong Kong Fund Management Group Limited (formerly Hongkong Fund Management Limited)	Hong Kong	Dormant	1 ordinary share of HK$1
Hong Kong Investment Management Co. Limited (formerly 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
Rough Seas Capital Holdings Limited (formerly Sensible Asset Management Asia Limited)	Hong Kong	Dormant	1,000,000 ordinary shares of HK$1.00 each
Rough Seas Investing Group Limited (formerly Value Funds 2 Limited)	Hong Kong	Dormant	1 ordinary share of HK$1
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 Investing Group Company Limited (formerly Value Partners Chuan Kong Equity Investment Limited)	Hong Kong	Dormant	1 ordinary share of HK$1

Name	Place of incorporation	Principal activities and place of operation	Issued share capital
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 Concord Asset Management Co., Ltd.	Taiwan	Investment management in Taiwan	30,000,000 ordinary shares of NT$10 each
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
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
上海惠理投資管理諮詢有限公司	The People's Republic of China	Investment advisory in PRC	Registered capital of RMB10,000,000 〔有限責任公司（獨資）〕

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.

Value Partners Group Limited
惠理集團有限公司

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

www.valuepartners.com.hk