



# 2014

INTERIM REPORT | 中期報告

**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**

Stock Code 股份代號: 806

## **7 facts about Value Partners:**

**US\$10.1 billion**<sup>(1)</sup>  
assets under management

**16%** annualized return and 2,332% cumulative return since launch in 1993 for Value Partners Classic Fund (A Units)<sup>(2)</sup>

**No. 1**  
in 2013 Asia Hedge Fund 25<sup>(3)</sup>

**80+** top performing awards and prizes since establishment

**2,500** company visits and research meetings every year

**50** investment professionals focusing on Greater China and Asia investments

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

Footnote:

1. As of 30 June 2014.
2. As of 31 July 2014. Launch date was April 1993. Performance refers to that of Value Partners Classic Fund (A Units). Performance of Classic Fund (A Units) over past five years: 2009: +82.9%; 2010: +20.2%; 2011: -17.2%; 2012: +14%; 2013: +11.2%; 2014 (YTD): +3.4%. Performance figures are calculated in US dollars on NAV to NAV, with dividend reinvested. Performance data is net of all fees. Past performance is not indicative of future results.
3. Source: Institutional Investor's Alpha Magazine, September 2013.

## CORPORATE PROFILE

Value Partners Group is one of Asia's largest independent asset management firms with assets under management of US\$10.1 billion as of 30 June 2014. 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 first asset management firm listed on the main board of the Hong Kong Stock Exchange (Stock code: 806 HK). In addition to the Hong Kong headquarters, we operate in Shanghai, Beijing, Taiwan and Chengdu. We provide a range of investment solutions covering absolute return long-biased funds, long-short hedge funds, fixed income products, exchange-traded funds, as well as quantitative funds for institutional and individual clients in Asia Pacific, Europe and the United States.

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## CORPORATE INFORMATION

### Board of Directors

#### Chairman and Co-Chief Investment Officer

Dato' CHEAH Cheng Hye

#### Executive Directors

Ms. HUNG Yeuk Yan Renee

*(Deputy Chief Investment Officer)*

Mr. SO Chun Ki Louis

*(Deputy Chairman and Co-Chief Investment Officer)*

Mr. TSE Wai Ming, Timothy, CFA

*(Chief Executive Officer)*

#### Independent Non-executive Directors

Dr. CHEN Shih-Ta Michael

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

#### Non-executive Honorary Chairman

Mr. YEH V-Nee

#### Company Secretary

Ms. WONG Ngai Sze, Icy

#### Authorized Representatives

Mr. TSE Wai Ming, Timothy, CFA

Ms. WONG Ngai Sze, Icy

#### Members of the Audit Committee

Mr. LEE Siang Chin *(Chairman)*

Dr. CHEN Shih-Ta Michael

Mr. Nobuo OYAMA

#### Members of the Nomination Committee

Dato' CHEAH Cheng Hye *(Chairman)*

Dr. CHEN Shih-Ta Michael

Mr. LEE Siang Chin

Mr. Nobuo OYAMA

Mr. TSE Wai Ming, Timothy, CFA

#### Members of the Remuneration Committee

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

Dato' 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)*

Dato' CHEAH Cheng Hye

Mr. MO Chun Wah, Jonathan

Mr. SO Chun Ki Louis

Mr. TSE Wai Ming, Timothy, CFA

#### Members of the Valuation Committee

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

Mr. MO Chun Wah, Jonathan

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

Level 22, Hopewell Centre

183 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](http://www.valuepartners.com.hk)

#### Stock Code

Stock Exchange of Hong Kong: 806

## FINANCIAL HIGHLIGHTS

### Financial highlights

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

(In HK\$ million)	For the period ended 30 June		
	2014	2013	% Change
Total revenue	443.6	358.6	+23.7%
Gross management fees	340.7	291.0	+17.1%
Gross performance fees	21.9	15.4	+42.2%
Operating profit (before other gains/losses)	159.2	126.1	+26.2%
Profit attributable to equity holders of the Company	140.6	3.3	+4,160.6%
Basic earnings per share (HK cents)	8.0	0.2	+3,900.0%
Diluted earnings per share (HK cents)	8.0	0.2	+3,900.0%
Interim dividend per share	Nil	Nil	

(In US\$ million)	30 June 2014	31 December 2013	% Change
Assets under management	10,075	10,489	-3.9%

# REPORT OF THE CHIEF EXECUTIVE OFFICER

## Promising results with profit growth

Having established a solid presence in Hong Kong since 1993, Value Partners has been growing its footprints in Asia with an enhanced range of products and services in the past few years. The strategic expansion of the Group has created a platform for us to deliver a set of promising results in the first half of 2014.

During the six months ended 30 June, profit attributable to our equity holders surged 41.6 times to HK\$141 million from HK\$3 million in the prior year. The substantial rise is mainly driven by increase in both management and performance fees, significant reduction of losses from treasury operations, prudent cost control, as well as increased contribution from the Group's small loan business in Chengdu city:

- (1) The Group's Assets Under Management ("AUM") stood at US\$10.1 billion as of 30 June 2014. Average AUM of the Group rose 12% to US\$10.2 billion at the end of June 2014 from a year earlier thanks to higher fund inflows since the fourth quarter of 2013, bolstering gross management fees by 17% to HK\$341 million (1H 2013: HK\$291 million). Annualized net management fee margin maintained at 62 basis points.
- (2) Performance fees during the review period rose 42% to HK\$22 million (1H 2013: HK\$15 million). Driven by strong performance of our investments, a number of our funds have delivered returns that surpassed their respective high watermarks. Performance of Classic Fund (AUM<sup>1</sup>: US\$1.2 billion) and High-Dividend Stocks Fund (AUM<sup>1</sup>: US\$1.7 billion), our two largest own branded funds, exceeded high watermarks by 4% and 12%, respectively, as of the end of July 2014. As performance fees for most of our major own branded funds, including the two funds above, crystallize at the end of the year, fund performance in the second half would determine if we can collect more performance fees this year.
- (3) In terms of expenses, the Group continues to exercise stringent cost management, limiting the increase of total expenses to 9% during the period. Fixed costs were 2.7 times covered by net management fees (a relatively stable source of income) alone, excluding other revenue sources such as performance fees.
- (4) As a result of increase in fees and effective cost control, operating profit before other gains or losses rose 26% to HK\$159 million (1H 2013: HK\$126 million).
- (5) The improvement in our funds' performance helped reduce net fair value losses of the Group's treasury operations significantly during the review period. The net fair value losses, which include our seed capital investments and investments in our own funds, decreased to HK\$10 million in the first half of 2014 from HK\$153 million a year earlier. As of the end of July 2014, the Group's treasury operations reported net fair value gains of HK\$52 million on the back of further enhancement in investment and fund performance.
- (6) Meanwhile, the Group sees a new growth element emerging from our small loan business unit Chengdu Vision Credit Limited ("Vision Credit"). During the review period, the Chinese subsidiary now contributed to approximately 8% of the Group's profit (1H 2013: 6%) and 6% of revenue (1H 2013: 1%).

## Business highlights in the first half of 2014

On our way to become a world-class asset manager in Asia, we have been strengthening our foothold and enriching our product menu across different geographical regions and asset classes.

### *Enhance targeted China investment solutions*

Government policies have been playing an integral part in the Chinese equity market. Amid the once-in-a-decade leadership change in the country, new policies on social and economic reforms are being rolled out and are expected to benefit selected sectors. In a bid to capture investment opportunities in the midst of China policy reforms<sup>2</sup>, we have introduced a new thematic fund in March 2014 and it has been popular among private banking clients. Envisaging an increase in demand for China A-share products, we have been strengthening our investments in China's onshore markets. In the near term, we plan to unveil new products including a Renminbi Qualified Foreign Institutional Investor ("RQFII") equity fund. In addition, we have just received our second batch of Qualified Foreign Institutional Investor ("QFII") quota of US\$100 million in July 2014. The additional quota, which was granted on top of our first batch of US\$100 million quota obtained in December 2012, will be used to enhance our existing funds.

### *Strengthen fixed income capabilities*

In anticipation of growing investment appetite for high-yielding fixed income products in an inflationary environment, we have continued to put more resources to broaden our coverage in the fixed income space in recent years. Our Greater China High Yield Income Fund (AUM<sup>1</sup>: US\$0.8 billion) is Hong Kong's first public fund<sup>3</sup> focusing on offshore Greater China high yield bonds. Since the launch of the fund in 2012, it has been drawing strong interests from investors hunting for yields. We will continue to adopt our value investing approach to more fixed income solutions, including new products covering the Asia-Pacific and other regions.

### *Penetrate Greater China market*

The first half of 2014 is a milestone period for our China business as we have secured a number of advisory mandates from leading mainland financial institutions. We now have six A-share and cross-border advisory mandates<sup>2</sup> from various institutions and we are expecting to extend the list further.

With regard to our distribution strategy on the mainland, we have been focusing on fostering strategic relationship with major local banks and securities houses. They include Citic Securities, as well as Bank of China, China Merchants Bank and Industrial & Commercial Bank of China. In the near term, we expect to launch more fund products and obtain investment mandates from these domestic distribution partners. Meanwhile, we are also actively pursuing Chinese institutional investors, including insurance companies and sovereign funds, to capture cross-border mandates amid China's relaxation on overseas investment. We have organized a forum in May 2014 for investment executives from mainland insurers, deepening mutual understanding with these potential strategic partners. In addition, we have set up a Beijing office to facilitate client servicing activities.

Across the Straits, Taiwan has relaxed rules on overseas banking units ("OBU") of banks and overseas securities units of brokerage firms, allowing overseas wealth management products to be introduced to foreigners in the Taiwan market. One of our key distribution partners in Taiwan has enlisted Value Partners products for distribution under OBU. In March 2014, the Group hosted its first Taiwan Financial Competitiveness Forum where distinguished guests from the island's stock exchange and domestic financial institutions were invited to share their views on financial development and potential opportunities. This has strengthened our brand awareness among domestic financial institutions, particularly banks and insurance companies.

### *Grow Asian footprint*

The Group's Singapore office is expected to be opened in the second half of the year as we broaden our presence to Southeast Asia. The Singapore office will help pave the way for us to participate in Asian funds passport schemes which will be launched in coming years.

## REPORT OF THE CHIEF EXECUTIVE OFFICER

### *Expand Chengdu loan business*

Vision Credit is a unit of the Group focusing on lending to the white collar, small-business entrepreneurs, as well as small and medium-sized enterprises in Chengdu. Since commencing operations in 2012, Vision Credit has built a full-fledged business in the city. It contributed HK\$11 million of profit to the Group during the review period, compared with HK\$0.2 million in the first half of 2013. Outstanding loan balance of Vision Credit increased to RMB248 million as of the end of June 2014 from RMB61 million a year earlier, and the loan portfolio has remained in good quality. In the second half of 2014, we plan to further penetrate into the Chengdu market and expand our loan book. We will make new financing option available if needed.

### **Asian Fund House of the year**

Value Partners has been strictly adhering to its value investment philosophy despite short-term volatility in the market. Our investment performance and fund management capabilities have brought us acknowledgment and appreciation from the industry. In 2014, we added two house awards to our list of accolades. In *AsianInvestor's* Investment Performance Awards 2014, Value Partners won the Asian Fund House of the Year title, which is given to the best overall fund house headquartered in Asia Pacific for its outstanding achievement in a wide range of aspects including business strategy, execution, investment performance, innovation and success. Furthermore, we were named Asset Management Company of the Year for Hong Kong in The Asset Triple A Investor and Fund Management Awards 2014 as we are seen as delivering above-benchmark performance, as well as driving innovation and best practices in the industry.

On top of the esteemed house awards above, our High-Dividend Stocks Fund, designed to capture strong dividend plays across Asia Pacific, won two prestigious awards in March 2014 by being named the Best Asia ex-Japan Equity Fund in the Morningstar Awards 2014 and the Best Asia Pacific ex-Japan Equity Fund (5 years) in the Lipper Fund Awards 2014<sup>4</sup>. Our China Greenchip Fund, one of the popular Hong Kong's Capital Investment Entrant Scheme ("CIES") products that focuses on small- and mid-cap stocks in Greater China, was the winner of the Best Greater China Equity Fund (5 years) in the Lipper Fund Awards 2014<sup>4</sup>. The above reiterates recognition for our funds' long-term performance.

### **Appreciation**

Finally, we would like to express our gratitude to our diligent team for their dedication and pursuit of performance excellence. We also extend our appreciation to our investors, business partners and shareholders for their continuous support.

**TSE Wai Ming, Timothy**, CFA

*Chief Executive Officer*

*Executive Director*

- 1 As of 31 July 2014.
- 2 Not available to the public in Hong Kong.
- 3 SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.
- 4 The 2014 Morningstar awards were based on data of eligible funds in their respective Morningstar category up to 31 December 2013. The 2014 Lipper fund awards were based on data as of year-end 2013. Past performance is not indicative of future performance. Performance for Value Partners High-Dividend Stocks Fund (Class A1) (in US dollars): 2009: +82.8%, 2010: +25.8%, 2011: -11.9%, 2012: +25.2%, 2013: +8.1%, 2014 (YTD as at 31 July 2014): +9.9%. Performance of Value Partners China Greenchip Fund Limited (in HK dollars): 2009: +116.7%, 2010: +37.8%, 2011: -25%, 2012: +24.8%, 2013: +16.5%, 2014 (YTD as at 31 July 2014): +2.8%. Source: HSBC Institutional Trust Services (Asia) Limited, NAV to NAV, with dividend reinvested and net of all fees.



## Assets Under Management

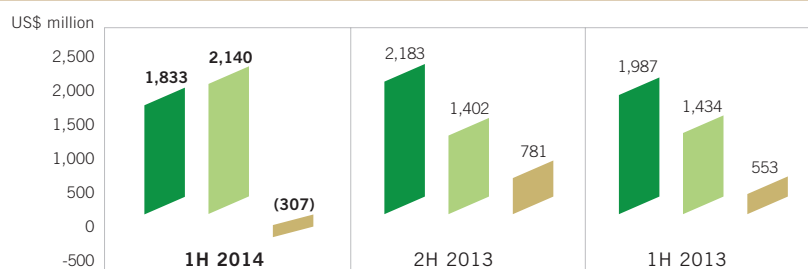
### AUM and return

The Group's AUM amounted to US\$10,075 million at the end of June 2014 (31 December 2013: US\$10,489 million). The decrease was mainly driven by net redemptions of US\$307 million, together with a slight negative fund returns of US\$52 million recorded during the period. Our overall fund performance, as calculated in asset-weighted average return of funds under management, recorded a loss of 0.6% in the first half of 2014. Value Partners' flagship Classic Fund<sup>1</sup> dropped 2.6% in the period, while Value Partners High-Dividend Stocks Fund<sup>2</sup>, the Group's largest public fund<sup>3</sup> in Hong Kong, recorded a gain of 3.7% in the period.

Gross subscriptions in the first half of 2014 (US\$1,833 million) dropped slightly from the first half of 2013 (US\$1,987 million), while gross redemptions in the first half of 2014 (US\$2,140 million) increased from the first half of 2013 (US\$1,434 million). This results in a minor net redemption of US\$307 million (1H 2013: net subscriptions of US\$553 million).

In July 2014, the Group's AUM increased to an all-time high of US\$10.7 billion as fund performance and net sales improved. The Group recorded about US\$100 million of net inflow in July, reducing year-to-date net redemptions to about US\$200 million.

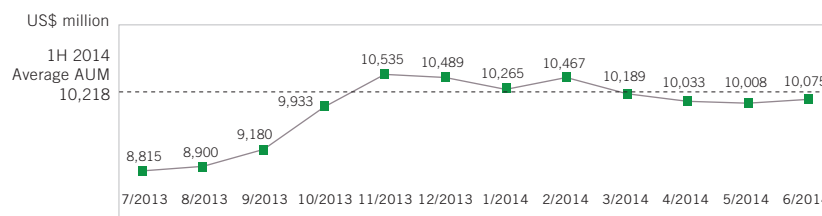
- Gross subscriptions
- Gross redemptions
- Net subscriptions/(redemptions)



### AUM change in the first half of 2014<sup>4</sup>



### Monthly AUM in the past twelve months



# FINANCIAL REVIEW

## AUM by category

The charts below provide an analysis of the Group's AUM as at 30 June 2014 by three different classifications: brand, strategy and fund type. For the year, Own Branded Funds (63%) continued to record an increase due to higher fund inflows into our own branded products amid the expansion of our distribution network. By strategy, our Absolute Return Long-biased Funds continued to represent the majority of our funds (88%), followed by our Fixed Income Funds (7%), in which our Greater China High Yield Income Fund took the largest share. In terms of fund type, Hong Kong Securities and Futures Commission ("SFC") authorized funds<sup>3</sup> (i.e. public funds in Hong Kong) maintained the largest portion of our AUM (80%).

### Classification by brand

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

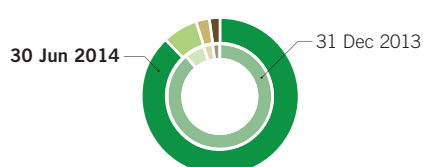
	30 Jun 2014	31 Dec 2013
Own Branded Funds	63%	62%
White Label & Co-branded Funds	37%	38%



### Classification by strategy

- Absolute Return Long-biased Funds
- Fixed Income Funds
- Long-short Hedge Funds
- ETF & Quantitative Funds

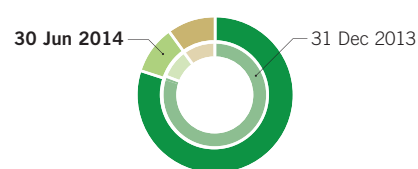
	30 Jun 2014	31 Dec 2013
Absolute Return Long-biased Funds	88%	89%
Fixed Income Funds	7%	6%
Long-short Hedge Funds	3%	3%
ETF & Quantitative Funds	2%	2%



### Classification by type

- SFC authorized Funds<sup>3</sup>
- Non-SFC authorized Funds
- Managed Accounts

	30 Jun 2014	31 Dec 2013
SFC authorized Funds <sup>3</sup>	80%	81%
Non-SFC authorized Funds	10%	9%
Managed Accounts	10%	10%



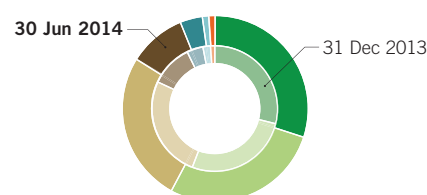
## Client base

Institutional clients – including institutions, pension funds, high-net-worth individuals (HNWs), endowments and foundations, funds of funds, together with family offices and trusts – remained the Group's primary set of fund investors, accounting for 70% of our AUM (31 December 2013: 71%). The proportion of funds coming from retail investors increased to 30% of the AUM (31 December 2013: 29%) as a result of the higher fund inflow from Hong Kong retail investors through our expanded distribution network which includes retail banks. By geographical region, Hong Kong clients accounted for 71% of the Group's AUM (31 December 2013: 71%), while the percentage of clients in the United States and Europe was 19% (31 December 2013: 19%).

### Client analysis by type

■ Retail	30%	29%
■ Institutions	26%	26%
■ Pension funds	26%	26%
■ High-net-worth individuals	12%	12%
■ Endowments & foundations	4%	4%
■ Funds of funds	1%	2%
■ Family offices & trusts	1%	1%

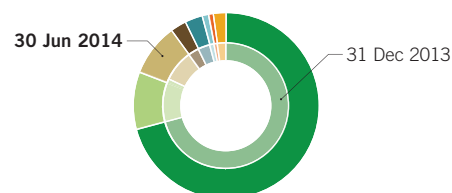
	30 Jun 2014	31 Dec 2013
Retail	30%	29%
Institutions	26%	26%
Pension funds	26%	26%
High-net-worth individuals	12%	12%
Endowments & foundations	4%	4%
Funds of funds	1%	2%
Family offices & trusts	1%	1%



### Client analysis by geographical region

■ Hong Kong	71%	71%
■ United States	10%	11%
■ Europe	9%	8%
■ Australia	3%	3%
■ Singapore	3%	3%
■ China	1%	1%
■ Taiwan	1%	1%
■ Others	2%	2%

	30 Jun 2014	31 Dec 2013
Hong Kong	71%	71%
United States	10%	11%
Europe	9%	8%
Australia	3%	3%
Singapore	3%	3%
China	1%	1%
Taiwan	1%	1%
Others	2%	2%



## Summary of results

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

(In HK\$ million)	1H 2014	1H 2013	% Change
Total revenue	443.6	358.6	+23.7%
Gross management fees	340.7	291.0	+17.1%
Gross performance fees	21.9	15.4	+42.2%
Operating profit (before other gains/losses)	159.2	126.1	+26.2%
Profit attributable to equity holders of the Company	140.6	3.3	+4,160.6%
Basic earnings per share (HK cents)	8.0	0.2	+3,900.0%
Diluted earnings per share (HK cents)	8.0	0.2	+3,900.0%
Interim dividend per share	Nil	Nil	

# FINANCIAL REVIEW

## Revenue and fee margin

### Breakdown of total net income

(In HK\$ million)

#### Revenue

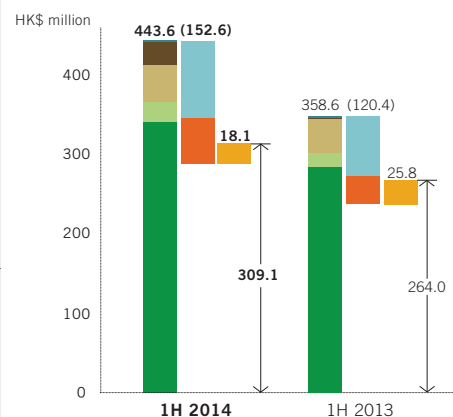
	1H 2014	1H 2013
Management fees	340.7	291.0
Performance fees	21.9	15.4
Front-end fees	55.0	47.3
Interest income from loan portfolio	23.7	4.5
Fee income from loan portfolio	2.3	0.4

#### Distribution and advisory fee expenses

Management fee rebate	(98.7)	(74.7)
Other revenue rebate	(53.9)	(45.7)

#### Other income

Other income	18.1	25.8
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The Group's total revenue increased by 23.7% to HK\$443.6 million for the six months ended 30 June 2014 (1H 2013: HK\$358.6 million). The major contribution to our revenue was gross management fees, which increased to HK\$340.7 million (1H 2013: HK\$291.0 million) as a result of a 12.0% increase in the Group's average AUM to US\$10,218 million (1H 2013: US\$9,121 million). With comparatively higher fund inflows from distribution channels into our Own Branded Funds, our annualized gross management fee margin increased to 87 basis points (1H 2013: 83 basis points). Management fee rebates paid to distribution channels increased correspondingly by 32.1% to HK\$98.7 million (1H 2013: HK\$74.7 million), and as a result, annualized net management fee margin stood at 62 basis points (1H 2013: 62 basis points).

Gross performance fees, another source of revenue, amounted to HK\$21.9 million, representing a HK\$6.5 million increase (1H 2013: HK\$15.4 million). During the period under review, performance fees were generated when funds, at the dates of their performance fee crystallization, reported performances that had exceeded their benchmark returns for the respective periods ended or high watermarks. Since the dates of performance fee crystallization for most of our major own branded funds are at the end of the year, the performance of our funds in the second half of the year would determine whether we can collect further performance fees in 2014.

Other revenue mainly includes front-end load, of which a substantial amount was rebated to distribution channels, and such rebate is a usual market practice. Other revenue also includes HK\$26.0 million (1H 2013: HK\$4.9 million) of interest and fee income generated from the loan portfolio of our majority-owned subsidiary that operates and develops small loan business in Chengdu. The small loan business commenced operations in the second half of 2012.

Other income, which mainly comprises dividend income and interest income, slightly decreased to HK\$18.1 million (1H 2013: HK\$25.8 million). Dividend income increased to HK\$11.8 million (1H 2013: HK\$7.0 million), while interest income decreased to HK\$5.8 million (1H 2013: HK\$17.6 million) because of a drop in interest-bearing bond investments.

## Other gains and losses

Breakdown of other losses – net	(In HK\$ million)	1H 2014	1H 2013
Changes in fair value of investment properties		–	4.0
Net gains/(losses) on investments		<b>3.1</b>	(84.0)
Net losses on investments held-for-sale		<b>(5.4)</b>	(17.8)
Others		<b>(4.5)</b>	(1.7)
		<b>(6.8)</b>	(99.5)

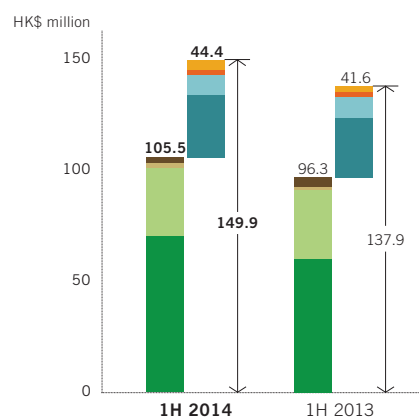
Other gains or losses mainly include fair value changes and realized gains or losses on investment items including seed capital investments, investments in own funds, debt securities and other investments; together with net foreign exchange gains or losses. Seed capital investments are made by the Group to seed certain amount of capital to new funds which is considered necessary during the initial fund launch phase. The Group also invests in its own funds side by side with investors where appropriate, for better alignment of interest and investment returns.

## Investment in an associate

In March 2012, the Group acquired 49% of interests in Value Partners Goldstate Fund Management Company Limited (“VP Goldstate”). VP Goldstate engages in asset management and trust businesses in mainland China. The Group’s share of gain amounted to HK\$9.5 million (1H 2013: share of loss of HK\$6.0 million).

## Cost management

Breakdown of total expenses	(In HK\$ million)	1H 2014	1H 2013
<u>Compensation and benefit expenses</u>			
Fixed salaries and staff benefits		<b>70.1</b>	59.5
Management bonus		<b>30.6</b>	31.2
Staff rebates		<b>2.5</b>	1.4
Share-based compensation expenses		<b>2.3</b>	4.2
<u>Other expenses</u>			
Other fixed operating costs		<b>28.5</b>	26.9
Sales and marketing		<b>8.7</b>	9.5
Depreciation		<b>2.7</b>	2.9
Non-recurring expenses		<b>4.5</b>	2.3



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 “fixed cost coverage ratio”, an indicator of how many times fixed operating expenses are covered by net management fee income. For the current period, the Group’s fixed cost coverage (for asset management business) was 2.7 times.

## FINANCIAL REVIEW

### *Compensation and benefit expenses*

Fixed salaries and staff benefits increased by HK\$10.6 million to HK\$70.1 million (1H 2013: HK\$59.5 million). The increase was mainly attributable to salary increments and the additional headcount costs incurred by the majority-owned subsidiary in Chengdu.

Management bonuses amounted to HK\$30.6 million for the current period (1H 2013: HK\$31.2 million). This is consistent with the Group's compensation policy, which distributes 20% to 23% of the net profit pool every year as management bonuses to employees. The net profit pool comprises net profit before management bonuses and taxation 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 increased to HK\$2.5 million (1H 2013: HK\$1.4 million). Staff are entitled to partial rebates of management fees and performance fees when investing in funds managed by the Group.

The Group also recorded HK\$2.3 million of expenses relating to stock options granted to employees. This expense item has no impact on cash flow and is recognized in accordance with Hong Kong Financial Reporting Standards.

### *Other expenses*

Other non-staff operating costs such as rents, legal and professional fees, investment research fees, as well as other administrative and office expenses, amounted to HK\$28.5 million (1H 2013: HK\$26.9 million).

Sales and marketing expenses decreased to HK\$8.7 million for the current period (1H 2013: HK\$9.5 million) as a result of stringent control over advertising and distributor sponsorship.

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. The Group had pledged a donation of up to HK\$10.0 million over five years and HK\$1.8 million was donated during the current period.

### **Dividends**

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

### **Liquidity and financial resources**

Fee income is the Group's main source of income, while other income sources include interest income generated from bank deposits and interest-bearing bond investments, together with dividend income from investments held. During the period, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK\$1,143.6 million. Net cash inflows from operating activities amounted to HK\$187.9 million. The Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities. The Group's debt-to-equity ratio (interest-bearing external borrowings divided by shareholders' equity) stood at zero while current ratio (current assets divided by current liabilities) came to 10.0 times.

### Capital structure

As at 30 June 2014, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK\$2,767.9 million and 1.76 billion, respectively.

- 1 Performance of Value Partners Classic Fund (A Units) over past five years: 2009: +82.9%; 2010: +20.2%; 2011: -17.2%; 2012: +14%; 2013: +11.2%; 2014 (YTD as at 31 July 2014): +3.4%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.
- 2 Performance of Value Partners High-Dividend Stocks Fund (Class A1) over past five years: 2009: +82.8%; 2010: +25.8%; 2011: -11.9%; 2012: +25.2%; 2013: +8.1%; 2014 (YTD as at 31 July 2014): +9.9%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.
- 3 SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.
- 4 Excluding AUM of VP Goldstate, in which the Group holds an ownership interest of 49%.

Source: HSBC Institutional Trust Services (Asia) Limited. Investment involves risk and past performance is not indicative of future results. Investors should read the explanatory memorandum for details and risk factors.

## INDEPENDENT REVIEW REPORT

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

*(Incorporated in the Cayman Islands with limited liability)*

#### **Introduction**

We have reviewed the interim financial information set out on pages 15 to 36, which comprises the condensed consolidated balance sheet of Value Partners Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2014 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Scope of review**

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

#### **Conclusion**

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

#### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 13 August 2014



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
<b>Income</b>			
Fee income and other revenue	6	443,564	358,643
Distribution and advisory fee expenses	7	(152,575)	(120,446)
<b>Net fee income</b>		<b>290,989</b>	238,197
Other income	8	18,093	25,794
<b>Total net income</b>		<b>309,082</b>	263,991
<b>Expenses</b>			
Share-based compensation		(2,253)	(4,176)
Other compensation and benefit expenses		(103,175)	(92,091)
Operating lease rentals		(9,087)	(6,656)
Other expenses		(35,370)	(34,928)
<b>Total expenses</b>		<b>(149,885)</b>	(137,851)
<b>Operating profit (before other gains/losses)</b>		<b>159,197</b>	126,140
Changes in fair value of investment properties		–	4,000
Net gains/(losses) on investments		3,127	(84,007)
Net losses on investments held-for-sale	18	(5,448)	(17,854)
Others		(4,477)	(1,666)
<b>Other losses – net</b>	9	<b>(6,798)</b>	(99,527)
<b>Operating profit (after other gains/losses)</b>		<b>152,399</b>	26,613
Share of profit/(loss) of an associate	16	9,484	(5,981)
<b>Profit before tax</b>		<b>161,883</b>	20,632
Tax expense	10	(22,777)	(19,170)
<b>Profit for the period</b>		<b>139,106</b>	1,462
<b>Other comprehensive loss for the period</b>			
<b>– Items that may be subsequently reclassified to profit or loss</b>			
Fair value losses on available-for-sale financial assets		(4,117)	(16,068)
Foreign exchange translation		(10,231)	2,370
<b>Other comprehensive loss for the period</b>	11	<b>(14,348)</b>	(13,698)
<b>Total comprehensive income/(loss) for the period</b>		<b>124,758</b>	(12,236)
<b>Profit attributable to</b>			
Equity holders of the Company		140,616	3,348
Non-controlling interests		(1,510)	(1,886)
		<b>139,106</b>	1,462
<b>Total comprehensive income/(loss) for the period attributable to</b>			
Equity holders of the Company		127,467	(9,646)
Non-controlling interests		(2,709)	(2,590)
		<b>124,758</b>	(12,236)
<b>Earnings per share for profit attributable to equity holders of the Company (HK cents per share)</b>			
– basic		8.0	0.2
– diluted		8.0	0.2

The notes on pages 19 to 36 are an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	Note	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited
<b>Non-current assets</b>			
Property, plant and equipment	13	6,774	4,332
Intangible assets	14	56,910	55,614
Investment in an associate	16	101,609	92,125
Deferred tax assets		1,093	554
Investments	17	795,995	898,026
Other assets	21	10,277	9,044
Loan portfolio, net	22	139,730	98,837
		<b>1,112,388</b>	1,158,532
<b>Current assets</b>			
Investments	17	91,072	441,558
Investments held-for-sale	18	221,334	226,782
Fees receivable	19	109,707	386,398
Loan portfolio, net	22	168,613	132,882
Amounts receivable on sale of investments		8,248	13,437
Prepayments and other receivables		22,502	28,730
Time deposits		74,473	–
Cash and cash equivalents	20	1,143,571	692,116
		<b>1,839,520</b>	1,921,903
<b>Current liabilities</b>			
Accrued bonus		30,885	125,060
Distribution fee expenses payable	24	48,041	54,802
Other payables and accrued expenses		45,587	18,913
Current tax liabilities		59,526	52,995
		<b>184,039</b>	251,770
<b>Net current assets</b>		<b>1,655,481</b>	1,670,133
<b>Net assets</b>		<b>2,767,869</b>	2,828,665
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Issued equity	23	889,213	889,213
Other reserves		181,915	192,811
Retained earnings			
– proposed dividends	12	–	187,807
– others		1,617,860	1,477,244
		<b>2,688,988</b>	2,747,075
<b>Non-controlling interests</b>		<b>78,881</b>	81,590
<b>Total equity</b>		<b>2,767,869</b>	2,828,665

The notes on pages 19 to 36 are an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	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
<b>Unaudited</b>						
<b>As at 1 January 2013</b>	889,213	181,653	1,561,559	2,632,425	84,753	2,717,178
Profit/(loss) for the period	–	–	3,348	3,348	(1,886)	1,462
<b>Other comprehensive income/(loss)</b>						
Fair value losses on available-for-sale financial assets	–	(16,068)	–	(16,068)	–	(16,068)
Foreign exchange translation	–	3,074	–	3,074	(704)	2,370
<b>Total comprehensive income/(loss)</b>	–	(12,994)	3,348	(9,646)	(2,590)	(12,236)
<b>Regulatory reserve</b>	–	456	–	456	–	456
<b>Transactions with owners</b>						
Share-based compensation	–	4,176	–	4,176	–	4,176
Dividends to equity holders of the Company	–	–	(280,832)	(280,832)	–	(280,832)
<b>Total transactions with owners</b>	–	4,176	(280,832)	(276,656)	–	(276,656)
<b>As at 30 June 2013</b>	889,213	173,291	1,284,075	2,346,579	82,163	2,428,742
<b>Unaudited</b>						
<b>As at 1 January 2014</b>	<b>889,213</b>	<b>192,811</b>	<b>1,665,051</b>	<b>2,747,075</b>	<b>81,590</b>	<b>2,828,665</b>
Profit/(loss) for the period	–	–	<b>140,616</b>	<b>140,616</b>	<b>(1,510)</b>	<b>139,106</b>
<b>Other comprehensive income/(loss)</b>						
Fair value losses on available-for-sale financial assets	–	<b>(4,117)</b>	–	<b>(4,117)</b>	–	<b>(4,117)</b>
Foreign exchange translation	–	<b>(9,032)</b>	–	<b>(9,032)</b>	<b>(1,199)</b>	<b>(10,231)</b>
<b>Total comprehensive income/(loss)</b>	–	<b>(13,149)</b>	<b>140,616</b>	<b>127,467</b>	<b>(2,709)</b>	<b>124,758</b>
<b>Transactions with owners</b>						
Share-based compensation	–	<b>2,253</b>	–	<b>2,253</b>	–	<b>2,253</b>
Dividends to equity holders of the Company	–	–	<b>(187,807)</b>	<b>(187,807)</b>	–	<b>(187,807)</b>
<b>Total transactions with owners</b>	–	<b>2,253</b>	<b>(187,807)</b>	<b>(185,554)</b>	–	<b>(185,554)</b>
<b>As at 30 June 2014</b>	<b>889,213</b>	<b>181,915</b>	<b>1,617,860</b>	<b>2,688,988</b>	<b>78,881</b>	<b>2,767,869</b>

The notes on pages 19 to 36 are an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
<b>Cash flows from operating activities</b>		
Net cash generated from operations	177,362	112,085
Interest received	27,347	16,462
Tax paid	(16,785)	(1,638)
<b>Net cash generated from operating activities</b>	<b>187,924</b>	126,909
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(6,433)	(1,831)
Purchase of investments	(2,857)	(599,752)
Disposal of investments	450,570	671,936
Dividends received from investments	11,822	5,372
Interest received from investments	4,316	9,877
<b>Net cash generated from investing activities</b>	<b>457,418</b>	85,602
<b>Cash flows from financing activities</b>		
Dividends paid	(187,807)	(280,832)
<b>Net cash used in financing activities</b>	<b>(187,807)</b>	(280,832)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>457,535</b>	(68,321)
Net foreign exchange (losses)/gains on cash and cash equivalents	(6,080)	3,112
Cash and cash equivalents at beginning of the period	692,116	888,090
<b>Cash and cash equivalents at end of the period</b>	<b>1,143,571</b>	822,881

The notes on pages 19 to 36 are an integral part of this condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

## 1 General information

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

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

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 13 August 2014.

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

## 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

## 3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

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

### New standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

- Amendments to HKFRS 10 “Consolidated Financial Statements”. The amendments to HKFRS 10 define an investment entity and introduce an exception from the consolidation requirements for investment entities and did not have a material impact on the Group.
- Amendments to HKAS 32 “Offsetting financial assets and financial liabilities”. These amendments clarify the offsetting criteria in HKAS 32 and address inconsistencies in their application. This includes clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement arrangements may be considered equivalent to net settlement. The amendments did not have any impact on the Group’s financial position or performance.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 3 Accounting policies (continued)

#### **New standards issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted**

- HKFRS 9 “Financial Instruments” addresses the classification, measurement and recognition of financial assets and liabilities and hedge accounting. HKFRS 9 replaces HKAS 39 that relate to the classification and measurement of financial instruments and hedge accounting (other than specific accounting for open portfolios and macro hedging). The mandatory effective date of HKFRS 9 is yet to be decided. The Group is yet to assess HKFRS 9’s full impact. The Group will also consider the impact of the remaining phase of HKFRS 9 when completed.

### 4 Fair value estimation

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 last traded price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, either directly (as prices) or indirectly (derived from prices), the instrument is included in level 2. These investments include the Group’s investments in investment funds and debt securities.

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.
- Derivative financial instruments are measured by reference to the fair value of underlying assets at which the issuers have agreed to buy back from holders.
- 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 4 Fair value estimation (continued)

The Group's investments are analysed into the fair value measurement hierarchy as below. As at 30 June 2014 and 31 December 2013, the majority of the Group's investments are included in levels 1 and 2. There were no transfers between levels of the fair value measurement hierarchy for the six months ended 30 June 2014 (year ended 31 December 2013: Nil). The Group's policy is to recognize transfers into and out of the fair value measurement hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Unaudited</b>				
<b>As at 30 June 2014</b>				
Investments				
Listed securities	241,306	–	–	241,306
Unlisted securities				
Investment funds				
– Cayman Islands	–	475,435	490	475,925
Others	–	139,669	–	139,669
Derivative financial instruments	–	30,167	–	30,167
Investments held-for-sale	–	221,334	–	221,334
	<b>241,306</b>	<b>866,605</b>	<b>490</b>	<b>1,108,401</b>
<b>Audited</b>				
<b>As at 31 December 2013</b>				
Investments				
Listed securities	515,493	–	–	515,493
Unlisted securities				
Investment funds				
– Cayman Islands	–	486,794	52	486,846
Others	–	140,561	–	140,561
Derivative financial instruments	–	196,684	–	196,684
Investments held-for-sale	–	226,782	–	226,782
	515,493	1,050,821	52	1,566,366

The fair value of financial instruments traded in active markets is based on quoted market prices for identical instruments at the reporting date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

Level 2 instruments comprise the investments in investment funds managed by the Group which are non-private equity fund products, debt securities and derivative financial instruments. These investments have been fair valued using the quoted prices in an active market.

Level 3 instruments include the investment funds managed by the Group which are private equity fund products. Such investment funds are stated with reference to the net asset value provided by the respective administrators of the investment funds. If the net asset value of the investment funds is not available or the Group considers that such net asset value is not reflective of fair value, the Group may exercise its judgement and discretion to determine the fair value of the investment funds. There were no changes in valuation techniques during the period.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 4 Fair value estimation (continued)

The following table presents the changes in level 3 instruments.

	Investments	
	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited
<b>As at 1 January</b>	<b>52</b>	52
Gains recognized in profit or loss	<b>438</b>	–
<b>As at 30 June 2014/31 December 2013</b>	<b>490</b>	52
Total gains for the period/year included in the condensed consolidated statement of comprehensive income for level 3 instruments held at the end of the period/year	<b>438</b>	–
Change in unrealized gains or losses for level 3 instruments held at period/year end and included in net gains on investments	<b>438</b>	–

Except for the assets disclosed above, the carrying amounts of other financial assets and liabilities as at 30 June 2014 and 31 December 2013 are approximation of their fair value.

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

### 5 Segment information

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

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

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

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

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 5 Segment information (continued)

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

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Asset management business HK\$'000 Unaudited	Small loan business HK\$'000 Unaudited	Total HK\$'000 Unaudited	Asset management business HK\$'000 Unaudited	Small loan business HK\$'000 Unaudited	Total HK\$'000 Unaudited
Income from external customers	417,551	26,013	443,564	353,725	4,918	358,643
Distribution and advisory fee expenses	(152,575)	–	(152,575)	(120,446)	–	(120,446)
<b>Net fee income</b>	<b>264,976</b>	<b>26,013</b>	<b>290,989</b>	233,279	4,918	238,197
Other income	16,865	1,228	18,093	22,169	3,625	25,794
<b>Total net income</b>	<b>281,841</b>	<b>27,241</b>	<b>309,082</b>	255,448	8,543	263,991
Operating expenses	(139,822)	(10,063)	(149,885)	(129,905)	(7,946)	(137,851)
<b>Operating profit (before other gains/losses)</b>	<b>142,019</b>	<b>17,178</b>	<b>159,197</b>	125,543	597	126,140
Other losses – net	(6,798)	–	(6,798)	(99,527)	–	(99,527)
<b>Operating profit (after other gains/losses)</b>	<b>135,221</b>	<b>17,178</b>	<b>152,399</b>	26,016	597	26,613
Share of profit/(loss) of an associate	9,484	–	9,484	(5,981)	–	(5,981)
<b>Reportable segment profit before tax</b>	<b>144,705</b>	<b>17,178</b>	<b>161,883</b>	20,035	597	20,632

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

	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited
Asset management business	2,531,920	2,689,504
Small loan business	419,988	390,931
<b>Total assets</b>	<b>2,951,908</b>	3,080,435
Asset management business	152,909	247,032
Small loan business	31,130	4,738
<b>Total liabilities</b>	<b>184,039</b>	251,770

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 6 Turnover and revenue

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

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
Management fees	340,733	291,015
Performance fees	21,861	15,381
Front-end fees	54,957	47,329
<b>Total fee income</b>	<b>417,551</b>	<b>353,725</b>
Interest income from loan portfolio	23,689	4,529
Fee income from loan portfolio	2,324	389
<b>Total turnover and revenue</b>	<b>443,564</b>	<b>358,643</b>

### 7 Distribution and advisory fee expenses

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
Distribution fee expenses	151,146	118,815
Advisory fee expenses	1,429	1,631
<b>Total distribution and advisory fee expenses</b>	<b>152,575</b>	<b>120,446</b>

### 8 Other income

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
Interest income from cash and cash equivalents, time deposits and restricted bank balances	4,219	5,697
Interest income from debt securities	1,547	11,922
Dividend income from available-for-sale financial assets	6,016	4,708
Dividend income from financial assets at fair value through profit or loss	5,806	2,318
Rental income from investment properties	–	1,115
Others	505	34
<b>Total other income</b>	<b>18,093</b>	<b>25,794</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 9 Other losses – net

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
Changes in fair value of investment properties (Note 15)	–	4,000
Net gains/(losses) on investments		
Gains on financial assets at fair value through profit or loss	29,335	51,887
Losses on financial assets at fair value through profit or loss	(28,051)	(136,786)
Gains on disposal of available-for-sale financial assets	3,734	1,075
Losses on disposal of available-for-sale financial assets	(1,891)	(183)
Net losses on investments held-for-sale (Note 18)		
Gains on investments held-for-sale	2,980	–
Losses on investments held-for-sale	(8,428)	(17,854)
Net foreign exchange losses	(4,477)	(1,666)
<b>Total other losses – net</b>	<b>(6,798)</b>	<b>(99,527)</b>

### 10 Tax expense

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

Hong Kong profits tax has been provided on the estimated assessable profit for the six months ended 30 June 2014 at the rate of 16.5% (2013: 16.5%).

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
<b>Current tax</b>		
Hong Kong profits tax	20,363	18,239
Overseas tax	6,872	1,017
Adjustments in respect of prior years	(4,318)	–
	<b>22,917</b>	19,256
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(140)	(86)
<b>Total tax expense</b>	<b>22,777</b>	19,170

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 11 Other comprehensive loss

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Available-for-sale financial assets		
Fair value gains/(losses) during the period	248	(15,093)
Reclassification adjustments for gains included in profit or loss	(4,365)	(975)
Fair value losses on available-for-sale financial assets	(4,117)	(16,068)
Foreign exchange translation	(10,231)	2,370
<b>Total other comprehensive loss</b>	<b>(14,348)</b>	<b>(13,698)</b>

### 12 Dividends

Dividends declared by the Company of HK\$187,807,000 are related to the year ended 31 December 2013 and were paid on 23 May 2014.

No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2014 (2013: Nil).

### 13 Property, plant and equipment

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
<b>Opening net book amount</b>	<b>4,332</b>	7,747
Additions	4,235	722
Depreciation	(1,774)	(2,308)
Exchange differences	(19)	(22)
<b>Closing net book amount</b>	<b>6,774</b>	6,139

### 14 Intangible assets

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
<b>Opening net book amount</b>	<b>55,614</b>	54,404
Additions	2,198	1,109
Amortisation	(934)	(602)
Exchange differences	32	(12)
<b>Closing net book amount</b>	<b>56,910</b>	54,899

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 15 Investment properties

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
<b>Opening balance</b>	–	102,000
Changes in fair value of investment properties	–	4,000
<b>Closing balance</b>	–	106,000

The investment properties were revalued as at 30 June 2013 on an open market value basis by CB Richard Ellis Limited, an independent firm of professional qualified valuer. It was subsequently disposed on 5 December 2013.

### 16 Investment in an associate

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
<b>Opening balance</b>	92,125	90,944
Share of results – profit/(loss) after tax	9,484	(5,981)
<b>Closing balance</b>	101,609	84,963

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

Name	Place of incorporation	Interest held	
		2014	2013
Value Partners Goldstate Fund Management Company Limited (“VP Goldstate”)	The People’s Republic of China	49%	49%

Although the remaining 51% interests are held by one shareholder, the Group has the ability to exercise significant influence over VP Goldstate through representation on its Board of Directors.

The associate is individually immaterial and is accounted for using equity method. The Group’s interest in the associate is summarized below:

	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited
Carrying amount	101,609	92,125

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
Share of profit/(loss) from continuing activities and total comprehensive income	9,484	(5,981)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 16 Investment in an associate (continued)

The Group invested in certain investment funds that it manages and applied the measurement in accordance with the Group's accounting policies.

Details of such investment funds are summarized in Note 17.

### 17 Investments

Investments include the following:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Total	
	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited
<b>Listed securities (by place of listing)</b>						
Debt securities – Hong Kong	–	–	–	10,358	–	10,358
Debt securities – Singapore	–	–	–	93,306	–	93,306
Equity securities – China	60,905	244,874	–	–	60,905	244,874
Investment funds – Hong Kong	180,401	166,955	–	–	180,401	166,955
<b>Market value of listed securities</b>	<b>241,306</b>	411,829	–	103,664	<b>241,306</b>	515,493
<b>Unlisted securities (by place of incorporation/establishment)</b>						
Equity securities – Singapore	–	–	3,868	8,508	3,868	8,508
Investment funds – Australia	18,567	16,709	–	–	18,567	16,709
Investment funds – Cayman Islands	474,375	486,846	1,550	–	475,925	486,846
Investment funds – Ireland	94,705	97,883	–	–	94,705	97,883
Investment funds – Taiwan	3,357	3,353	–	–	3,357	3,353
Investment funds – United States	264	283	18,908	13,825	19,172	14,108
<b>Fair value of unlisted securities</b>	<b>591,268</b>	605,074	<b>24,326</b>	22,333	<b>615,594</b>	627,407
<b>Derivative financial instruments</b>						
Participation notes <sup>(a)</sup>	30,167	131,398	–	–	30,167	131,398
Warrants <sup>(a)</sup>	–	65,286	–	–	–	65,286
<b>Fair value of derivative financial instruments</b>	<b>30,167</b>	196,684	–	–	<b>30,167</b>	196,684
<b>Total investments</b>	<b>862,741</b>	1,213,587	<b>24,326</b>	125,997	<b>887,067</b>	1,339,584
Representing:						
Non-current	771,669	772,029	24,326	125,997	795,995	898,026
Current	91,072	441,558	–	–	91,072	441,558
<b>Total investments</b>	<b>862,741</b>	1,213,587	<b>24,326</b>	125,997	<b>887,067</b>	1,339,584

(a) These derivative financial instruments are linked to equity securities in China.

In addition to the above, some investments were classified as held-for-sale as at 30 June 2014 and 31 December 2013. Refer to Note 18 for details.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 17 Investments (continued)

#### *Interests in unconsolidated structured entities*

The Group acts as an investment manager to a number of investment funds. It has provided seed capital for the set up of these funds. As at 30 June 2014, the Group determined that all of these investment funds are unconsolidated structured entities. Refer to Note 27.3 for details.

The maximum exposure to loss for all interests in structured entities is the carrying value of the investments in investment funds (refer to Note 27.3) and fees receivable as shown in the condensed consolidated balance sheet. The size of the investment funds ranges from US\$0.3 million to US\$1.6 billion. During the period, the Group did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

### 18 Investments held-for-sale

The Group classified the following interests in investment funds as held-for-sale as the Group intends to market these funds and dilute its holding as soon as practically possible to a level where its aggregate economic interest does not constitute a control.

	Fair value	
	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited
Investment funds – Cayman Islands	188,732	197,160
Investment funds – Taiwan	32,602	29,622
<b>Total investments held-for-sale</b>	<b>221,334</b>	<b>226,782</b>

As at 30 June 2014 and 31 December 2013, the major assets of the above funds were listed equity securities.

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

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
Unrealized losses on investments held-for-sale	(5,448)	(17,854)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 19 Fees receivable

The carrying amounts of fees receivable approximate their fair value due to the short-term maturity. The maximum exposure to credit risk at the reporting date is the carrying amounts of the fees receivable. The Group did not hold any collateral as security as at 30 June 2014 (31 December 2013: 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:

	<b>30 June 2014 HK\$'000 Unaudited</b>	31 December 2013 HK\$'000 Audited
<b>Fees receivable that were past due but not impaired</b>		
1 – 30 days	<b>877</b>	751
31 – 60 days	<b>118</b>	498
61 – 90 days	<b>3,508</b>	385
Over 90 days	<b>1,025</b>	509
	<b>5,528</b>	2,143
Fees receivable that were within credit period	<b>104,179</b>	384,255
<b>Total fees receivable</b>	<b>109,707</b>	386,398

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

There was no impairment provision on fees receivable as at 30 June 2014 (31 December 2013: Nil).

### 20 Cash and cash equivalents

	<b>30 June 2014 HK\$'000 Unaudited</b>	31 December 2013 HK\$'000 Audited
Cash at banks and in hand	<b>315,212</b>	156,720
Short-term bank deposits	<b>636,563</b>	531,894
Deposits with brokers	<b>191,796</b>	3,502
<b>Total cash and cash equivalents</b>	<b>1,143,571</b>	692,116



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 21 Other assets

	<b>30 June 2014 HK\$'000 Unaudited</b>	31 December 2013 HK\$'000 Audited
Restricted bank balances	<b>7,773</b>	6,751
Other assets	<b>2,504</b>	2,293
<b>Total other assets</b>	<b>10,277</b>	9,044

In accordance with the Regulations Governing the Conduct of Discretionary Investment Business and the Regulations Governing Offshore Funds of Taiwan, as at 30 June 2014, Value Partners Concord Asset Management Company Limited, a subsidiary of the Group, placed a deposit of NT\$25 million (equivalent to HK\$6,472,000) (31 December 2013: NT\$25 million (equivalent to HK\$6,465,000)) as a financial guarantee with Bank Sinopac so that it can operate in the business of discretionary investment management and sales of offshore funds in Taiwan.

In addition, bank deposits of RMB1,044,000 (equivalent to HK\$1,301,000) (31 December 2013: RMB224,000 (equivalent to HK\$286,000)) were placed as a minimum reserve for the Group's investment in equity securities in China.

### 22 Loan portfolio, net

	<b>30 June 2014 HK\$'000 Unaudited</b>	31 December 2013 HK\$'000 Audited
Loan portfolio in the People's Republic of China		
Corporate	<b>135,794</b>	86,838
Personal	<b>174,547</b>	146,518
	<b>310,341</b>	233,356
Allowance for impairment – collectively assessed	<b>(1,998)</b>	(1,637)
<b>Total loan portfolio, net</b>	<b>308,343</b>	231,719
Representing:		
Non-current	<b>139,730</b>	98,837
Current	<b>168,613</b>	132,882
<b>Total loan portfolio, net</b>	<b>308,343</b>	231,719

As at 30 June 2014, the loan portfolio had a weighted average remaining term of 1.61 years (31 December 2013: 1.93 years) on a contractual basis, without taking into account any prepayment of loans. Final maturity of the loan portfolio is in the year 2019. Total allowance for loan impairment as a percentage of the outstanding principal balances of the loan portfolio is 0.64% (31 December 2013: 0.7%).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 23 Issued equity

	Number of shares	Issued equity HK\$'000
<b>Unaudited</b>		
As at 1 January 2013 and 30 June 2013	1,755,202,800	889,213
<b>Unaudited</b>		
As at 1 January 2014 and 30 June 2014	<b>1,755,202,800</b>	<b>889,213</b>

### Share options

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

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

	Average exercise price (HK\$ per share)	Number of options ('000)
<b>Unaudited</b>		
As at 1 January 2013	5.18	104,115
Forfeited	5.00	(500)
As at 30 June 2013	5.18	103,615
<b>Unaudited</b>		
As at 1 January 2014 and 30 June 2014	<b>5.18</b>	<b>101,515</b>

Out of the 101,515,000 (31 December 2013: 101,515,000) outstanding share options, 97,282,000 (31 December 2013: 94,382,000) options were exercisable as at 30 June 2014. No options were exercised during the six months ended 30 June 2014 (2013: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 23 Issued equity (continued)

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

Expiry date	Exercise price (HK\$ per share)	Number of options ('000)	
		30 June 2014 Unaudited	30 June 2013 Unaudited
25 September 2014	5.50	25,864	27,464
14 November 2014	5.50	55,451	55,451
26 October 2015	2.44	6,400	6,400
22 December 2016	5.00	5,100	5,600
30 May 2022	3.94	4,700	4,700
6 December 2022	4.56	4,000	4,000

### 24 Distribution fee expenses payable

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

	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited
0 – 30 days	47,643	53,194
31 – 60 days	398	797
61 – 90 days	–	811
<b>Total distribution fee expenses payable</b>	<b>48,041</b>	<b>54,802</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 25 Commitments

#### 25.1 Operating lease commitments

##### The Group as the lessee

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

	<b>30 June 2014 HK\$'000 Unaudited</b>	31 December 2013 HK\$'000 Audited
Not later than one year	<b>23,795</b>	14,760
Later than one year and not later than five years	<b>50,617</b>	29,194
<b>Total operating lease commitments</b>	<b>74,412</b>	43,954

### 26 Contingencies

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

#### 26.1 Contingent assets

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

As a result, as at 30 June 2014 and 31 December 2013, performance fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding period/year have not been recognized. These performance fees may be receivable in cash if a positive performance results (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.

#### 26.2 Contingent liabilities

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

As a result, as at 30 June 2014 and 31 December 2013, the performance fee element of distribution fee expenses in respect of performance periods ending on a performance fee valuation day not falling within the corresponding period/year have not been recognized. These distribution fee expenses may be payable in cash if the performance fees are subsequently earned on the performance fee valuation days.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 27 Related-party transactions

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

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

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

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
Rental expenses paid by a subsidiary to an associate	159	157

#### 27.2 Key management compensation

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

	Six months ended 30 June	
	2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
Salaries and other short-term employee benefits	8,936	7,448
Share-based compensation	1,256	2,205
Pension costs – mandatory provident fund scheme	31	30
<b>Total key management compensation</b>	<b>10,223</b>	<b>9,683</b>

#### 27.3 Investments in investment funds which are managed by the Group

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. These investment funds manage assets on behalf of third party investors and generate fees for the investment manager. The funds are financed through the issue of units/shares to investors.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

### 27 Related-party transactions (continued)

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

	Fair value	
	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited
Premium Asia Income Fund	18,567	16,709
Value China ETF	4,892	4,837
Value Gold ETF	145,463	133,266
Value Japan ETF	9,226	8,932
Value Korea ETF	9,435	9,735
Value Partners Asia Fund, LLC	264	283
Value Partners China A Share Opportunity Fund <sup>(a)</sup>	188,732	197,160
Value Partners China Greenchip Fund Limited <sup>(b)</sup>	158,218	155,199
Value Partners Classic Equity Fund <sup>(a), (c)</sup>	94,705	97,883
Value Partners Classic Fund <sup>(d)</sup>	75,621	77,615
Value Partners Concord China Dim Sum High Yield Bond Fund	3,357	3,353
Value Partners Concord Taiwan Home Run Fund <sup>(a)</sup>	32,602	29,622
Value Partners Credit Fund <sup>(e)</sup>	1	1
Value Partners Greater China High Yield Income Fund <sup>(f)</sup>	21,501	21,704
Value Partners Hedge Fund Limited <sup>(g)</sup>	2	2
Value Partners High-Dividend Stocks Fund <sup>(h)</sup>	308	288
Value Partners Intelligent Funds – China Convergence Fund <sup>(i)</sup>	59,903	62,980
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	158,331	169,005
Value Partners Strategic Equity Fund <sup>(j)</sup>	490	52
Value Taiwan ETF	11,385	10,185
<b>Total investments in investment funds which are managed by the Group</b>	<b>993,003</b>	<b>998,811</b>

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

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

(c) The shares held were USD Class shares.

(d) The units held were "C" units.

(e) The shares held were management shares.

(f) The shares held were management shares and Class P HKD MDis shares and Class A AUD, CAD, NZD Hedged MDis shares.

(g) The shares held were management shares.

(h) The units held were Class A2 MDis HKD units and Class A2 MDis AUD, CAD, NZD Hedged units.

(i) The units held were Class A units.

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

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

As at 30 June 2014, the Group had investments in Malabar India Fund, LP amounted to HK\$18,908,000 (31 December 2013: HK\$13,825,000) which is managed by Malabar Investment LLC in which the Group had an interest of 7.28% (31 December 2013: 7.24%). The Group did not have amount receivable from Malabar Investment LLC as at 30 June 2014. There was an outstanding balance from Malabar Investment LLC amounted to HK\$194,000 as at 31 December 2013.

### 28 Cyclicalities

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

### Directors' interests in shares, underlying shares and debentures

As at 30 June 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which had required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange, were as follows:

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

Name of Director	Nature of interest	Number of Shares	Number of underlying Shares in which the Directors hold under the share option scheme <sup>(4)</sup>	Approximate percentage of issued Shares
Dato' CHEAH Cheng Hye	Founder of trust/beneficial <sup>(1)</sup>	499,730,484	–	28.47%
	Beneficial	–	57,050,828	3.25%
Ms. HUNG Yeuk Yan Renee	Founder of trust <sup>(2)</sup>	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 <sup>(3)</sup>	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 ("CCL") which is in turn wholly-owned by BNP Paribas Jersey Nominee Company Limited, a company incorporated in Jersey, Channel Islands, holding the shares in CCL as nominee for BNP Paribas Jersey Trust Corporation Limited as trustee for a discretionary trust, the discretionary objects of which include Dato' 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 East Asia International Trustees Limited, a company incorporated in the British Virgin Islands, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. HUNG Yeuk Yan Renee.
- (3) 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.

## OTHER INFORMATION

### (b) Interest in associated corporation

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

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

### (c) Share options

The Company adopted a share option scheme on 24 October 2007 (and as amended on 15 May 2008) (the "Scheme"). A summary of the movements of the outstanding share options during the six months ended 30 June 2014 are as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2014	Number of Share Options			As at 30/06/2014
					Granted	Exercised	Lapsed	
<b>Directors</b>								
Dato' 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
07/12/2012	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		



## OTHER INFORMATION

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2014	Number of Share Options			As at 30/06/2014
					Granted	Exercised	Lapsed	
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
Employees	26/03/2008	26/03/2008-25/09/2014	5.50	13,812,923	-	-	-	13,812,923
		25/03/2009-25/09/2014	5.50	477,011	-	-	-	477,011
		25/03/2010-25/09/2014	5.50	551,011	-	-	-	551,011
		25/03/2011-25/09/2014	5.50	800,998	-	-	-	800,998
	23/06/2010	23/06/2011-22/12/2016	5.00	950,002	-	-	-	950,002
		23/06/2012-22/12/2016	5.00	950,002	-	-	-	950,002
		23/06/2013-22/12/2016	5.00	949,996	-	-	-	949,996
	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				101,515,031	-	-	-	101,515,031

## OTHER INFORMATION

Notes:

1. The closing prices of the Shares immediately before the share options granted on 26 March 2008, 15 May 2008, 27 April 2009, 23 June 2010, 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 period under review.
3. The share options granted to Dato' CHEAH Cheng Hye were in excess of his individual limit under the Listing Rules. The grant of excess share options to Dato' CHEAH was approved in the annual general meeting of the Company held on 15 May 2008.

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

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.

### Share Option Expenses

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

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

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

### Substantial Shareholders' Interests

As at 30 June 2014, 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 <sup>(1)</sup>	Spouse	556,781,312	31.72%
Mr. YEH V-Nee	Beneficial	298,689,324	17.01%
Mrs. YEH Mira <sup>(2)</sup>	Spouse	298,689,324	17.01%
Cheah Capital Management Limited <sup>(3)</sup>	Beneficial	499,730,484	28.47%
Cheah Company Limited <sup>(3)</sup>	Corporate	499,730,484	28.47%
BNP Paribas Jersey Nominee Company Limited <sup>(3)</sup>	Nominee	499,730,484	28.47%
BNP Paribas Jersey Trust Corporation Limited <sup>(3)</sup>	Trustee	499,730,484	28.47%
TFS Trust & Fiduciary Services SA <sup>(3)</sup>	Interest of controlled corporation	499,730,484	28.47%
BNP Paribas SA <sup>(3)</sup>	Interest of controlled corporation	499,730,484	28.47%
Affiliated Managers Group, Inc. <sup>(4)</sup>	Interest of controlled corporation	137,244,000	7.81%

Notes:

- (1) Ms. TO Hau Yin is the spouse of Dato' CHEAH Cheng Hye.
- (2) Mrs. YEH Mira is the spouse of Mr. YEH V-Nee.
- (3) Cheah Capital Management Limited ("CCML") is wholly-owned by Cheah Company Limited ("CCL") which in turn is wholly-owned by BNP Paribas Jersey Nominee Company Limited, a company incorporated in Jersey, Channel Islands, holding the shares in CCL as nominee for BNP Paribas Jersey Trust Corporation Limited as trustee for a discretionary trust, the discretionary objects of which include Dato' CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Dato' CHEAH Cheng Hye is the founder of this trust. BNP Paribas Jersey Trust Corporation Limited is wholly-owned by TFS Trust & Fiduciary Services SA and the ultimate holding company is BNP Paribas SA.
- (4) These Shares are held by AKH Holding LLC and the ultimate holding company is by Affiliated Managers Group, Inc.

Save as aforesaid and as disclosed in the "Directors' Interests in Shares, Underlying Shares and Debentures" and "Substantial Shareholders' Interests" sections of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 30 June 2014 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.

### Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

### Foreign Exchange

Except for its Renminbi-denominated bank deposit and loan portfolio in China, which has a balance of around HK\$850.6 million, the Group has no significant foreign currency exposure because the majority of receipts and payments as well as assets and liabilities are denominated in the Hong Kong dollar (the Company's functional and presentation currency) and the United States dollar, which is currently linked to the Hong Kong dollar.

### Human Resources

As at 30 June 2014, the Group employed a total of 137 staff (30 June 2013: 116) in Hong Kong and the research office in Shanghai, 3 staff (30 June 2013: nil) in Singapore, 29 staff (30 June 2013: 23) in Taiwan and 58 staff (30 June 2013: 36) in Chengdu. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options are granted and discretionary bonuses are also given based on the Group's and individual staff's performances.

### Purchase, Sale or Redemption of the Company's Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

## OTHER INFORMATION

### Audit Committee

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Company has an audit committee which comprises three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Group for the six months ended 30 June 2014.

### Independent Review of Interim Results

The unaudited interim results of the Group for the six months ended 30 June 2014 have been reviewed by PricewaterhouseCoopers, the Company’s Auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

### Corporate Governance

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014.

### Model Code for Securities Transactions by Directors

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

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2014.

### Publication of Interim Results and Interim Report on the Stock Exchange

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

### Our Appreciation

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

By order of the board of

**Value Partners Group Limited**

**TSE Wai Ming, Timothy**, CFA

*Chief Executive Officer and Executive Director*

Hong Kong, 13 August 2014

**Value Partners Group Limited**  
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