



2017 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)

Stock Code 股份代號 : 806

Corporate profile

Value Partners Group is one of Asia's largest independent asset management firms that seeks to offer world-class investment services and products. Assets under management of the firm stood at US\$15.5 billion as of 30 June 2017.

Since its establishment in 1993, the firm has been a dedicated value investor in Asia and the world. In November 2007, 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 its Hong Kong headquarters, the firm operates in Shanghai, Beijing, Singapore and London. Value Partners' investment strategies cover equities, fixed income, Quantitative Investment Solutions, SMART Investment Strategy, multi-asset and alternatives for institutional and individual clients in Asia Pacific, Europe and the United States.

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7 facts about Value Partners

US\$ 15.5 billion⁽¹⁾ assets under management

15.3% annualized return and 3,089% cumulative return since launch in 1993 for Value Partners Classic Fund (A Units)⁽²⁾

2017 Best Fund Provider⁽³⁾

140+ top performing awards and prizes since establishment

2,500 company visits and research meetings every year

60+ investment professionals focusing on Greater China and Asia investments

24 years of history weathered various financial crises regionally and globally

Footnote:

(1) As of 30 June 2017.

(2) As of 30 June 2017. Performance of Value Partners Classic Fund (A Units) over past five years: 2012: +14.0%; 2013: +11.2%; 2014: +13.5%; 2015: -1.5%; 2016: -3.2%; 2017 (Year to date as at 30 June: +25.3%).

(3) Refers to Asian Private Banker's Asset Management Awards for Excellence 2017. Value Partners was named "Best Fund Provider – Greater China Equity".

Corporate information

Board of Directors

Chairman and Co-Chief Investment Officer

Dato' Seri CHEAH Cheng Hye

Executive Directors

Mr. SO Chun Ki Louis
(Deputy Chairman and Co-Chief Investment Officer)
Dr. AU King Lun MH, Ph.D
(Chief Executive Officer)
Ms. HUNG Yeuk Yan Renee
(Deputy Chief Investment Officer)

Independent Non-executive Directors

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

Non-executive Honorary Chairman

Mr. YEH V-Nee

Company Secretary

Mr. CHEUNG Kwong Chi, Aaron

Authorized Representatives

Dr. AU King Lun MH, Ph.D
Mr. CHEUNG Kwong Chi, Aaron

Members of the Audit Committee

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

Members of the Nomination Committee

Dato' Seri CHEAH Cheng Hye (Chairman)
Dr. AU King Lun MH, Ph.D
Dr. CHEN Shih-Ta Michael
Mr. LEE Siang Chin
Mr. Nobuo OYAMA

Members of the Remuneration Committee

Dr. CHEN Shih-Ta Michael (Chairman)
Dato' Seri CHEAH Cheng Hye
Mr. LEE Siang Chin
Mr. Nobuo OYAMA
Mr. SO Chun Ki Louis

Members of the Risk Management Committee

Dr. AU King Lun MH, Ph.D (Chairman)
Mr. Roger Anthony HEPPER
Ms. LEE Vivienne
Mr. MO Chun Wah, Jonathan
Mr. SO Chun Ki Louis
Ms. WONG York Ying, Ella

Registered Office

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

Principal Office

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

Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor

PricewaterhouseCoopers

Legal Advisor

Reed Smith Richards Butler

PRC Legal Advisor

LLinks Laws Offices

Principal Bankers

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

Website

www.valuepartners-group.com

Stock Code

Stock Exchange of Hong Kong: 806

Financial highlights

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

(In HK\$ million)	For the period ended 30 June		
	2017	2016	% Change
Total revenue	752.3	709.1	+6.1%
Gross management fees	546.7	529.2	+3.3%
Gross performance fees	22.3	5.2	+328.8%
Operating profit (before other gains/losses)	140.3	109.5	+28.1%
Profit attributable to owners of the Company	219.5	5.0	+4,290.0%
Basic earnings per share (HK cents)	11.8	0.3	+3,833.3%
Diluted earnings per share (HK cents)	11.8	0.3	+3,833.3%
Interim dividend per share	Nil	Nil	

(In US\$ million)	30 June 2017	31 December 2016	% Change
Assets under management	15,467	13,249	+16.7%

Report of the Chief Executive Officer

A thriving start

Value Partners had a promising start in 2017 fueled by fund performance enhancement, new product launches and distribution network expansion. As at 30 June 2017, assets under management (“AUM”) of the Group increased 17% to US\$15.5 billion from US\$13.2 billion at end-2016.

In the six months ended 30 June 2017, profit attributable to owners of the Company surged to HK\$220 million from HK\$5 million a year earlier. The significant improvement was mainly attributable to net fair value gains and realized gains of HK\$99 million from the Group’s treasury operations on the back of our strong fund performance, reversing the HK\$92 million of net fair value losses and realized losses reported a year earlier.

Gross management fees, our major revenue contributor, rose slightly to HK\$547 million (1H 2016: HK\$529 million). Meanwhile, gross performance fees grew considerably to HK\$22 million from HK\$5 million a year earlier. As performance fees for most of our major own branded funds crystallize at the end of the year, fund performance in the second half would determine if we can collect more performance fees this year.

Value Partners’ positioning

Hong Kong’s fund management industry is entering a golden age amid China’s tremendous increase in investment demand. As the largest homegrown asset manager in Hong Kong bridging investment needs between China and the rest of the world, Value Partners aims to become an Investment Solution Provider to Chinese investors, as well as a China Investment Expert to investors around the world. We have embarked on this exciting journey with a number of new initiatives, as highlighted in the following sections, to expand our investment capabilities and business scope.

Investment capabilities

Over the years, we have been broadening our product offerings in terms of asset classes and geographical exposures to help our clients meet their investment goals. Since the beginning of this year, we have added a number of senior investment professionals to our 60-plus investment team to further strengthen our investment capabilities.

1. Equities

Value Partners has been well recognized by investors and the industry in the past 24 years since we launched our flagship Value Partners Classic Fund in 1993. To further enhance this core strategy, we have been incorporating the use of big data in our bottom-up analysis. In the first half of 2017, Value Partners Classic Fund delivered a return¹ of +25.3%, outperforming the Hang Seng Index by 6.6 percentage points. The fund also attained first-quartile ranking² among its peers over the one-year, three-year, five-year, ten-year, as well as since-inception periods.

2. Fixed income

As interest rates were expected to stay relatively low amid a gradual rate hike cycle by the United States, investors continued to seek for yields and directed inflows to high yield products. Our flagship fixed income fund – Value Partners Greater China High Yield Income Fund (“GCHY”) – attracted over US\$1 billion of net inflows in the first six months of this year after delivering a total return³ of +15.9% in 2016.

With the success of GCHY and strong investor demand, we have further extended the geographical coverage of our fixed income offerings to include Asia and global emerging markets. These products have been well received by the market as they feature attractive yield opportunities.

Report of the Chief Executive Officer

3. Quantitative investment and exchange-traded funds (“ETFs”)

Value Partners is one of the local pioneers in developing quantitative investment capability.

Value investing has been the Group’s core philosophy which guides our investment professionals to conduct intensive fundamental research and analysis to identify value opportunities. In recent years, our fundamental research has been associated with big data analytics, which is an effective tool to help analysing market trends based on massive data. Our quantitative investment team has been focusing on big data applications and analysis for more than three years.

Separately, we were the first manager to list a smart beta ETF based on value investing, namely the Value China ETF, on the Hong Kong Stock Exchange back in 2009. Our ETF series currently consist of five equity ETFs and one physical gold ETF.

In view of rising institutional demand for ETFs, we have recently repositioned our Value China ETF, Value China A-Share ETF and Value Gold ETF as institutional products with the appropriate fee reduction.

We will constantly review our offerings within the quantitative and ETF space to meet the diversified needs of investors.

4. SMART Investment Strategy

To address institutional investors’ demand for cost-efficient products that aim to deliver consistent performance against market indices, we have created a SMART Investment Strategy as our new institutional offering. Simply put, the SMART Investment Strategy is a combination of our well-proven fundamental stock-picking skill (i.e. SMART alpha) and SMART beta capability. We are introducing new products, which include a GEM equity fund⁴ launched in early August 2017, based on the SMART Investment Strategy.

5. Multi-asset

Leveraging the success of our multi-asset strategy in the past two years, we are pleased to announce a collaboration with AIA Pension and Trustee Co. Ltd. (“AIA MPF”). In July 2017, AIA MPF worked with Value Partners to launch a new fund option under its AIA MPF - Prime Value Choice scheme. This new fund is the first of its kind in Hong Kong’s MPF market as it can invest flexibly among stocks and debt securities in Hong Kong and China, with a maximum 9% exposure to gold via investing in gold ETFs, to optimize risk/return trade-offs over various market cycles.

6. Alternatives

In addition to expanding our capacity in equities and bonds, we have broadened our asset class coverage to include alternatives with the launch of our first real estate private equity fund⁴ targeting institutional investors in July 2017. The new fund focuses on quality real estate assets in Asia Pacific with stable income streams. We will continue to grow our alternative investment expertise in the near future.

Report of the Chief Executive Officer

Business scope

While further enriching our product suite and services, we have also taken measures to streamline our operations and strengthen resources in several strategic business areas.

1. Quantitative Investment Solutions Team

To consolidate our resources to drive the Group's ETF business, big data application, and the development of quantitative products, a Quantitative Investment Solutions Team has been set up under the leadership of Mr. Kai MAK, Co-Managing Director of Quantitative Investment Solutions and Senior Fund Manager, as well as Mr. David QUAH, Co-Managing Director of Quantitative Investment Solutions.

Mr. MAK has been in charge of Value Partners' quantitative investment activities, including the management of Value ETFs, since 2006. Mr. QUAH, who has over 20 years of experience in ETF and quantitative products, joined Value Partners in early August 2017 to co-lead the Quantitative Investment Solutions Team focusing on business development and management.

2. China business

The golden opportunity brought by China's capital market liberalization has become more prominent in 2017 with a number of "game changers" emerged in the first half of the year. In June 2017, MSCI, an index provider, finally approved the inclusion of 222 Shanghai and Shenzhen-listed large-cap A shares into its main emerging market index from June 2018 after rejecting China's previous three attempts. The Bond Connect program was then launched in less than a month after the MSCI A-share inclusion announcement.

China's continued capital account opening will unleash massive investment demand providing us a once-in-a-lifetime opportunity to transform our business. We identified this prospect as early as in 1997 when we were among the earliest foreign asset managers, if not the first, to invest in the China B-share market. We were also one of the pioneers that have set up a local investment team in Shanghai back in 2009. In 2015, we became the first Hong Kong fund management company to gain the Qualified Domestic Limited Partner ("QDLP") license. We are grateful to have enjoyed first-mover advantage in a number of aspects over the years. Currently, we are also in the process of applying for a Private Fund Management ("PFM") qualification which will allow us to offer Value Partners' own-branded funds on the mainland through private placement.

To stay ahead of the game amid more intense competition, we have recently beefed up our China Business Team with the appointment of Mr. YU Xiaobo, who has been with Value Partners since 2009, as Head of China Business in addition to his current role as Investment Director. A seasoned mainland professional with 10 years of China investment experience, Mr. YU will leverage his local expertise to expand our China business with the support of a full-scale operation on the ground.

3. Overseas business

Elsewhere in Singapore and United Kingdom, we are also spearheading development in the two locations which are strategic hubs to the Group. In Singapore, we continue to deepen our distribution network while leading the development of SMART Investment Strategy. Meanwhile, the UK office is making good progress in signing up a global agreement with one of the largest fund distribution platforms in Europe.

To optimize resources for our expansion in China and other strategic markets, the Group has entered into sale and purchase agreements to dispose its equity holdings in two joint ventures – Value Partners Concord Asset Management Co., Ltd. in Taiwan (in June 2017) and Chengdu Vision Credit Limited in China (in April 2017).

Report of the Chief Executive Officer

Outlook

Value Partners' fund management capabilities and investment performance are well recognized in the industry. In the first half of the year, we won new equity and fixed income awards that extended our list of accolades to more than 140 prizes since our establishment in 1993. The success of Value Partners is underpinned by our dedication, professionalism and team work.

Over the near term, we believe geopolitical events will remain and add to market volatility, but we are confident that the Chinese economy is on a solid recovery path. Meanwhile, the call for lower fees and the use of information technology in the asset management industry may post cost pressure on asset managers. To counter this headwind, we are taking proactive measures to improve our operational efficiency and enrich our investment capabilities. We are committed to delivering consistent performance and appropriate investment solutions to help our clients walk through different market cycles.

Appreciation

I would like to take this opportunity to thank my colleagues once again for their dedication and pursuit of performance excellence. Appreciation also goes to our investors, business partners and shareholders.

Dr. AU King Lun MH, Ph.D

Chief Executive Officer and Executive Director

1. *Performance of Value Partners Classic Fund (A Units) as at 30 June 2017, in USD, NAV to NAV, with dividend reinvested and net of fees. Annual performance over the past five years: 2012: +14.0%; 2013: +11.2%; 2014: +13.5%; 2015: -1.5%; 2016: -3.2%; 2017 (Year to date as at 30 June): +25.3%.*
2. *Based on performance data as of 30 June 2017, among peer funds under Greater China Equity Morningstar Category.*
3. *Performance of Value Partners Greater China High Yield Income Fund (Class P Acc USD) as at 31 December 2016, in USD, NAV to NAV, with dividend reinvested and net of fees. Annual performance over the past five years: 2012: +13.0%; 2013: +1.2%; 2014: +1.1%; 2015: +6.1%; 2016: +15.9%; 2017 (Year to date as at 30 June): +5.6%.*
4. *The fund is not authorized by the Securities and Futures Commission and is not available to the general public in Hong Kong.*

Financial review

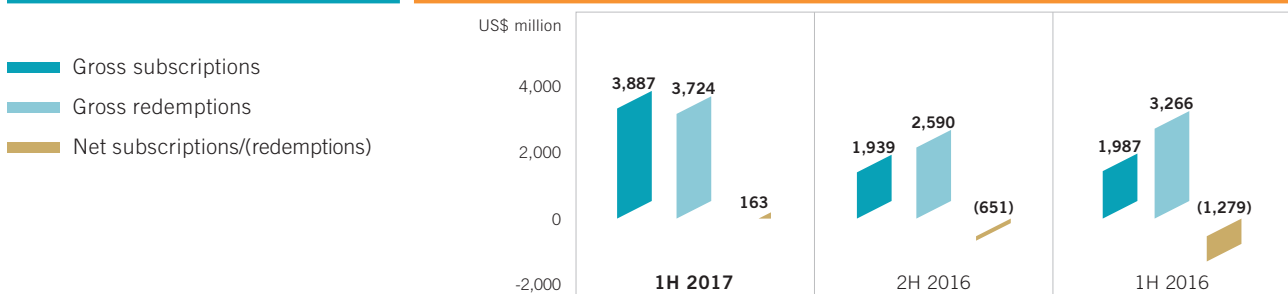
Assets Under Management

AUM and return

As at the end of June 2017, the Group's AUM increased 16.7% to US\$15,467 million (31 December 2016: US\$13,249 million). The growth was mainly bolstered by positive fund returns of US\$2,237 million and net subscriptions of US\$163 million in the first half of 2017.

Overall fund performance¹, calculated in asset-weighted average return of funds under management, was +16.7% in the period under review. Among all, Value Partners Classic Fund², our flagship product, rose 25.3% during the period. Meanwhile, Value Partners High-Dividend Stocks Fund³, the Group's largest public fund⁴ in Hong Kong, gained 18.2% during the period.

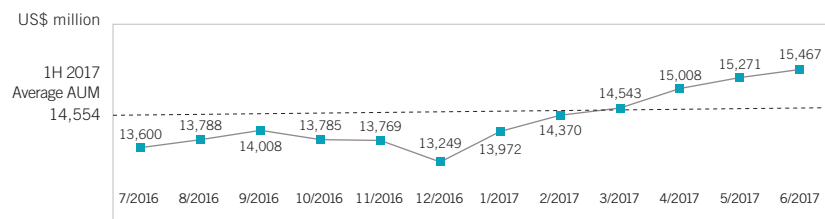
Benefiting from the market recovery, we recorded net inflows of US\$163 million in the first half of 2017, reversing net outflows in 2016 (2H 2016: net redemptions of US\$651 million; 1H 2016: net redemptions of US\$1,279 million). During the period, our gross subscriptions increased significantly to US\$3,887 million (2H 2016: US\$1,939 million), while our gross redemptions rose to US\$3,724 million (2H 2016: US\$2,590 million).



AUM change in the first half of 2017



Monthly AUM in the past twelve months



Financial review

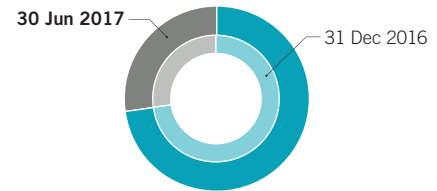
AUM by category

The charts below illustrated the breakdown of the Group's AUM as at 30 June 2017 in two different classifications: by brand and strategy. During the period, Own Branded Funds (73%) remained the major contributor to the Group's AUM amid our expansion in distribution network. In terms of strategy, Absolute Return Long-biased Funds (75%) continued to represent the majority of the Group's AUM, followed by Fixed Income Funds (23%), in which the largest share was taken up by Value Partners Greater China High Yield Income Fund.

Classification by brand

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

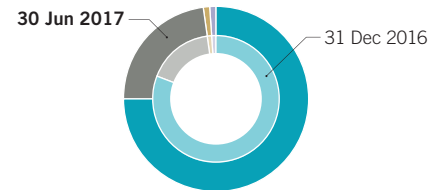
30 Jun 2017	31 Dec 2016
73%	73%
27%	27%



Classification by strategy

- Absolute Return Long-biased Funds
- Fixed Income Funds
- Quantitative Funds & ETF
- Alternative Funds

30 Jun 2017	31 Dec 2016
75%	81%
23%	17%
1%	1%
1%	1%



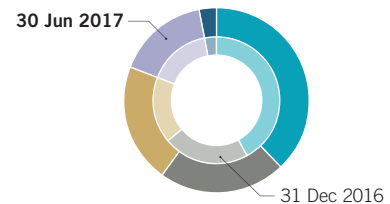
Client base

During the period, institutional clients – including institutions, pension funds, high-net-worth individuals (“HNWIs”), endowments and foundations, funds of funds, together with family offices and trusts – remained the Group's primary set of fund investors, accounting for 62% of total AUM (31 December 2016: 58%). Meanwhile, retail clients contributed to 38% of total AUM (31 December 2016: 42%). In terms of geographical location, Hong Kong clients accounted for 83% of the Group's AUM (31 December 2016: 83%) while United States and Europe took up a combined 6% (31 December 2016: 7%).

Client analysis by type

- Retail
- Pension funds
- High-net-worth individuals
- Institutions
- Others

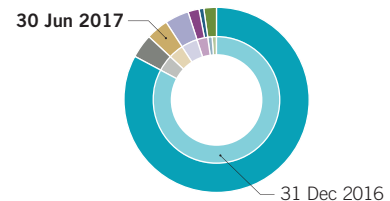
30 Jun 2017	31 Dec 2016
38%	42%
22%	22%
21%	17%
16%	16%
3%	3%



Client analysis by geographical region

- Hong Kong
- United States
- Singapore
- China
- Europe
- Australia
- Others

30 Jun 2017	31 Dec 2016
83%	83%
4%	4%
4%	4%
4%	4%
4%	4%
2%	3%
1%	1%
2%	1%



Financial review

Summary of results

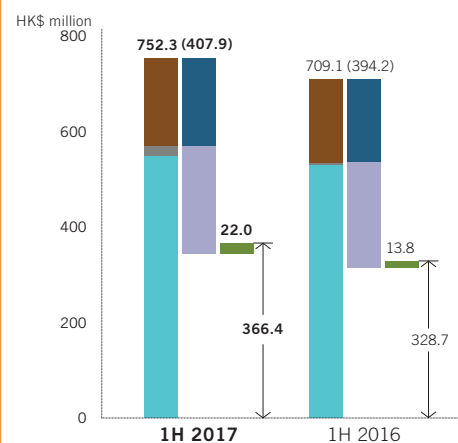
Key financial highlights for the reporting period are as follows:

(In HK\$ million)	1H 2017	1H 2016	% Change
Total revenue	752.3	709.1	+6.1%
Gross management fees	546.7	529.2	+3.3%
Gross performance fees	22.3	5.2	+328.8%
Operating profit (before other gains/losses)	140.3	109.5	+28.1%
Profit attributable to owners of the Company	219.5	5.0	+4,290.0%
Basic earnings per share (HK cents)	11.8	0.3	+3,833.3%
Diluted earnings per share (HK cents)	11.8	0.3	+3,833.3%
Interim dividend per share	Nil	Nil	

Revenue and fee margin

Breakdown of total net income

(In HK\$ million)	1H 2017	1H 2016
Revenue		
Management fees	546.7	529.2
Performance fees	22.3	5.2
Front-end fees	183.3	174.7
Distribution fee expenses		
Management fee rebates	(224.2)	(219.8)
Performance fee rebates	(0.8)	(0.2)
Other revenue rebates	(182.9)	(174.2)
Other income		
Other income	22.0	13.8



The Group's profit attributable to owners of the Company surged to HK\$219.5 million for the six months ended 30 June 2017 (1H 2016: HK\$5.0 million). Total revenue grew by 6.1% to HK\$752.3 million (1H 2016: HK\$709.1 million). Gross management fees, the major contributor to our revenue, rose 3.3% to HK\$546.7 million (1H 2016: HK\$529.2 million) as a result of a 3.7% increase in the Group's average AUM to US\$14,554 million (1H 2016: US\$14,037 million).

During the period, annualized gross management fee margin stayed at 98 basis points (1H 2016: 98 basis points). As management fee rebates for distribution channels slightly edged up to HK\$224.2 million (1H 2016: HK\$219.8 million), annualized net management fee margin remained stable at 57 basis points (1H 2016: 57 basis points).

Financial review

Gross performance fees, another source of revenue, grew by HK\$17.1 million to HK\$22.3 million (1H 2016: HK\$5.2 million). Performance fees are generated when funds, at the dates of their performance fee crystallization, report returns exceeding their benchmarks or high watermarks for the respective period ended. As the dates of performance fee crystallization for most of our major own branded funds are at the end of the year, fund performance in the second half of the year will determine our ability to collect more performance fees in 2017.

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

Other income, which mainly comprised interest income and dividend income, was HK\$22.0 million (1H 2016: HK\$13.8 million). Interest income rose to HK\$13.5 million (1H 2016: HK\$6.8 million) while dividend income increased to HK\$8.1 million (1H 2016: HK\$6.0 million).

Other gains or losses

Breakdown of other gains/(losses) – net

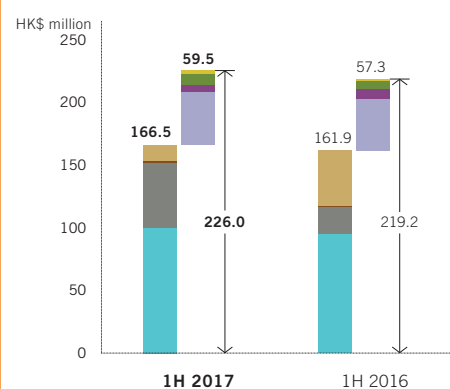
(In HK\$ million)	1H 2017	1H 2016
Net gains/(losses) on investments	96.0	(81.0)
Net gains/(losses) on investments held-for-sale	3.1	(10.9)
Others	10.4	1.6
	109.5	(90.3)

Other gains or losses mainly included fair value changes and realized gains or losses on seed capital investments, investments in own funds and other investments, as well as net foreign exchange gains or losses. Seed capital investments were made by the Group to provide capital that was considered necessary to new funds during the initial phase of fund launches. The Group also invested in its own funds side-by-side with investors where appropriate, for better alignment of interests and investment returns.

Cost management

Breakdown of total expenses

(In HK\$ million)	1H 2017	1H 2016
<u>Compensation and benefit expenses</u>		
Fixed salaries and staff benefits	101.0	95.7
Management bonus	51.1	21.2
Staff rebates	2.1	0.9
Share-based compensation expenses	12.3	44.1
<u>Other expenses</u>		
Other fixed operating costs	42.0	40.9
Sales and marketing	6.4	9.1
Depreciation	8.6	6.5
Non-recurring expenses	2.5	0.8



Financial review

In terms of cost management, the Group continued to exercise stringent cost discipline and aimed to keep fixed operating expenses well covered by net management fee income (by around 2 times), a relatively stable income source. Such coverage is measured by “fixed cost coverage ratio”, an indicator showing the number of times that fixed operating expenses (excluding discretionary and on-recurring expenses) are covered by net management fee income. For the current period, the Group reported a fixed cost coverage ratio (for asset management business) of 2.3 times (1H 2016: 2.3 times).

Compensation and benefit expenses

During the period, fixed salaries and staff benefits grew by HK\$5.3 million to HK\$101.0 million (1H 2016: HK\$95.7 million). The increase was mainly attributable to salary increments.

In line with the Group’s compensation policy – which distributes 20% to 23% of the annual net profit pool as management bonus to employees – management bonus for the period rose to HK\$51.1 million (1H 2016: HK\$21.2 million). The profit pool is derived by deducting certain adjustments, including fair value changes from the Group’s seed capital investments, investments in own funds and other investments, from net profit before management bonus and taxation. Discretionary bonus was maintained as it promotes staff loyalty and performance while aligning employee interests with shareholders’.

Meanwhile, staff of Value Partners are entitled to partial rebates of management fees and performance fees when investing in funds managed by the Group. Staff rebates for the period amounted to HK\$2.1 million (1H 2016: HK\$0.9 million).

During the period, the Group recorded expenses of HK\$12.3 million (1H 2016: HK\$44.1 million) relating to stock options granted to employees. This expense item had no impact on cash flow and was 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, stood at HK\$42.0 million for the period (1H 2016: HK\$40.9 million), while sales and marketing expenses decreased to HK\$6.4 million (1H 2016: HK\$9.1 million).

Dividends

The Group has been adopting 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 annually at the end of each financial year to better align dividend payments with the Group’s full-year performance. Barring any unexpected changes in the market environment, a final dividend (but not interim dividend) is expected be declared this year.

Financial review

Liquidity and financial resources

Fee income is the Group's main source of income while other income sources include interest income generated from bank deposits and dividend income from investments held. During the period, the Group's balance sheet and cash flow positions remained strong with a net cash balance of HK\$2,568.0 million. Net cash inflows from operating activities amounted to HK\$103.5 million, and 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) was zero while current ratio (current assets divided by current liabilities) was 12.7 times.

Capital structure

As at 30 June 2017, the Group's shareholders' equity and total number of shares in issue for the Company were HK\$3,786.3 million and 1.85 billion, respectively.

1. *Overall fund performance is calculated by taking an asset-weighted average of returns of the most representative share class of all funds managed by Value Partners.*
2. *As of 30 June 2017. Refer to footnote 1 on page 7.*
3. *Performance of Value Partners High-Dividend Stocks Fund (Class A) as at 30 June 2017, in USD, NAV to NAV, with dividend reinvested and net of fees. Annual performance over the past five years: 2012: +25.2%; 2013: +8.1%; 2014: +9.4%; 2015: -3.7%; 2016: -0.2%; 2017 (Year to date as at 30 June): +18.2%.*
4. *Authorization by the Securities and Futures Commission 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.*

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

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 39, which comprises the condensed consolidated balance sheet of Value Partners Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 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, 15 August 2017

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 HK\$'000 Unaudited	2016 HK\$'000 Unaudited
Income			
Fee income and other revenue	6	752,242	709,102
Distribution fee expenses		(407,861)	(394,201)
Net fee income		344,381	314,901
Other income	7	21,961	13,788
Total net income		366,342	328,689
Expenses			
Share-based compensation	22	(12,337)	(44,109)
Other compensation and benefit expenses		(154,151)	(117,769)
Operating lease rentals		(14,044)	(13,782)
Other expenses		(45,501)	(43,519)
Total expenses		(226,033)	(219,179)
Operating profit (before other gains/losses)		140,309	109,510
Net gains/(losses) on investments		96,044	(81,041)
Net gains/(losses) on investments held-for-sale	17	3,082	(10,869)
Others		10,419	1,620
Other gains/(losses) – net	8	109,545	(90,290)
Operating profit (after other gains/losses) and profit before tax		249,854	19,220
Tax expense	9	(24,645)	(14,916)
Profit for the period from continuing operations		225,209	4,304
Discontinued operations			
Loss for the period from discontinued operations	14	(6,834)	(942)
Profit for the period		218,375	3,362
Profit/(loss) for the period attributable to			
Owners of the Company			
– Continuing operations		226,435	5,891
– Discontinued operations		(6,934)	(874)
		219,501	5,017
Non-controlling interests		(1,126)	(1,655)
		218,375	3,362

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 HK\$'000 Unaudited	2016 HK\$'000 Unaudited
Other comprehensive income/(loss) for the period			
<i>– Items that may be subsequently reclassified to profit or loss</i>			
Fair value gains/(losses) on available-for-sale financial assets		6,298	(360)
Foreign exchange translation		10,924	(7,967)
Other comprehensive income/(loss) for the period	10	17,222	(8,327)
Total comprehensive income/(loss) for the period		235,597	(4,965)
Total comprehensive income/(loss) for the period attributable to			
Owners of the Company			
– Continuing operations		239,294	3,072
– Discontinued operations		(4,172)	(6,032)
		235,122	(2,960)
Non-controlling interests		475	(2,005)
		235,597	(4,965)
Earnings/(loss) per share from continuing and discontinued operations attributable to owners of the Company (HK cents per share)			
Basic earnings/(loss) per share			
– Continuing operations		12.2	0.3
– Discontinued operations		(0.4)	(0.0)
		11.8	0.3
Diluted earnings/(loss) per share			
– Continuing operations		12.2	0.3
– Discontinued operations		(0.4)	(0.0)
		11.8	0.3

The notes on pages 21 to 39 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2017

	Note	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
Non-current assets			
Property, plant and equipment	12	6,805	10,603
Intangible assets	13	11,059	14,047
Deferred tax assets		–	15,384
Investments	16	784,934	734,229
Other assets	20	7,556	8,616
Loan portfolio, net	21	–	67,795
		810,354	850,674
Current assets			
Investments	16	55,137	41,756
Investments held-for-sale	17	16,576	14,875
Fees receivable	18	132,511	112,429
Loan portfolio, net	21	–	55,986
Prepayments and other receivables		33,034	33,040
Deposits with brokers		33,748	175,310
Time deposits		–	43,781
Cash and cash equivalents	19	2,568,004	2,629,131
		2,839,010	3,106,308
Assets of disposal groups classified as held-for-sale	14	392,393	–
		3,231,403	3,106,308
Current liabilities			
Investments	16	9,576	4,121
Accrued bonus		51,368	53,181
Distribution fee expenses payable	23	116,830	105,967
Other payables and accrued expenses		48,605	25,021
Other financial liabilities	24	4,752	4,527
Current tax liabilities		23,299	3,276
		254,430	196,093
Liabilities of disposal groups classified as held-for-sale	14	897	–
		255,327	196,093
Net current assets		2,976,076	2,910,215

Condensed Consolidated Balance Sheet

As at 30 June 2017

	Note	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
Non-current liabilities			
Accrued bonus		68	320
Deferred tax liabilities		65	–
		133	320
Net assets			
		3,786,297	3,760,569
Equity			
Equity attributable to owners of the Company			
Issued equity	22	1,391,473	1,391,473
Other reserves		166,331	148,515
Retained earnings		2,165,165	2,157,728
		3,722,969	3,697,716
Non-controlling interests			
		63,328	62,853
Total equity			
		3,786,297	3,760,569

The notes on pages 21 to 39 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 2017

	Note	Attributable to owners of the Company			Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
		Issued equity HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000			
Unaudited							
As at 1 January 2016		1,377,533	263,083	2,149,583	3,790,199	70,262	3,860,461
Profit/(loss) for the period		-	-	5,017	5,017	(1,655)	3,362
Other comprehensive income/(loss)							
Fair value losses on available-for-sale financial assets		-	(360)	-	(360)	-	(360)
Foreign exchange translation		-	(7,617)	-	(7,617)	(350)	(7,967)
Total comprehensive income/(loss)		-	(7,977)	5,017	(2,960)	(2,005)	(4,965)
Transactions with owners							
Share-based compensation	22	-	44,109	-	44,109	-	44,109
Dividends to owners of the Company	11	-	-	(295,794)	(295,794)	-	(295,794)
Total transactions with owners		-	44,109	(295,794)	(251,685)	-	(251,685)
As at 30 June 2016		1,377,533	299,215	1,858,806	3,535,554	68,257	3,603,811
Unaudited							
As at 1 January 2017		1,391,473	148,515	2,157,728	3,697,716	62,853	3,760,569
Profit/(loss) for the period		-	-	219,501	219,501	(1,126)	218,375
Other comprehensive income							
Fair value gains on available-for-sale financial assets		-	6,298	-	6,298	-	6,298
Foreign exchange translation		-	9,323	-	9,323	1,601	10,924
Total comprehensive income		-	15,621	219,501	235,122	475	235,597
Transactions with owners							
Share-based compensation	22	-	12,337	-	12,337	-	12,337
Transfer of share-based compensation revenue upon forfeiture of share options		-	(10,142)	10,142	-	-	-
Dividends to owners of the Company	11	-	-	(222,206)	(222,206)	-	(222,206)
Total transactions with owners		-	2,195	(212,064)	(209,869)	-	(209,869)
As at 30 June 2017		1,391,473	166,331	2,165,165	3,722,969	63,328	3,786,297

The notes on pages 21 to 39 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 Unaudited	2016 HK\$'000 Unaudited
Cash flows from operating activities		
Net cash generated from continuing operations	259,371	228,307
Net cash used in discontinued operations	(163,795)	–
Interest received	12,948	8,741
Interest received from loan portfolio	–	21,574
Tax paid	(5,056)	(33,913)
Net cash generated from operating activities	103,468	224,709
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(3,143)	(7,052)
Purchase of investments	(297,023)	(1,382)
Disposal of investments	346,560	15,708
Dividends received from investments	4,719	5,171
Net cash generated from investing activities	51,113	12,445
Cash flows from financing activities		
Dividends paid	(222,206)	(295,794)
Repayment of borrowings	–	(59,800)
Net cash used in financing activities	(222,206)	(355,594)
Net decrease in cash and cash equivalents	(67,625)	(118,440)
Net foreign exchange gains/(losses) on cash and cash equivalents	6,498	(9,744)
Cash and cash equivalents at beginning of the period	2,629,131	2,228,784
Cash and cash equivalents at end of the period	2,568,004	2,100,600

The notes on pages 21 to 39 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 2017

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 15 August 2017.

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

Key events

During the period ended 30 June 2017, the Group entered into a sale and purchase agreement with a third party to dispose of its 90% interest in Chengu Vision Credit Limited (“Vision Credit”), a small loan business in Chengdu. During the same period, the Group entered into another sale and purchase agreement with a third party to dispose of its 62.05% interest in Value Partners Concord Assets Management Co., Ltd. (“VP Concord”), an investment management business in Taiwan. Both transactions are expected to be completed by end of 2017. Refer to Note 14 for details.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, 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 2016, 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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2017 that would be expected to have a material impact on the Group.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

3 Accounting policies (continued)

New standards issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted

- HKFRS 9 “Financial instruments” addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9’s full impact.
- HKFRS 15 “Revenue from contracts with customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 “Revenue” and HKAS 11 “Construction contracts” and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is currently assessing the impact of HKFRS 15.
- HKFRS 16 “Leases” will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. The standard is mandatory for annual periods beginning on or after 1 January 2019. The Group is yet to assess HKFRS 16’s full impact.

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

4 Fair value estimation

The following table presents the Group's financial instruments that are measured at fair value at the end of the reporting period by level of the fair value measurement hierarchy.

	Level 1		Level 2		Level 3		Total	
	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
Investments (Note 16)								
Listed securities	237,887	211,036	-	-	-	-	237,887	211,036
Unlisted securities								
Investment funds – Cayman Islands	-	-	205,323	288,336	5,159	4,341	210,482	292,677
Others	-	-	347,300	234,535	-	-	347,300	234,535
Derivative financial instruments	-	-	(303)	(39)	35,129	33,655	34,826	33,616
Investments held-for-sale (Note 17)	-	-	16,576	14,875	-	-	16,576	14,875

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.

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.

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

Specific valuation techniques used to value financial instruments include:

- Quoted bid prices (or net asset value) provided by fund administrators for unlisted investment funds. These investment funds invest substantially in listed equities.
- Other techniques, such as valuations performed by external valuation specialists, recent arm's length transactions or reference to other instruments that are substantially the same, for the remaining financial instruments.

The following table presents the movement in level 3 instruments.

	Investments	
	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
As at 1 January	37,996	40,272
Addition to level 3	1,011	2,531
Return of capital from investment	-	(71)
Gains/(losses) recognized in profit or loss	1,084	(4,669)
Gains/(losses) recognized in other comprehensive income	197	(67)
As at 30 June 2017/31 December 2016	40,288	37,996
Total gains/(losses) for the period/year included in the condensed consolidated statement of comprehensive income for level 3 instruments held at the end of the period/year	1,281	(4,736)
Change in unrealized gains or losses for level 3 instruments held at period/year end and included in profit or loss	1,084	(2,884)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

4 Fair value estimation (continued)

The level 3 instruments include investment funds and a derivative financial instrument. 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 judgment and discretion to determine the fair value of the investment funds. The primary valuation basis in determining the fair value of the derivative financial instrument is the recent transaction price as notified by the market maker. The Group also corroborates the valuation by reference to a quote provided by the market maker and internal assessment based on modelling. There were no changes in valuation techniques during the period.

For those level 3 investments, no quantitative unobservable inputs are used to determine their fair value. No quantitative analysis would be presented.

As at 30 June 2017 and 31 December 2016, the majority of the Group's investments are included in level 1 and 2. There were no transfers between levels of the fair value measurement hierarchy for the period ended 30 June 2017. Transfer between levels of the fair value measurement hierarchy are recognized as of the date of the event or change in circumstances that caused the transfer.

The maturities of fees receivable, amounts receivable on sale of investments, other receivables, restricted bank balances, deposits with brokers, 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. As at 30 June 2017, the Group's small loan business is a discontinued operation. Refer to Note 14 for details.

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 2017

5 Segment information (continued)**Profit or loss**

The revenue and profit/(loss) 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/(loss) before tax for the period by segments is as follows:

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Asset management business HK\$'000 Unaudited	Small loan business (discontinued operations) HK\$'000 Unaudited	Total HK\$'000 Unaudited	Asset management business HK\$'000 Unaudited	Small loan business (discontinued operations) HK\$'000 Unaudited	Total HK\$'000 Unaudited
Income from external customers	752,242	1,537	753,779	709,102	20,492	729,594
Distribution fee expenses	(407,861)	–	(407,861)	(394,201)	–	(394,201)
Net fee income	344,381	1,537	345,918	314,901	20,492	335,393
Other income	21,961	1,683	23,644	13,788	2,293	16,081
Total net income	366,342	3,220	369,562	328,689	22,785	351,474
Operating expenses	(226,033)	(1,956)	(227,989)	(219,179)	(21,846)	(241,025)
Operating profit (before other gains/losses)	140,309	1,264	141,573	109,510	939	110,449
Other gains/(losses) – net	109,545	(8,075)	101,470	(90,290)	(971)	(91,261)
Reportable segment profit/(loss) before tax	249,854	(6,811)	243,043	19,220	(32)	19,188

Assets and liabilities

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

	Assets		Liabilities	
	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
Asset management business	3,701,546	3,416,985	(255,460)	(193,744)
Small loan business (discontinued operations)	340,211	539,997	–	(2,669)
Total assets/(liabilities)	4,041,757	3,956,982	(255,460)	(196,413)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

6 Revenue

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

	Six months ended 30 June	
	2017 HK\$'000 Unaudited	2016 HK\$'000 Unaudited
Management fees	546,666	529,169
Performance fees	22,291	5,186
Front-end fees	183,285	174,747
Total fee income	752,242	709,102

7 Other income

	Six months ended 30 June	
	2017 HK\$'000 Unaudited	2016 HK\$'000 Unaudited
Interest income from cash and cash equivalents, time deposits and restricted bank balances	13,487	6,785
Dividend income from available-for-sale financial assets	6,045	1,830
Dividend income from financial assets at fair value through profit or loss	2,034	4,220
Others	395	953
Total other income	21,961	13,788

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

8 Other gains/(losses) – net

	Six months ended 30 June	
	2017 HK\$'000 Unaudited	2016 HK\$'000 Unaudited
Net gains/(losses) on investments		
Gains on financial assets at fair value through profit or loss	111,159	31,275
Losses on financial assets at fair value through profit or loss	(15,115)	(112,316)
Net gains/(losses) on investments held-for-sale (Note 17)		
Gains on investments held-for-sale	3,082	–
Losses on investments held-for-sale	–	(10,869)
Others		
Net foreign exchange gains	10,385	1,620
Gains on disposal of property, plant and equipment	34	–
Total other gains/(losses) – net	109,545	(90,290)

9 Tax expense

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

Hong Kong profits tax has been provided on the estimated assessable profit for the six months ended 30 June 2017 at the rate of 16.5% (2016: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	Six months ended 30 June	
	2017 HK\$'000 Unaudited	2016 HK\$'000 Unaudited
Current tax		
Hong Kong profits tax	24,151	14,523
Overseas tax	1,601	722
Adjustments in respect of prior years	(145)	184
Total current tax	25,607	15,429
Deferred tax		
Origination and reversal of temporary differences	(962)	(513)
Total tax expense	24,645	14,916

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

10 Other comprehensive income/(loss)

	Six months ended 30 June	
	2017 HK\$'000 Unaudited	2016 HK\$'000 Unaudited
Items that may be subsequently reclassified to profit or loss:		
Fair value gains/(losses) on available-for-sale financial assets	6,298	(360)
Foreign exchange translation	10,924	(7,967)
Total other comprehensive income/(loss)	17,222	(8,327)

11 Dividends

Dividends declared by the Company of HK\$222,206,000 are related to the year ended 31 December 2016 and were paid on 25 May 2017. No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2017 (2016: Nil).

12 Property, plant and equipment

	30 June 2017 HK\$'000 Unaudited		31 December 2016 HK\$'000 Unaudited
	Opening net book amount	9,354	
Additions	921	3,056	
Disposals	(26,832)	(1,644)	
Depreciation	(3,613)	(8,827)	
Write back of depreciation on disposals	26,832	1,644	
Exchange differences	143	(87)	
Closing net book amount	6,805	10,603	

13 Intangible assets

	30 June 2017 HK\$'000 Unaudited		31 December 2016 HK\$'000 Unaudited
	Opening net book amount	13,581	
Additions	2,222	5,237	
Disposal	(4,367)	–	
Amortization	(2,516)	(5,062)	
Write bank of amortization on disposals	4,367	–	
Impairment	(2,444)	–	
Exchange differences	216	(6)	
Closing net book amount	11,059	14,047	

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

14 Discontinued operations and disposal groups

During the period ended 30 June 2017, the Group entered into a sale and purchase agreement with a third party to sell its entire issue share capital of Brilliant Star Capital (Cayman) Limited, which indirectly holds 90% of Vision Credit, the Group's small loan business in Chengdu. As at 30 June 2017, the carrying amount of the Group's investment in Vision Credit was written down to its fair value less costs to sell of HK\$305 million (representing the Group's 90% ownership), and an impairment loss of HK\$7.4 million was recognized. This disposal group's results are presented in the condensed consolidated interim financial information as a discontinued operation. Comparative figures relating to this discontinued operation on the condensed consolidated statement of comprehensive income have been restated.

During the same period, the Group entered into another sale and purchase agreement with a third party to sell its 62.05% interest in VP Concord, an investment management business in Taiwan, for a consideration of HK\$35 million (representing the Group's 62.05% ownership).

Both transactions are expected to be completed by end of 2017. The disposal groups' assets and liabilities are separately disclosed on the condensed consolidated balance sheet as at 30 June 2017.

15 Investment in associates

15.1 Investments in associates measured at fair value

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

	Place of incorporation	Interest held	
		30 June 2017	31 December 2016
Value Partners Ireland Fund Plc – Value Partners Health Care Fund	Ireland	23%	21%
		30 June 2017	31 December 2016
		HK\$'000	HK\$'000
Net asset value		187,557	177,993
Profit for the period/year and total comprehensive income		19,784	1,324

The fair value of the Group's interest in such investment funds are summarized in Note 27.3.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

16 Investments

Investments include the following:

	Financial assets/ (liabilities) at fair value through profit or loss		Available-for-sale financial assets		Total	
	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
Listed securities (by place of listing)						
Equity securities – Long – China	2,186	–	–	–	2,186	–
Equity securities – Long – Hong Kong	37,490	30,583	–	–	37,490	30,583
Equity securities – Short – Hong Kong	(4,410)	(3,644)	–	–	(4,410)	(3,644)
Equity securities – Long – Singapore	3,368	4,514	–	–	3,368	4,514
Equity securities – Long – Taiwan	–	4,428	–	–	–	4,428
Equity securities – Long – United States	11,988	2,230	–	–	11,988	2,230
Equity securities – Short – United States	(4,842)	–	–	–	(4,842)	–
Investment funds – Hong Kong	192,022	173,363	–	–	192,022	173,363
Market value of listed securities	237,802	211,474	–	–	237,802	211,474
Unlisted securities (by place of incorporation/establishment)						
Equity securities – Singapore	–	–	1,908	5,594	1,908	5,594
Investment funds – Australia	19,949	17,573	–	–	19,949	17,573
Investment funds – Cayman Islands	205,323	288,336	5,159	4,341	210,482	292,677
Investment funds – China	20,915	13,869	1,312	1,183	22,227	15,052
Investment funds – Ireland	122,183	38,063	–	–	122,183	38,063
Investment funds – Luxemburg	–	–	74,072	71,867	74,072	71,867
Investment funds – United States	73,244	60,675	33,717	25,711	106,961	86,386
Fair value of unlisted securities	441,614	418,516	116,168	108,696	557,782	527,212
Derivative financial instruments						
Equity swap – China	35,129	33,655	–	–	35,129	33,655
Equity swap – Taiwan	(93)	(39)	–	–	(93)	(39)
Equity swap – South Korea	(210)	–	–	–	(210)	–
Index futures – Hong Kong	85	(438)	–	–	85	(438)
Fair value of derivative financial instruments	34,911	33,178	–	–	34,911	33,178
Total investments	714,327	663,168	116,168	108,696	830,495	771,864
Representing:						
Non-current	668,766	625,533	116,168	108,696	784,934	734,229
Current	45,561	37,635	–	–	45,561	37,635
Total investments	714,327	663,168	116,168	108,696	830,495	771,864

In addition to the above, some investments were classified as held-for-sale as at 30 June 2017 and 31 December 2016. Refer to Note 17 for details.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

16 Investments (continued)**Interests in structured entities**

As at 30 June 2017 and 31 December 2016, the Group is deemed to hold a controlling interest in the following investment fund. All assets and liabilities of this fund are consolidated within the Group's balance sheet.

	Place of incorporation	Effective interest held	
		Directly	Indirectly
Value Partners Big Data Fund	Cayman Islands	–	95%

The Group provided seed capital to set up a number of investment funds, of which the Group acts as the investment manager or investment advisor. As at 30 June 2017 and 31 December 2016, except for the consolidated fund disclosed above, 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\$4 million to US\$3.5 billion (31 December 2016: US\$4 million to US\$3.5 billion). During the period, other than seed capital, the Group did not provide other financial support to unconsolidated structured entities and had no intention of providing other support.

17 Investments held-for-sale

The Group classified some of its interests in investment funds as held-for-sale as the Group intends to market these funds and dilute its holdings as soon as practically possible to a level where its aggregate economic interest does not constitute a control. As at 30 June 2017 and 31 December 2016, the major assets of these investment funds were listed equity securities.

	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
Investment funds – Taiwan	16,576	14,875
Total investments held-for-sale	16,576	14,875

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

	Six months ended 30 June	
	2017 HK\$'000 Unaudited	2016 HK\$'000 Unaudited
Change in unrealized gains/losses on investments held-for-sale	3,082	(10,869)
Net gains/(losses) on investments held-for-sale	3,082	(10,869)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

18 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 2017 (31 December 2016: Nil).

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

	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
Fees receivable that were past due but not impaired		
1 – 30 days	1,666	490
31 – 60 days	177	1,096
61 – 90 days	456	1,475
Over 90 days	17	2,436
	2,316	5,497
Fees receivable that were within credit period	130,195	106,932
Total fees receivable	132,511	112,429

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 2017 (31 December 2016: Nil).

19 Cash and cash equivalents

	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
Cash at banks and in hand	319,460	183,371
Short-term bank deposits	2,247,839	2,439,201
Deposits with brokers	705	6,559
Total cash and cash equivalents	2,568,004	2,629,131

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

20 Other assets

	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
Restricted bank balances	–	6,022
Other assets	7,556	2,594
Total other assets	7,556	8,616

In accordance with the Regulations Governing the Conduct of Discretionary Investment Business and the Regulations Governing Offshore Funds of Taiwan, as at 31 December 2016, VP Concord, a subsidiary of the Group, placed a deposit of NT\$25 million (equivalent to HK\$6,012,000) 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. As at 30 June 2017, VP Concord is a disposal group with assets and liabilities separately disclosed on the condensed consolidated balance sheet. Refer to Note 14 for details.

As at 30 June 2017, no bank deposits (31 December 2016: RMB9,000 (equivalent to HK\$10,000)) were placed as a minimum reserve for the Group's investment in equity securities in China.

21 Loan portfolio, net

As at 30 June 2017, Vision Credit, the Group's small loan business, is a discontinued operation with assets and Liabilities separately disclosed on the condensed consolidated balance sheet. Refer to Note 14 for details.

21.1 Loan portfolio less allowance

	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
Loan portfolio in the People's Republic of China		
Corporate	–	46,115
Personal	–	143,300
	–	189,415
Allowance for impairment	–	(165,634)
Total loan portfolio, net	–	123,781
Representing:		
Non-current	–	67,795
Current	–	55,986
Total loan portfolio, net	–	123,781

The fair value of the loan portfolio approximates its carrying value and it is short-term in nature.

As at 31 December 2016, the loan portfolio had a weighted average remaining term of 2.3 years on a contractual basis, without taking into account any prepayment of loans.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

21 Loan portfolio, net (continued)

21.2 Allowance for loan impairment

	Collective assessment		Individual assessment	
	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
As at 1 January 2017/1 January 2016	–	3,081	–	29,510
Charged to the consolidated statement of comprehensive income	–	(918)	–	37,588
Exchange differences	–	(155)	–	(3,472)
As at 30 June 2017/31 December 2016	–	2,008	–	63,626

As at 31 December 2016, the allowance for collectively assessed loan impairment amounted to 1.1% of the outstanding balances of the loan portfolio, and the allowance for individually assessed loan impairment amounted to 69% of the impaired loan portfolio.

22 Issued equity

	Number of shares	Issued equity HK\$'000
Unaudited		
As at 1 January 2017 and 30 June 2017	1,851,714,831	1,391,473
Unaudited		
As at 1 January 2016 and 30 June 2016	1,848,714,831	1,377,533

Share options

The Group operates a share option scheme for directors, employees and others whom the Board of Directors considers, in its sole discretion, have contributed or will contribute to the Group. The share option scheme is effective for a period of ten years from the date it was adopted, after which no new share options will be granted but the provisions of the scheme will remain in full force and effect in all other respects. The share options are subject to terms as the Board of Directors may determine. Such terms may include the exercise price of the share options, the minimum period for which the share options must be held before they can be exercised in whole or in part, the conditions that must be reached before the share options can be exercised. The Group has no legal or constructive obligation to repurchase or settle the share options in cash. No options (2016: Nil) were granted under the share option scheme during the six months ended 30 June 2017.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

22 Issued equity (continued)**Share options (continued)**

The total expense recognized in the condensed consolidated statement of comprehensive income for share options granted to directors and employees during the six months ended 30 Jun 2017 was HK\$12,337,000 (2016: HK\$44,109,000) which has no impact to the Group's cash flow. The weighted average fair value of options granted during the six months ended 30 June 2017 was determined using the Black-Scholes valuation model. The total fair value of options granted is amortized over the vesting period. The significant inputs into the model included share price at the grant date, exercise price, estimated volatility, estimated dividend yield based on historical dividend per share, expected option life, and annual risk-free interest rate. The volatility was measured based on historic average share price volatility over a period of similar maturity to those of the share options.

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

	Average exercise price (HK\$ per share)	Number of options ('000)
Unaudited		
As at 1 January 2016	13.46	148,120
Forfeited	13.60	(1,950)
Forfeited	14.09	(50)
As at 30 June 2016	13.45	146,120
Unaudited		
As at 1 January 2017	13.63	135,600
Forfeited	13.60	(10,490)
Forfeited	14.09	(4,877)
As at 30 June 2017	13.61	120,233

Out of the 120,233,000 (31 December 2016: 135,600,000) outstanding share options, 63,773,000 (31 December 2016: 66,986,000) options were exercisable as at 30 June 2017 with weighted average exercise price of HK\$13.40 (2016: HK\$13.43). No (2016: 3,000,000) option was exercised during the six months ended 30 June 2017.

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

Expiry date	Exercise price (HK\$ per share)	Number of options ('000)	
		30 June 2017 Unaudited	30 June 2016 Unaudited
11 November 2021	13.60	26,930	42,280
16 December 2021	14.09	88,703	96,240
30 May 2022	3.94	600	1,600
6 December 2022	4.56	4,000	4,000

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22 Issued equity (continued)

Share options (continued)

The measurement dates of the share options were 17 June 2015, 12 May 2015, 7 December 2012, 31 May 2012, being the dates of grant of the share options, and 27 July 2015, being the date of the Group's extraordinary general meeting approving the grant of 54,800,000 share options to Dato' Seri Cheah. Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest or lapse. Forfeiture rate is also considered in determining the amount of share option expenses.

23 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 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
0 – 30 days	116,558	103,357
31 – 60 days	71	2,129
61 – 90 days	13	244
Over 90 days	188	237
Total distribution fee expenses payable	116,830	105,967

24 Other financial liabilities

The Group consolidates certain seed capital investments where it is deemed to have control, and records an additional liability representing the fair value of the proportion of the fund owned by third party investors.

25 Commitments

25.1 Operating lease commitments

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:

	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
Not later than one year	21,977	24,391
Later than one year and not later than five years	10,256	16,060
Total operating lease commitments	32,233	40,451

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

25 Commitments (continued)

25.2 Capital commitments

As at 30 June 2017, the Group has unfunded capital commitments in a private equity fund amounted to US\$295,000 (equivalent to HK\$2,301,000) (31 December 2016: US\$375,000 (equivalent to HK\$2,910,000)). As at the end of the period, the capital commitment contracted to purchase licensed software but not yet incurred amounted to HK\$1,320,000 (31 December 2016: HK\$1,548,000).

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 2017 and 31 December 2016, 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 or a performance threshold is exceeded 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 2017 and 31 December 2016, 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.

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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	
	2017 HK\$'000 Unaudited	2016 HK\$'000 Unaudited
Consultancy fee to a close family member of key management personnel	(145)	(145)

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	
	2017 HK\$'000 Unaudited	2016 HK\$'000 Unaudited
Management bonus, salaries and other short-term employee benefits	9,427	8,001
Share-based compensation	8,624	22,729
Pension costs	36	36
Total key management compensation	18,087	30,766

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

27 Related-party transactions (continued)**27.3 Investments in investment funds which are managed/advised by the Group (continued)**

	Fair value	
	30 June 2017 HK\$'000 Unaudited	31 December 2016 HK\$'000 Audited
Consolidated structured entities		
Value Partners Big Data Fund (Note 16)	92,477	87,812
Unconsolidated structured entities		
AMG/Value Partners Asia Dividend Fund	72,911	60,395
Premium Asia Income Fund	19,949	17,573
Value China ETF	5,520	4,671
Value Gold ETF	155,060	142,179
Value Japan ETF	9,632	8,932
Value Korea ETF	9,825	7,815
Value Partners Asia Fund, LLC	333	280
Value Partners China A-Share Select Fund ^(a)	89	74
Value Partners Concord Greater China Value Fund	16,576	14,874
Value Partners Global Contrarian Fund ^(b)	15,678	13,716
Value Partners Greater China High Yield Income Fund ^(c)	1	1
Value Partners Ireland Fund Plc – Value Partners Global Emerging Market Bond Fund ^(d)	79,634	–
Value Partners Ireland Fund Plc – Value Partners Health Care Fund (Note 15.1)	42,549	38,063
Value Partners Hedge Fund Limited ^(c)	2	2
Value Partners High-Dividend Stocks Fund ^(e)	324	266
Value Partners Intelligent Funds – China Convergence Fund ^(a)	39,853	65,672
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	108,504	170,698
Value Partners Multi-Asset Fund	40,872	37,908
Value Taiwan ETF	11,985	9,765
金海九號證券投資集合資金信託計劃	20,915	13,869
Total investments in investment funds which are managed/advised by the Group	742,689	694,565

(a) The units held were Class A units.

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

(c) The shares held were management shares.

(d) The shares held were Class A Acc and Class X Acc shares.

(e) The units held were Class A2 MDis units.

27.4 Investments in an investment fund managed by a related company

As at 30 June 2017, the Group had investments in Malabar India Fund, LP amounted to HK\$33,695,000 (31 December 2016: HK\$25,689,000) which is managed by Malabar Investment LLC in which the Group had an interest of 6.6% (31 December 2016: 6.6%).

28 Cyclicity

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

Other Information

Directors' interests in shares, underlying shares and debentures

As at 30 June 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which had required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange, were as follows:

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

Name of Director	Nature of interest	Number of Shares	Number of underlying Shares in which the Directors hold under the share option scheme ⁽³⁾	Approximate percentage of issued Shares
Dato' Seri CHEAH Cheng Hye	Founder of trust/beneficial ⁽¹⁾	403,730,484	–	21.80%
	Beneficial	57,470,828	56,620,000	6.16%
Mr. SO Chun Ki Louis	Beneficial	14,165,723	16,990,000	1.68%
Ms. HUNG Yeuk Yan Renee	Founder of trust ⁽²⁾	16,870,583	–	0.91%
	Beneficial	–	11,370,000	0.61%
Dr. CHEN Shih-Ta Michael	Beneficial	–	500,000	0.02%
Mr. LEE Siang Chin	Beneficial	200,000	300,000	0.02%
Mr. Nobuo OYAMA	Beneficial	500,000	300,000	0.04%

Notes:

- (1) These Shares are directly held by Cheah Capital Management Limited ("CCML") which is wholly-owned by Cheah Company Limited ("CCL") which is in turn wholly-owned by BNP Paribas Jersey Nominee Company Limited, a company incorporated in Jersey, Channel Islands, holding the shares in CCL as nominee for BNP Paribas Jersey Trust Corporation Limited as trustee for a discretionary trust, the discretionary objects of which include Dato' Seri CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Dato' Seri CHEAH Cheng Hye is the founder of this trust. The ultimate holding company of BNP Paribas Jersey Trust Corporation Limited is BNP Paribas SA.
- (2) These Shares are directly held by Bright Starlight Limited which is wholly-owned by Scenery Investments Limited which is in turn wholly-owned by East Asia International Trustees Limited, a company incorporated in the British Virgin Islands, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. HUNG Yeuk Yan Renee.
- (3) The number of underlying Shares in which the Directors hold under the share option scheme are detailed in "Share options" section below.

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' Seri CHEAH Cheng Hye	Value Partners Strategic Equity Fund	Beneficial	74,000 non-voting shares	0.49% of the total issued non-voting shares
Ms. HUNG Yeuk Yan Renee	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
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 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 2017 are as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2017	Number of Share Options			As at 30/06/2017
					Granted	Exercised	Lapsed	
Dato' Seri CHEAH Cheng Hye	17/06/2015 ⁽³⁾	17/12/2015-16/12/2021	14.092	18,873,333	-	-	-	18,873,333
		17/12/2016-16/12/2021	14.092	18,873,333	-	-	-	18,873,333
		17/12/2017-16/12/2021	14.092	18,873,334	-	-	-	18,873,334
Mr. SO Chun Ki Louis	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
	12/05/2015	12/05/2018-11/11/2021	13.60	1,716,666	-	-	-	1,716,666
		12/05/2019-11/11/2021	13.60	1,716,666	-	-	-	1,716,666
		12/05/2020-11/11/2021	13.60	1,716,668	-	-	-	1,716,668
	17/06/2015	17/12/2015-16/12/2021	14.092	3,413,333	-	-	-	3,413,333
		17/12/2016-16/12/2021	14.092	3,413,333	-	-	-	3,413,333
		17/12/2017-16/12/2021	14.092	3,413,334	-	-	-	3,413,334

Other Information

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2017	Number of Share Options			As at 30/06/2017
					Granted	Exercised	Lapsed	
Ms. HUNG Yeuk Yan Renee	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
	12/05/2015	12/05/2018-11/11/2021	13.60	1,016,666	-	-	-	1,016,666
		12/05/2019-11/11/2021	13.60	1,016,666	-	-	-	1,016,666
		12/05/2020-11/11/2021	13.60	1,016,668	-	-	-	1,016,668
	17/06/2015	17/12/2015-16/12/2021	14.092	2,373,333	-	-	-	2,373,333
		17/12/2016-16/12/2021	14.092	2,373,333	-	-	-	2,373,333
		17/12/2017-16/12/2021	14.092	2,373,334	-	-	-	2,373,334
Dr. CHEN Shih-Ta Michael	31/05/2012	31/12/2013-30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2014-30/05/2022	3.94	66,667	-	-	-	66,667
		31/05/2015-30/05/2022	3.94	66,666	-	-	-	66,666
	17/06/2015	17/12/2015-16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2016-16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2017-16/12/2021	14.092	100,000	-	-	-	100,000
Mr. LEE Siang Chin	17/06/2015	17/12/2015-16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2016-16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2017-16/12/2021	14.092	100,000	-	-	-	100,000
Mr. Nobuo OYAMA	17/06/2015	17/12/2015-16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2016-16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2017-16/12/2021	14.092	100,000	-	-	-	100,000

Other Information

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2017	Number of Share Options			As at 30/06/2017
					Granted	Exercised	Lapsed	
Employees	31/05/2012	31/05/2013-30/05/2022	3.94	100,000	-	-	-	100,000
		31/05/2014-30/05/2022	3.94	100,000	-	-	-	100,000
		31/05/2015-30/05/2022	3.94	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
	12/05/2015	12/05/2018-11/11/2021	13.60	9,739,990	-	-	(3,496,665)	6,243,325
		12/05/2019-11/11/2021	13.60	9,739,990	-	-	(3,496,665)	6,243,325
		12/05/2020-11/11/2021	13.60	9,740,020	-	-	(3,496,670)	6,243,350
	17/06/2015	17/12/2015-16/12/2021	14.092	6,233,322	-	-	(1,606,665)	4,626,657
		17/12/2016-16/12/2021	14.092	6,233,322	-	-	(1,606,665)	4,626,657
		17/12/2017-16/12/2021	14.092	6,233,356	-	-	(1,663,338)	4,570,018
Total				135,600,000	-	-	(15,366,668) ⁽⁴⁾	120,233,332

Notes:

- (1) The closing prices of the Shares immediately before the share options granted on 31 May 2012, 7 December 2012, 12 May 2015 and 17 June 2015 were HK\$3.90, HK\$4.54, HK\$13.68 and HK\$13.50 respectively.
- (2) No share option was cancelled during the period under review.
- (3) Out of a total of 56,620,000 share options, the grant of 54,800,000 share options to Dato' Seri CHEAH was approved in the extraordinary general meeting of the Company held on 27 July 2015.
- (4) 2,636,668 share options belong to resigned employees with entitlement to share options that are not vested by their last employment dates.

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.

Other Information

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 2017, 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:

Name	Nature of interest	Number of Shares/ underlying Shares	Approximate percentage of issued Shares
Ms. TO Hau Yin ⁽¹⁾	Spouse	517,821,312(L)	27.96%
Mr. YEH V-Nee	Beneficial	298,805,324(L)	16.13%
Mrs. YEH Mira ⁽²⁾	Spouse	298,805,324(L)	16.13%
Cheah Capital Management Limited ⁽³⁾	Beneficial	403,730,484(L)	21.80%
Cheah Company Limited ⁽³⁾	Corporate	403,730,484(L)	21.80%
BNP Paribas Jersey Nominee Company Limited ⁽³⁾	Nominee	403,730,484(L)	21.80%
BNP Paribas Jersey Trust Corporation Limited ⁽³⁾	Trustee	403,730,484(L)	21.80%
JPMorgan Chase & Co. ⁽⁴⁾	Beneficial owner	24,074,535(L)	1.30%
	Beneficial owner	9,994,118(S)	0.53%
	Custodian corporation/ approved lending agent	68,701,667(L/P)	3.71%

The Letter "L" denotes a long position. The letter "S" denotes a short position. the letter "P" denotes interest in a lending pool.

Notes:

- (1) Ms. TO Hau Yin is the spouse of Dato' Seri CHEAH Cheng Hye.
- (2) Mrs. YEH Mira is the spouse of Mr. YEH V-Nee.
- (3) Cheah Capital Management Limited ("CCML") is wholly-owned by Cheah Company Limited ("CCL") which in turn is wholly-owned by BNP Paribas Jersey Nominee Company Limited, a company incorporated in Jersey, Channel Islands, holding the shares in CCL as nominee for BNP Paribas Jersey Trust Corporation Limited as trustee for a discretionary trust, the discretionary objects of which include Dato' Seri CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Dato' Seri CHEAH Cheng Hye is the founder of this trust. The ultimate holding company of BNP Paribas Jersey Trust Corporation Limited is BNP Paribas SA.
- (4) Based on the relevant notices received by the Company, these shares/underlying shares are held by various wholly-owned subsidiaries of JPMorgan Chase & Co., in respect of which interest in 6,700,000 shares (L) and 52,000 shares (S) have been reported as physically settled unlisted derivatives and interest in 880,018 shares (S) have been reported as cash settled unlisted derivatives.

Other Information

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 2017 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.

Events after the reporting period

Attention is drawn to the Company’s announcement dated 22 May 2017 made pursuant to Rule 3.7 of The Code on Takeovers and Mergers (the “Takeovers Code”), Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance and the announcements made pursuant to Rule 3.7 of the Takeovers Code dated 22 June 2017 and 21 July 2017 (the “Announcements”). As disclosed in the Announcements, the Company was informed by Dato’ Seri Cheah Cheng Hye (Chairman, a Director and Co-Chief Investment Officer of the Company, indirectly holding 461,201,312 ordinary shares of the Company, representing approximately 24.9% of the issued share capital of the Company, and outstanding options to subscribe for up to 56,620,000 Shares) and Mr. Yeh V-Nee (a Non-Executive Honorary Chairman of the Company, indirectly holding 298,805,324 ordinary shares of the Company, representing approximately 16.14% of the issued share capital of the Company) (collectively, the “Relevant Shareholders”) that they had been approached by third parties and were in discussions with a potential offeror (the “Potential Offeror”) and the Relevant Shareholders and the Potential Offeror signed a non-binding memorandum of understanding on 24 January 2017 in respect of a possible transaction involving an acquisition of interests in the Company by the Potential Offeror (the “Possible Transaction”). As at the date of this announcement, the discussion is still in progress and the Relevant Shareholders have not entered into any definitive agreement with the Potential Offeror in relation to the Possible Transaction and the Possible Transaction may or may not proceed.

In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the aforesaid discussions are made until announcement of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Foreign exchange

Except for its Renminbi-denominated bank deposit and loan portfolio in China, which has a balance of around HK\$298.4 million as at 30 June 2017 (30 June 2016: HK\$539.9 million), the Group has no significant foreign currency exposure because the majority of receipts and payments as well as assets and liabilities are denominated in the Hong Kong dollar (the Company’s functional and presentation currency) and the United States dollar, which is linked to the Hong Kong dollar.

Human resources

As at 30 June 2017, the Group employed a total of 189 staff (30 June 2016: 205) in Hong Kong and Shanghai, 11 staff (30 June 2016: 10) in Singapore, 2 staff (30 June 2016: Nil) in United Kingdom, 13 staff (30 June 2016: 17) in Taiwan and 52 staff (30 June 2016: 79) in Chengdu. 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.

Other Information

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 2017.

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 2017.

Independent review of interim results

The unaudited interim results of the Group for the six months ended 30 June 2017 have been reviewed by the Company's external Auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Corporate governance

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2017.

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 2017.

Publication of interim results and interim report on the Stock Exchange

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

Our appreciation

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

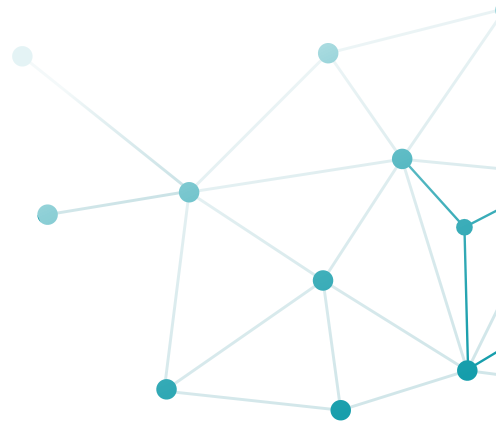
By order of the board of

Value Partners Group Limited

Dr. AU King Lun MH, Ph.D

Chief Executive Officer and Executive Director

Hong Kong, 15 August 2017



Value Partners Group Limited

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