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VALUE PARTNERS GROUP LIMITED

惠理集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 806)

PROFIT WARNING

Unless there is significant improvement in the equity markets in Hong Kong and elsewhere before the end of 2008, the Company may report a substantial decrease in net profits for the current financial year if it is required to recognise unrealised losses through its consolidated income statement in respect of the Group's investments in its own funds. These investments represent the seed capital invested by the Group in its own funds in order to facilitate the launch of such products. The potential charge to the consolidated income statement will have no cash flow impact on the Group.

The Board is of the view that the financial position of the Group remains healthy and liquid and the principal business activities of the Group will not be materially affected by such unrealised losses from investments in its own funds. As at 18 November 2008, the Group had total cash and bank balances of approximately HK\$570 million as estimated by management and the Group had no outstanding debt or borrowing. Further, for the period up to 18 November 2008, the fixed cost coverage (being the gross management fees divided by fixed and recurring expenses) of the Group was approximately 3.3 times.

This announcement is made by Value Partners Group Limited (the "Company" and, together with its subsidiaries, the "Group") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company is engaged in the provision of investment management services to investment funds and managed accounts. As is common practice for the investment management industry, the investment manager may sometimes put seed capital into its investment funds in order to facilitate the launch of products. The purpose of seed capital is to ensure that investment funds can have a reasonable starting fund size to operate and to build their track record. For this purpose, the Group has invested in certain investment funds that it manages. Funds that the Group has invested in are its own equity fund products and the majority of them are long-biased absolute return funds (49%, based on fair value as of 18 November 2008). The remainder includes long-short hedge funds (23%), quantitative fund (23%) and private equity fund (4%).

In view of the continued slump in the equity markets to date, the Company has experienced a substantial decrease in the value of the Group's investments in its own funds in past months. The amount of decrease in the value since the beginning of the year to 18 November 2008 is estimated by management to be between HK\$119 million to HK\$125 million. Currently, such decrease in the value is accounted for through the revaluation reserve in equity. The Company is discussing with its auditors about whether and how this amount should be recognised in the consolidated income statement of the Group under Hong Kong Financial Reporting Standards. If, after the discussion with auditors, this decrease in the value should be recognised in the consolidated income statement, then the Company will recognise it accordingly. This charge (if required to be made) to the consolidated income statement of the Group will have no cash flow impact on the Group.

The Board is of the view that the financial position of the Group remains healthy and liquid and the principal business activities of the Group will not be materially affected by such unrealised losses from investments in its own funds. As at 18 November 2008, the Group had total cash and bank balances of approximately HK\$570 million as estimated by management and the Group had no outstanding debt or borrowing. Besides, for the period up to 18 November 2008, the fixed cost coverage (being the gross management fees divided by fixed and recurring expenses such as fixed salaries, rent, other administrative expenses, etc) of the Group was approximately 3.3 times. This means that the Group continues to enjoy positive earnings from managing funds.

The decrease in the value of the Group's investments in its own funds is calculated based on the decline in the fair value of such investments as of 18 November 2008, when compared with their fair value as of 31 December 2007 or at inception, if such fund was launched in 2008. We summarise below the fair value of the Group's investment in each relevant funds as of 31 December 2007 and 18 November 2008, respectively and the difference in such values.

	31 December 2007	18 November 2008	2008 Year-to-date	
Investment Cost	Audited Fair Value	Unaudited Fair Value	Decrease in Fair Value	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Asia Value Formula Fund	77,800	71,887	29,172	42,715
Manulife Global Fund – China Value Fund	683	7,483	3,391	4,092
Value Partners China Greenchip Fund Limited	2,000	8,588	3,354	5,234
Value Partners Hedge Fund Limited (note (iv) below)	5,767	13,580	10,427	3,153
Value Partners Classic Fund	1,384	14,664	6,769	7,895
Value Partners Greater China Property Hedge Fund (notes (i) and (iv) below)	23,400	N/A	18,662	4,738
Value Partners High-Dividend Stocks Fund	3,160	14,545	7,090	7,455
Value Partners Intelligent Funds – China Convergence Fund	1,538	17,075	8,276	8,799
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	5,369	15,622	7,699	7,923
Value Partners Strategic Equity Fund (notes (iii) and (iv) below)	5,835	5,718	5,558	160
Value Partners Taiwan Fund (note (ii) below)	15,600	N/A	9,516	6,084
Value Partners Asia Fund, LLC (note (iv) below)	23,563	36,588	15,440	21,148
Total fair value in investments in own funds	166,099	205,750	125,354	
Total change in fair value in investments in own investment funds				119,396

(i) The fund was launched in June 2008 and the Group made an investment of HK\$23.4 million.

(ii) The fund was launched in March 2008 and the Group made an investment of HK\$15.6 million.

(iii) It is likely that this amount may be further written down as the recoverability of the fund's investment in Oasis Airline is becoming doubtful.

(iv) The fund is not authorised by the Securities and Futures Commission of Hong Kong for marketing to the general public in Hong Kong.

The Group is considering discussing with its auditors whether it should change its accounting policy for investments in its own funds.

By order of the board of
Value Partners Group Limited
Ngan Wai Wah
CEO and Executive Director

Hong Kong, 19 November 2008

As at the date of this Announcement, our Directors are Mr. Cheah Cheng Hye, Ms. Chau Yee Man, Mr. Ho Man Kei, Ms. Hung Yeuk Yan Renee, Mr. Law Ka Kin, Mr. Ngan Wai Wah and Mr. So Louis Chun Ki as Executive Directors, Mr. Choi Nga Chung as Non-executive Director and Dr. Chen Shih Ta Michael, Mr. Lee Siang Chin and Mr. Nobuo Oyama as Independent Non-executive Directors.