Value Partners
Investing through discipline

VALUE PARTNERS GROUP LIMITED
惠理集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 806)

INTERIM RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2009

FINANCIAL HIGHLIGHTS

- Total revenue was HK$162.8 million (2008: HK$281.5 million)
- Gross management fees were HK$98.2 million (2008: HK$202.7 million)
- Gross performance fees were HK$61.0 million (2008: HK$66.0 million)
- Net profit was HK$116.1 million (2008: HK$35.4 million)
- Earnings per share were HK7.3 cents (2008: HK2.2 cents)
- Diluted earnings per share were HK7.2 cents (2008: HK2.2 cents)
- No interim dividend was proposed (2008: HK5.5 cents)

INTERIM RESULTS

The board of directors (the "Board") of Value Partners Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the period ended 30 June 2009 together with respective comparative figures. The following financial information, including the comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKFRS").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2009	2008
		HK$'000	*HK$'000*
	Note	**Unaudited**	Unaudited
			(Restated)
Income			
Revenue	*3*	**162,825**	281,544
Other income	*3*	**9,408**	31,310
Total income		**172,233**	312,854
Expenses			
Distribution fees		**13,999**	31,675
Share-based compensation		**3,569**	124,036
Other compensation and benefit expenses		**63,953**	32,221
Operating lease rentals		**5,997**	4,111
Advisory fees		**2,209**	7,344
Other expenses		**14,439**	19,397
Total expenses		**104,166**	218,784
Other gains/(losses) — net	*4*	**58,501**	(48,483)
Profit before tax		**126,568**	45,587
Tax expense	*5*	**(10,493)**	(10,147)
Profit for the period		**116,075**	35,440
Other comprehensive income:			
Gains/losses recognised directly in equity			
Available-for-sale financial assets		**(57)**	(11,184)
Other comprehensive income for the period		**(57)**	(11,184)
Total comprehensive income for the period		**116,018**	24,256
Profit attributable to			
Equity holders of the Company		**116,075**	35,440
Total comprehensive income attributable to			
Equity holders of the Company		**116,018**	24,256
Earnings per share for profit attributable to the equity holders of the Company (HK cent per share)			
— basic		**7.3**	2.2
— diluted		**7.2**	2.2
Dividends *(HK$'000)*	*6*	**—**	88,000

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2009 *HK'000* Unaudited	31 December 2008 *HK$'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**8,183**	4,165
Intangible assets		**1,376**	1,635
Investments	*7*	**204,551**	146,757
Deferred tax assets		**259**	259
Other assets		**1,746**	1,746
Total non-current assets		**216,115**	154,562
Current assets			
Investments	*7*	**4,219**	7,596
Fees receivable	*8*	**38,727**	33,359
Prepayments and other receivables		**45,551**	11,439
Cash and cash equivalents	*9*	**622,695**	562,165
Total current assets		**711,192**	614,559
Total assets		**927,307**	769,121
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital and share premium	*10*	**53,767**	53,767
Other reserves		**134,620**	131,108
Retained earnings			
— others		**673,287**	557,212
Total equity		**861,674**	742,087
LIABILITIES			
Current liabilities			
Accrued bonus		**36,032**	7,982
Distribution fees payable	*11*	**6,497**	9,706
Other payables and accrued expenses		**12,881**	8,676
Current tax liabilities		**10,223**	670
Total liabilities		**65,633**	27,034
Total equity and liabilities		**927,307**	769,121
Net current assets		**645,559**	587,525
Total assets less current liabilities		**861,674**	742,087

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 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 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

2 Accounting policies

Consistent with the accounting policies as disclosed in the annual financial statements for the year ended 31 December 2008, the Group has applied the scope exclusion within HKAS 28 "Investments in Associates" for mutual funds, unit trusts and similar entities for the six months ended 30 June 2009 and 2008. Investments in own investment funds in the amount of HK$205,758,000 classified as available-for-sale financial assets for the six months ended 30 June 2008 have been reclassified as financial assets at fair value through profit or loss and the effects are to increase retained earnings and decrease other reserves at 1 January 2008 by HK$86,713,000. Other gains/losses — net in the condensed consolidated statement of comprehensive income was decreased by HK$53,050,000 and other comprehensive income was increased by the same amount for the six months ended 30 June 2008. The basic and diluted earnings per share for profit attributable to the equity holders of the Company for the six months ended 30 June 2008 was decreased by HK3.3 cents per share.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Certain new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2009. Those that are relevant to the Group's operations are as follows:

- HKAS 1 (Revised) "Presentation of Financial Statements".
- HKFRS 2 (Amendment) "Share-based Payment".
- HKFRS 7 "Financial Instruments: Disclosures".
- HKFRS 8 "Operating Segments".
- There are a number of amendments made to the following standards which are relevant to the Group's operations are not discussed in details as the adoption of these amendments does not have any significant impact on the Group's financial statements:
  - HKAS 1 "Presentation of Financial Statements"
  - HKAS 19 "Employee Benefits"
  - HKAS 28 "Investments in Associates"
  - HKAS 32 (Amendment) "Financial Instruments: Presentation" and HKAS 1 (Amendment) "Presentation of Financial Statements" "Puttable Financial Instruments and Obligations Arising on Liquidation"
  - HKAS 36 "Impairment of Assets"
  - HKAS 38 "Intangible Assets"
  - HKAS 39 "Financial Instruments: Recognition and Measurement"

Certain new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2009 and have not been early adopted. Those that are relevant to the Group's operations are as follows and the Group does not expect adoption of the amendments to have a significant effect on the Group's financial statements:

- HKFRS 3 (Revised) "Business Combinations" and consequential amendments to HKAS 27 "Consolidated and Separate Financial Statements", HKAS 28 "Investments in Associates" and HKAS 31 "Interests in Joint Ventures"
- The Hong Kong Institute of Certified Public Accountants' improvements to HKFRS published in May 2009
  - — HKAS 1 (Amendment) "Presentation of Financial Statements" (effective 1 January 2010).
  - — HKAS 7 (Amendment) "Statement of Cash Flows" (effective 1 January 2010).
  - — HKAS 36 (Amendment) "Impairment of Assets" (effective 1 January 2010).
  - — HKAS 38 (Amendment) "Intangible Assets" (effective 1 July 2009).
  - — HKAS 39 (Amendment) "Financial Instruments: Recognition and Measurement" (effective 1 January 2010).
  - — HKFRS 2 (Amendment) "Share-based Payments" (effective 1 July 2009).
  - — HKFRS 8 (Amendment) "Operating Segments" (effective 1 January 2010).

3 Income

Turnover and revenue consist of fees from investment management activities and fund distribution activities. Income recognised is as follows:

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Revenue		
Management fees	**98,182**	202,669
Performance fees	**60,996**	65,986
Front-end fees	**2,218**	207
Back-end fees	**1,429**	12,682
Total turnover and revenue	**162,825**	281,544
Other income		
Interest income on cash and cash equivalents	**1,342**	14,302
Dividend income on available-for-sale financial assets	**6,593**	16,426
Dividend income on financial assets at fair value through profit or loss	**321**	306
Others	**1,152**	276
Total other income	**9,408**	31,310
Total income	**172,233**	312,854

4 Other gains/(losses) — net

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	Unaudited	Unaudited
		(Restated)
Gains on disposal of available-for-sale financial assets	**—**	1,086
Losses on disposal of available-for-sale financial assets	**(1,683)**	—
Gains on financial assets at fair value through profit or loss	**60,794**	15
Losses on financial assets at fair value through profit or loss	**(441)**	(54,568)
Net foreign exchange (losses)/gains	**(169)**	4,984
Total other gains/(losses) — net	**58,501**	(48,483)

5 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 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 2009 at the rate of 16.5% (2008: 16.5%).

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Current tax — Hong Kong profits tax		
Current period	**10,493**	10,147
Total tax expense	**10,493**	10,147

6 Dividends

Dividends declared by the Company related to the year ended 31 December 2008 of HK$88,000,000 were paid on 3 October 2008 (2008: HK$568,000,000 related to the year ended 31 December 2007 was paid on 4 June 2008).

No special dividend was declared or paid by Value Partners Limited for the six months ended 30 June 2009 (2008: Special dividend of HK$660,000,000 was paid on 4 June 2008).

No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2009. An interim dividend of HK5.5 cents per ordinary share was proposed by the Board of Directors for the six months ended 30 June 2008, amounting to HK$88,000,000.

7 Investments

Investments include the following:

	Financial assets at fair value through profit or loss		**Available-for-sale financial assets**		**Total**	
	30 June 2009	31 December 2008	**30 June 2009**	31 December 2008	**30 June 2009**	31 December 2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited
Listed securities (by place of listing)						
Investment funds — Hong Kong	**131**	100	**—**	—	**131**	100
Investment funds — Singapore	**4,088**	3,383	**—**	—	**4,088**	3,383
Market value of listed securities	**4,219**	3,483	**—**	—	**4,219**	3,483
Unlisted securities (by place of incorporation/establishment)						
Equity securities — Singapore	**—**	—	**3,440**	4,703	**3,440**	4,703
Investment funds — Cayman Islands	**163,600**	115,486	**—**	4,113	**163,600**	119,599
Investment funds — Luxembourg	**5,140**	3,869	**—**	—	**5,140**	3,869
Investment funds — United States of America	**25,861**	17,395	**6,510**	5,304	**32,371**	22,699
	194,601	136,750	**9,950**	14,120	**204,551**	150,870
Total investments	**198,820**	140,233	**9,950**	14,120	**208,770**	154,353
Representing:						
Non-current	**194,601**	136,750	**9,950**	10,007	**204,551**	146,757
Current	**4,219**	3,483	**—**	4,113	**4,219**	7,596
Total investments	**198,820**	140,233	**9,950**	14,120	**208,770**	154,353

8 Fees receivable

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 2009	31 December 2008
	HK$'000	*HK$'000*
	Unaudited	Audited
Fees receivable that were past due but not impaired		
1 — 30 days	**1,050**	3,785
31 — 60 days	**80**	955
61 — 90 days	**13**	656
Over 90 days	**48**	64
	1,191	5,460
Fees receivable that were within credit period	**37,536**	27,899
Total fees receivable	**38,727**	33,359

9 Cash and cash equivalents

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	Unaudited	Audited
Cash at bank and in hand	**114,785**	175,331
Short-term bank deposits	**506,596**	385,835
Deposits with brokers	**1,314**	999
Total cash and cash equivalents	**622,695**	562,165

10 Share capital and share premium

	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
At 1 January 2008, 30 June 2008, 1 January 2009 and 30 June 2009	11,855	41,912	53,767

Equity structure

	Number of shares
At 1 January 2008, 30 June 2008, 1 January 2009 and 30 June 2009	1,600,000,000

Share options

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

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

	Average exercise price *(HK$ per share)*	Number of options *('000)*
At 1 January 2008	7.63	525
Granted	5.56	120,000
Forfeited/expired	5.50	(483)
At 30 June 2008	5.57	120,042
At 1 January 2009	5.57	112,398
Granted	2.44	16,000
At 30 June 2009	5.18	128,398

Out of the 128,398,000 outstanding share options, 101,855,000 share options were exercisable at 30 June 2009 (2008: 102,802,000). No share option was exercised during the six months ended 30 June 2009 (2008: Nil).

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

Expiry date	Exercise price *(HK$ per share)*	Number of options *('000)* **30 June 2009**	30 June 2008
21 November 2008	7.63	**—**	525
21 November 2010	7.56	**975**	975
31 December 2010	7.56	**2,667**	2,667
23 September 2014	5.50	**53,305**	60,424
14 November 2014	5.50	**55,451**	55,451
25 October 2015	2.44	**16,000**	—

11 Distribution fees payable

The ageing analysis of distribution fees payable is as follows:

	30 June 2009 *HK$'000* **Unaudited**	31 December 2008 *HK$'000* Audited
0 – 30 days	**6,392**	5,440
31 – 60 days	**—**	—
61 – 90 days	**—**	—
Over 90 days	**105**	4,266
Total distribution fees payable	**6,497**	9,706

CHAIRMAN'S STATEMENT

Value Partners is recovering from the global financial crisis, and we believe this is only the beginning. Net profit for the first half of 2009 was HK$116.1 million, better than the HK$31.2 million profit made in the second half of 2008, and also improved from the HK$35.4 million profit seen in the first half of 2008.

But we are a long way from where we used to be. In 2007, during the last boom, net profit peaked at HK$1.4 billion (for the full year). We are hopeful the current recovery can gain pace, for several reasons, including the following:

- Strong fund performance. Taking our flagship Value Partners Classic Fund[φ] as an example, net asset value per unit increased by 37.5% during the first six months of 2009, and indeed this and other funds under our management stood out as being among the leading performers in the market during this period. Going forward, the outlook for performance gains is optimistic. In particular, China's economy is on track for 8% growth this year, and possibly higher next year, a situation significantly better than many people thought possible just a few months ago. Consequently, the Greater China region is a prime candidate for attracting the world's excess liquidity, as money flows to those places with strong prospects, rather than to those places with troubled economies.

- Renewed growth in fund size. The Group's total assets under management, which declined to US$3.2 billion at the end of last year, has rebounded to US$4.0 billion, and we see potential for further expansion as investors return to markets in our region.

- New management initiatives. These are detailed in the accompanying report from the Chief Executive Officer. Briefly, they include new arrangements in product offerings and structures, and strengthening ties with clients and partners, adding significantly to the scope of our business.

New products include our first fund[Δ] that primarily invests in Asia-Pacific debt securities. We are also the designer of a new value-based methodology index, called the "FTSE Value-Stocks China Index," that applies the "fundamental indexing" approach to identify value-based China stocks and group them together in an index, which potentially could be used for such purposes as constructing exchange traded funds (ETFs) and derivative contracts.

φ *Performance of Value Partners Classic Fund (A Units) over past five years: 2008, -47.9%; 2007, +41.1%; 2006, +41.8%; 2005, +15.9%; 2004: +5.8%. Performance figures are calculated in US dollar terms on NAV-to-NAV basis with dividends reinvested and net of all fees.*

Δ *The fund is not authorized by the Securities and Futures Commission of Hong Kong to be marketed to the public generally in Hong Kong.*

In August 2009, after the close of this period, we announced a 50:50 joint venture with Ping An Insurance Group of China to develop the ETF business. The partnership will be effected through Ping An buying 50% of Sensible Asset Management Hong Kong Limited, which was wholly-owned by Value Partners. (Our strategy is to develop the ETF business through the Sensible Asset Management brand, which is separate from our core Value Partners brand.)

As always, we make the performance of our funds our highest priority. We consider this key to the long-term success of the business. Every effort is made to ensure that Value Partners' investment team remains in top form, and we are adding further depth with preparation to open our first research office in Shanghai. Our vision is that Value Partners should be a "Temple of Value-Investing" for financial markets in Asia Pacific.

A word about dividend policy. As a newly listed company, we recognize we should articulate a consistent and sustainable approach that takes into account the volatile nature of asset management income streams. We think it is best that a dividend (if any) should be declared once a year, upon completion of a full year's results. This year, we expect to pay a final dividend (but no interim dividend), barring any unexpected change in circumstances.

Finally, may I express my deepest thanks to clients, employees and shareholders for all their contributions and support for this dynamic and solid enterprise.

Cheah Cheng Hye
Chairman and Chief Investment Officer

REPORT OF THE CHIEF EXECUTIVE OFFICER

Encouraging signs of recovery

The first half of 2009 has been a period in which we have seen business conditions steadily improve. Whereas the first quarter of the year was undoubtedly challenging amid a spillover of weak investor sentiment from 2008, the second quarter of the year brought a stabilization of business and a marked improvement in the performance of financial markets.

Since this March low, global equities have in fact been staging one of the strongest rallies in history, with the MSCI World Equity Index rising by 22.3% over the second quarter. This has been accompanied by a recovery in liquidity, of which the stock markets of stronger economies, like that of China and Hong Kong, have been the chief beneficiaries.

Against this backdrop, redemptions from our funds slowed, while subscriptions picked up. In addition, our funds notched up a strong performance. Our investment management team generated an overall asset-weighted average return of funds under management of 36.0% during the first half of 2009, compared with a 30.4% gain in the Hang Seng Index and 37.4% gain in MSCI China Index over the same period.

New investment mandates and fund products

Over the period under review, we have continued to pursue new business opportunities and believe our assertive approach to business development in spite of the challenging market conditions will eventually bear fruit for us through strong growth.

In terms of new investment advisory/management mandates, we are pleased to report we have won two new major accounts thanks to our strong record in Greater China investment management. One of the new mandates advises primarily in RMB denominated fixed income investments and equities listed on stock exchanges in China for a leading privately owned US manufacturing company. The other is an absolute return long-biased equity investment mandate for a prestigious US investment fund.

We have also launched our first bond fund. While we are no strangers to fixed income investing — many of our funds have fixed income components — the launch of the bond fund[Δ] formally establishes our capabilities in this investment area, supported by the recruitment of Mr. Fawaz Habel, who is a top rated Asian bond investment expert. In addition to managing the new bond fund, Mr. Habel will also assume responsibility for the management of the fixed income components of our other funds and in this way further strengthen our overall investment management capabilities.

Δ *The Fund is not authorized by the Securities and Futures Commission of Hong Kong to be marketed to the public generally in Hong Kong.*

Launch of new indexing services

More importantly, we would like to take this opportunity to talk about our move into indexing services and how it fits into our group business strategy. Through our wholly-owned subsidiary Value Partners Index Services Limited, we launched the FTSE Value-Stocks China Index in conjunction with FTSE Group ("FTSE"), the global index provider, on 8 July 2009.

This new China equity index is a custom index solution, which combines our strong value-based investment approach and China investment experience, with the leading indexing expertise of FTSE. The new FTSE Value-Stocks China Index captures the performance of a basket of 25 Chinese stocks listed on the Stock Exchange of Hong Kong ("SEHK"), which are selected based on trading considerations and a proprietary value-based screening methodology designed by Value Partners to identify high quality, value stocks. These stocks include H-shares, Red chips and P chips.

The new index enables investors to gain exposure to China investments through a unique, transparent and rules-based value strategy and is designed to be used as the basis for the creation of Exchange Traded Fund ("ETF") and derivative investment products. This paves the way for us to implement our plans to expand aggressively into the ETF market going forward.

Plan in motion to expand aggressively into ETFs

We are pleased to report that we have deepened our relationship with the Group's strategic shareholder, Ping An Insurance ("Ping An") by having Ping An take a 50% stake in Sensible Asset Management Hong Kong Limited ("SAMHK"). Prior to this exercise, SAMHK was a wholly-owned subsidiary of the Group. Through this joint-venture, we will work together with Ping An to expand aggressively into the ETF market.

Our long-term vision is to distribute ETFs through SAMHK to the China and Hong Kong markets, as well as overseas. Our marketing for China involves targeting Chinese institutional investors with offshore monies initially, and a broader distribution in mainland China over the long term when regulations allow. Drawing encouragement from the signing of a Side Letter to a Memorandum of Understanding between the financial market regulators of Hong Kong and Taiwan to allow the cross listing of ETFs in the two markets, we also intend to cross list ETFs on the Taiwan stock exchange in the future.

This move is very much in line with our long-standing Barbell product development strategy, under which we aim to cultivate a range of high capacity, volume-driven investment products to complement our original range of performance-driven funds. We see ETFs as the future core of our range of high capacity, volume driven products and the ultimate fulfillment of the barbell product development strategy we have focused on since listing.

ETFs already account for a sizable and increasing portion of the asset management business in more developed markets, such as Europe and the US, where their high liquidity, transparency and low cost have attracted many investors. Here, in the Asia Pacific region, the popularity of ETFs has clearly been growing, regardless of market conditions. We are confident that this is indeed an opportune time for us to begin our expansion into the ETF market.

Within our existing product range, we plan to launch a new share class for our flagship Value Partners Classic Fund with daily dealing frequency within the third quarter of 2009. Fund liquidity has become an issue of paramount importance for investors since the onset of the financial crisis last year. While our flagship Value Partners Classic Fund has always provided strong liquidity to clients, the new daily dealing class reflects our commitment to serving our clients as best we can.

Promising business performance

Overall, our business performance for the interim period has been encouraging. As stated earlier, we saw a deceleration in gross redemptions, while net redemptions equal to only 4.5% of our AUM at the beginning of the year. Our AUM, in fact, registered a net increase of 26.0% as compared with the prior six months, thanks to the performance of our funds, which generated an asset-weighted average return of 36.0% over the period. Net profit for the first half of 2009 was HK$116.1 million, better than the HK$31.2 million profit made in the second half of 2008, and also improved from the HK$35.4 million profit seen in the first half of 2008. Our balance sheet remains sound, with zero leverage and positive cash flow, and our cost management continues to be very prudent.

I am pleased to report that the Group continues to receive industry recognition. AsianInvestor magazine, a leading financial publication based in Hong Kong, named our Chairman and Chief Investment Officer, Mr. Cheah Cheng Hye, as one of the 25 “Most Influential People in Asian Asset Management.” The award was announced in April 2009.

Furthermore, according to Alpha Magazine July/August 2009 edition, Value Partners was ranked the second largest hedge fund manager in Asia, based on assets under management. Since 2007, this is the third year in a row that our firm has been recognized by Alpha, and it is a clear testimony that we are regarded as one of the leading Asia Pacific fund managers.

Finally, I would like to take this opportunity to express my thanks and appreciation to our staff. Their commitment and hard work have been vital in this extraordinary time. I would also like to thank our business partners, in particular Ping An, and our shareholders. With their continued trust and support, I am confident the Group will emerge from the current downturn all the stronger.

FINANCIAL REVIEW

Introduction

Value Partners Group is an independent asset management company, with a value-oriented investment management approach and a focus on the Greater China and Asia-Pacific capital markets. Our primary business is to provide investment management and advisory services for various investment funds and managed accounts (the "Funds"). We derive our revenues primarily from management fees charged to the Funds we manage based on the value of the assets in these Funds, and performance fees charged to the Funds we manage based on the performance of these Funds.

The first half of our financial year ending 30 June 2009 was a challenging time for the asset management industry amid continued volatility in financial markets and high risk aversion, but conditions improved through the course of the period and the Group has emerged with a set of positive results. Since the beginning of the year, we have seen a significant improvement in business with AUM surging by 26.0% as compared with the prior six months and the majority of our funds outperformed the market index amid a strong rebound in the equity market. Along with this, net profit for the first half of 2009 was HK$116.1 million, better than the HK$31.2 million profit made in the second half of 2008, and also improved from the HK$35.4 million profit seen in the first half of 2008, which we consider an encouraging sign that the outlook is improving. Lastly, our prospects continue to be underpinned by a very strong balance sheet with cash balance of HK$622.7 million and no borrowings or leverage as at 30 June 2009.

Assets Under Management

AUM and fund returns

Our AUM amounted to US$4,042 million as at 30 June 2009, which represents a net increase of 26.0% or US$834 million compared with the US$3,208 million recorded six months earlier. This growth was mainly driven by the strong performance of our funds, which accounted for a US$978 million increase in AUM.

We are pleased to report that most of our funds outperformed the market index during the first half of 2009. Among others, Value Partners Classic Fund*, our flagship fund, recorded a 37.5% gain[#]. In aggregate, we managed to generate an asset-weighted average return of funds under management of 36.0%, compared with a 30.4% gain in the Hang Seng Index and 37.4% gain in MSCI China Index during the same period.

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* *Value Partners Classic Fund — A Unit*

[#] *Performance data is net of all fees, calculated in US Dollar, with dividends reinvested, and is compared based on the NAV on 24 June 2009 (being the last dealing day for the period ended 30 June 2009) and 31 December 2008.*

Gross subscriptions amounted to US$437 million during the first half of 2009, down 57.3% from the US$1,023 million recorded for the same period last year, reflecting the deterioration of market sentiment after the financial crisis. These gross subscriptions included US$186 million of subscriptions generated from pension products, which are recurring in nature and provide a stable inflow of new funds for the Group.

Gross redemptions contracted to US$581 million during the period compared with US$978 million in the same period last year. The gross redemptions were greater than gross subscriptions, resulting in a net redemption of US$144 million, which is equal to 4.5% of the AUM as at the beginning of 2009.

AUM by category

The data below show the composition of the Group's AUM by three different classification systems, namely brand, strategy and fund type, as at 30 June 2009.

- By brand, the Group's Own Branded Funds accounted for 48% of total AUM (down from 54% as of 31 December 2008); White Label Funds for 51% (up from 44%) and Co-branded Funds for 1% (down from 2%). Major pension products are included under the White Label Funds category.

- By strategy, Absolute Return Long-biased Funds accounted for 97% of total AUM (up from 92% as of 31 December 2008); Long-short Hedge Funds for 2% (down from 3%); Private Equity Funds and Quantitative Funds, 1% (down from 5%).

- By fund type, funds authorized for sale in Hong Kong constituted 71% of total AUM (up from 63% as at 31 December 2008), with Non-authorized Funds accounting for 14% (down from 17%); Managed Accounts, 14% (down from 16%); and Private Equity Funds, 1% (down from 4%).

Client base

The Group's client base remains stable and globally diversified, with negligible changes in composition during the first half of the year. Institutions, the Group's primary group of fund investors, made up 44% of total AUM as at 30 June 2009 (up from 42% as at 31 December 2008); while pension funds accounted for 26% (up from 22%); endowments and foundations, 8% (down from 11%); and high-net-worth individuals, 5% (unchanged from 31 December 2008). Funds of funds accounted for 3% (down from 5%) and retail investors accounted for 13% (unchanged). Family offices and trusts accounted for 1% (down from 2%).

In geographical terms, the Group recorded a decline in AUM from clients based in the United States and Europe, as the impact of the financial crisis was greater in these regions. By contrast, there was an increase in AUM from clients based in Hong Kong. Our Hong Kong clients accounted for 63% of the Group's AUM (up from 56% as at 31 December 2008); followed by United States clients with 14% (down from 19%); European clients, 9% (down from 12%); and Australian clients, 8% (up from 7%). Our Japanese clients accounted for 2% (up from 1%). Clients from the rest of the world accounted for 4% of the Group's AUM (down from 5%).

Summary of results

Revenue and fee margins

Gross management fees fell by 51.6% to HK$98.2 million, compared with HK$202.7 million a year earlier, while net management fees fell by half to HK$83.2 million from HK$165.4 million over the same period. These declines were in line with the 45.4% decrease in the Group's average AUM from US$6,206 million a year earlier to US$3,391 million.

The net management fee margin came to 32 basis points for the half year, compared with 34 basis points recorded in the same period a year earlier. This margin contraction was due to an increase in funds from lower margin products, such as the pension products, as a proportion of total AUM.

Gross performance fees came to HK$61.0 million, with the majority generated from a private equity fund which the Group has managed previously. This represents a 7.6% decline as compared with the HK$66.0 million recorded for the same period last year.

Other income, comprising mainly dividend income and interest income, decreased from HK$31.3 million a year earlier to HK$9.4 million. Dividend income decreased from HK$16.7 million to HK$6.9 million due to the decline in dividends received from investee companies, while interest income decreased from HK$14.3 million to HK$1.3 million due to lower interest rates.

Other gains and losses

As mentioned in our 2008 annual report, the Group changed its accounting treatment of seed capital to allow changes in the fair value of the seed capital to be reflected in the profit and loss accounts. For six months ended 30 June 2008, an unrealized loss of HK$53.0 million was recorded in the profit and loss accounts and the net profit for the period has been restated accordingly.

With the upswing in fund returns in the first half of 2009, the fair value of the seed capital has appreciated, as reflected in the recognition of an unrealized mark-to-market gain of HK$57.9 million.

Cost management

The Group's total expenses, which consist of distribution and advisory fees, fixed operating expenses, share-based compensation expenses and management bonuses, fell 52.4% to HK$104.2 million, as compared with the HK$218.8 million recorded in the same period last year. The decrease was mainly attributable to a reduction of share-based compensation expenses.

Distribution and advisory fees decreased 58.5% to HK$16.2 million from HK$39.0 million a year earlier, in line with the decrease in both performance fees and management fee income.

Fixed operating expenses, which consists mainly of fixed salaries, rent and other administrative and office expenses, fell 10.2% to HK$48.4 million, compared with HK$53.9 million a year earlier. The management continued to exercise strong cost discipline and maintained the Group's fixed cost coverage[1] currently at 2.0 times.

Share-based compensation expenses decreased significantly to HK$3.6 million from HK$124.0 million a year earlier.

Management bonuses in 2009 came to HK$36.0 million. This is consistent with the Group's compensation policy, which distributes approximately 25% of the Group's profit before tax, subject to certain adjustments, to employees in the form of discretionary bonuses in order to promote staff loyalty and commitment, while aligning the interests of employees with those of shareholders.

Net profit and core earnings

Net profit came to HK$116.1 million, increasing from HK$35.4 million a year earlier.

Core earnings[2] are used to provide a measure of the Group's core operating performance. In the first half of 2009, core earnings were HK$61.2 million, representing a decrease of 68.1% from HK$192.1 million a year earlier. This core earnings decline is mainly due to the reduction in management fees received.

Dividends

From 2009 onwards, the Group will begin practicing a more consistent and sustainable dividend distribution policy that takes into account the volatile nature of asset-management income streams. This policy stipulates that dividends (if any) will be declared once a year at the end of each financial year to better align them with the Group's full-year performance. Barring any unexpected changes in the market environment, we expect that a final dividend (but not interim dividend) will be declared this year.

Liquidity and financial resources

The Group maintains a strong balance sheet with healthy cash flow. As at 30 June 2009, the Group had a net cash balance of HK$622.7 million. For the period under review, net cash inflows from operating activities amounted to HK$56.0 million.

The Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities during the period under review. The Group's debt-to-equity ratio (interest bearing external borrowings divided by shareholders' equity) stood at zero while the current ratio (current assets divided by current liabilities) came to 10.8 times.

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1 *Fixed cost coverage shows how many times fixed operating expenses are covered by fund management fee income.*

2 *Core earnings represents the Group's profit after tax, less non-recurring items, such as share option expenses, the fair value change in seed capital, and other non-operational items, and adjusted for the tax impact of these items.*

Capital structure

As at 30 June 2009, the Group's shareholders' equity and total number of shares in issue stood at HK$861.7 million and 1.6 billion, respectively.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: HK5.5 cents).

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 2009.

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 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 2009.

Independent Review of Interim Results

The unaudited interim results of the Group for the six months ended 30 June 2009 have been reviewed by PricewaterhouseCoopers, the Company's Auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Corporate Governance

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009.

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 2009.

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.valuepartnersgroup.com.hk). The interim report will be despatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

Our Appreciation

Finally, we would like to express our gratitude to 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
Ngan Wai Wah
CEO and Executive Director

Hong Kong, 20 August 2009

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 Chun Ki Louis as Executive Directors, and Dr. Chen Shih Ta Michael, Mr. Lee Siang Chin and Mr. Nobuo Oyama as Independent Non-executive Directors.