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 2010

FINANCIAL HIGHLIGHTS

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

(In HK$ million)	2010	2009	% Change
Total revenue	**207.0**	162.8	+27.1%
Gross management fees	**149.0**	98.2	+51.7%
Gross performance fees	**53.8**	61.0	-11.8%
Net profit	**91.6**	116.1	-21.1%
Basic earnings per share (HK cents)	**5.7**	7.3	-21.9%
Diluted earnings per share (HK cents)	**5.7**	7.2	-20.8%
Interim dividend per share (HK cents)	**Nil**	Nil	

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 2010 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

	Note	Six months ended 30 June 2010 *HK$'000* Unaudited	2009 *HK$'000* Unaudited
Income			
Revenue	*2*	**207,013**	162,825
Other income	*2*	**4,502**	9,408
Total income		**211,515**	172,233
Expenses			
Distribution fees		**26,073**	13,999
Share-based compensation		**3,025**	3,569
Other compensation and benefit expenses		**59,036**	63,953
Operating lease rentals		**3,623**	5,997
Advisory fees		**2,527**	2,209
Other expenses		**14,516**	14,439
Total expenses		**108,800**	104,166
Other gains — net	*3*	**5,605**	58,501
Operating profit		**108,320**	126,568
Share of loss of a joint venture		**(450)**	—
Profit before tax		**107,870**	126,568
Tax expense	*4*	**(16,262)**	(10,493)
Profit for the period		**91,608**	116,075
Other comprehensive income — gains/(losses) recognised directly in equity			
Fair value gains/(losses) on available-for-sale financial assets		**181**	(57)
Other comprehensive income for the period		**181**	(57)
Total comprehensive income for the period		**91,789**	116,018
Profit attributable to			
Equity holders of the Company		**91,608**	116,075
Total comprehensive income attributable to			
Equity holders of the Company		**91,789**	116,018
Earnings per share for profit attributable to the equity holders of the Company (HK cents per share)			
— basic	*5*	**5.7**	7.3
— diluted	*5*	**5.7**	7.2

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2010 *HK$'000* Unaudited**	31 December 2009 *HK$'000* Audited
Non-current assets			
Property, plant and equipment		**7,594**	8,944
Intangible assets		**1,498**	1,567
Interest in a joint venture		**8,534**	8,984
Investments	*7*	**462,634**	462,882
Deferred tax assets		**—**	617
Other assets		**1,847**	1,891
		482,107	484,885
Current assets			
Investments	*7*	**7,921**	7,166
Fees receivable	*8*	**91,476**	201,371
Prepayments and other receivables		**9,790**	10,540
Cash and cash equivalents	*9*	**542,925**	517,071
		652,112	736,148
Current liabilities			
Accrued bonus		**26,723**	100,795
Distribution fees payable	*10*	**13,991**	13,255
Other payables and accrued expenses		**15,808**	17,423
Current tax liabilities		**31,868**	20,146
		88,390	151,619
Net current assets		**563,722**	584,529
Total assets less current liabilities		**1,045,829**	1,069,414
Non-current liabilities			
Deferred tax liabilities		**154**	—
Net assets		**1,045,675**	1,069,414
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Issued equity	*11*	**63,354**	53,767
Other reserves		**142,837**	139,631
Retained earnings			
— proposed dividends	*6*	**—**	128,000
— others		**839,484**	748,016
Total equity		**1,045,675**	1,069,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKFRS").

The following new standards, interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKFRS 9 "Financial Instruments" (effective from 1 January 2013)

2. 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	
	2010	2009
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Revenue		
Management fees	**148,959**	98,182
Performance fees	**53,796**	60,996
Front-end fees	**4,108**	2,218
Back-end fees	**150**	1,429
Total turnover and revenue	**207,013**	162,825
Other income		
Interest income on cash and cash equivalents	**532**	1,342
Dividend income on available-for-sale financial assets	**3,370**	6,593
Dividend income on financial assets at fair value through profit or loss	**238**	321
Others	**362**	1,152
Total other income	**4,502**	9,408
Total income	**211,515**	172,233

3. Other gains — net

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Gains on financial assets at fair value through profit or loss	**10,614**	60,794
Losses on financial assets at fair value through profit or loss	**(7,290)**	(441)
Losses on available-for-sale financial assets	**—**	(1,683)
Net foreign exchange gains/(losses)	**2,281**	(169)
Total other gains — net	**5,605**	58,501

4. 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 2010 at the rate of 16.5% (2009: 16.5%).

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Current tax		
Hong Kong profits tax	**15,291**	10,493
Overseas tax	**200**	—
	15,491	10,493
Deferred tax	**771**	—
Total tax expense	**16,262**	10,493

5. Earnings per share

The calculations of basic and diluted earnings per share are based on the profit attributable to equity holders of the Company of HK$91,607,851 (2009: HK$116,075,180).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,600,962,973 (2009: 1,600,000,000). The diluted earnings per share is based on 1,609,103,386 (2009: 1,605,402,885) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 8,140,413 (2009: 5,402,885) shares deemed to be issued at no consideration if all outstanding options had been exercised.

6. Dividends

Dividends declared by the Company of HK$128,140,000 related to the year end 31 December 2009 and were paid on 12 May 2010. No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2010 (2009: Nil).

7. Investments

Investments include the following:

	Financial assets at fair value through profit or loss		**Available-for-sale financial assets**		**Total**	
	30 June 2010	31 December 2009	**30 June 2010**	31 December 2009	**30 June 2010**	31 December 2009
	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	**75,141**	74,079	**—**	—	**75,141**	74,079
Investment funds — Singapore	**3,880**	6,842	**—**	—	**3,880**	6,842
Market value of listed securities	**79,021**	80,921	**—**	—	**79,021**	80,921
Unlisted securities (by place of incorporation/establishment)						
Equity securities — Singapore	**—**	—	**2,476**	2,631	**2,476**	2,631
Investment funds — Cayman Islands	**345,429**	334,265	**—**	—	**345,429**	334,265
Investment funds — Luxembourg	**5,929**	6,367	**—**	—	**5,929**	6,367
Investment funds — United States of America	**25,127**	33,627	**12,573**	12,237	**37,700**	45,864
Fair value of unlisted securities	**376,485**	374,259	**15,049**	14,868	**391,534**	389,127
Total investments	**455,506**	455,180	**15,049**	14,868	**470,555**	470,048
Representing						
Non-current	**447,585**	448,014	**15,049**	14,868	**462,634**	462,882
Current	**7,921**	7,166	**—**	—	**7,921**	7,166
Total investments	**455,506**	455,180	**15,049**	14,868	**470,555**	470,048

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 2010	31 December 2009
	HK$'000	*HK$'000*
	Unaudited	Audited
Fees receivable that were past due but not impaired		
1-30 days	**1,035**	1,342
31-60 days	**297**	306
61-90 days	**2,126**	—
Over 90 days	**2,250**	—
	5,708	1,648
Fees receivable that were within credit period	**85,768**	199,723
Total fees receivable	**91,476**	201,371

9. **Cash and cash equivalents**

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
	Unaudited	Audited
Cash at bank and in hand	**210,868**	260,673
Short-term bank deposits	**322,639**	247,123
Deposits with brokers	**9,418**	9,275
Total cash and cash equivalents	**542,925**	517,071

10. Distribution fees payable

The ageing analysis of distribution fees payable is as follows:

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
	Unaudited	Audited
0-30 days	**13,691**	13,153
31-60 days	**109**	—
61-90 days	**180**	—
Over 90 days	**11**	102
Total distribution fees payable	**13,991**	13,255

11. Issued equity

	Number of shares	**Issued equity**
		HK$'000
At 1 January 2009 and 30 June 2009	1,600,000,000	53,767
At 1 January 2010	1,600,000,000	53,767
Shares issued upon exercise of share options	1,742,981	9,587
At 30 June 2010	1,601,742,981	63,354

REPORT OF THE CHIEF EXECUTIVE OFFICER

Recovery remains on track

In 2009, we emerged from the global financial crisis with a remarkable recovery in major stock markets. This year, the momentum was not sustained, and the major stock markets over the first six months were difficult and volatile. Notwithstanding this fragile environment, the Group's business and financial performance was encouraging.

The key factor for us, as always, was the performance of our funds under management. From late last year, we became more cautious on the near term outlook for China related stocks, and started to construct increasingly defensive portfolios for our funds. This strategy turned out to be effective in this difficult market — many of our funds remained resilient and were top performers in their respective fund classes at a time of widespread losses in the market. Our flagship Value Partners Classic Fund[#] increased by 1.0% in the first half of 2010, whereas the Hang Seng and MSCI China indices both fell by 6.1%.

Net subscriptions in the first half of this year amounted to US$319 million, compared to US$226 million in the second half of last year. Most of the new subscriptions came from Hong Kong, whilst our overseas markets stabilized but remained sluggish. That our subscription volume from Hong Kong has remained robust reflects our funds' superior performance and our market reputation.

For the first half of 2010, the Group's total revenue increased by 27.1% to HK$207.0 million, compared to HK$162.8 million for the same period last year. Notwithstanding the increase in revenue, net profit for the period was HK$91.6 million, representing a 21.1% decrease from the HK$116.1 million net profit in the first half of 2009. The decline in profitability was mainly due to the lower unrealized mark-to-market gain of HK$3.6 million on our fund investments recorded in the first half of 2010, versus the unrealized gain of HK$57.9 million in the same period of 2009.

Building our AUM

For our premium, actively managed products, we have focused our efforts on building up the assets under management ("AUM") of our existing products and positioning ourselves to capture new opportunities when the markets finally turn around. We have not launched any new products, as the markets, particularly the overseas markets, have remained fragile, and it is difficult to raise funds for new, unproven products.

As aforementioned, net subscriptions in the first half of this year amounted to US$319 million, as the recovery in fund inflow that started in the second half of last year has sustained its pace. Most of the new subscriptions came from Hong Kong, and it is encouraging to see that our flagship Classic Fund has become the best selling equity fund in the HSBC retail bank platform in Hong Kong. The strong fund inflows from Hong Kong investors reflect our leading market position in our home market.

Our overseas markets have stabilized but remained sluggish. The major new mandate we secured over the first six months was an agreement to manage and co-manage two funds for a leading Swiss private bank, starting from 14 June 2010. But new subscriptions from overseas investors in general remained weak, primarily because many of these investors have not yet fully recovered the losses they sustained in the financial crisis.

Another development regards our collaboration with Affiliated Managers Group, Inc. ("AMG"), a substantial shareholder of Value Partners. Listed in New York, AMG holds strategic stakes in various asset management firms. In November 2009, it acquired a 5.05% shareholding in Value Partners Group, and we have recently entered into an agreement with AMG for it to assist Value Partners in marketing our investment management services in the Middle East.

Growing our Value ETFs

Launched on 15 December 2009, our Value China ETF tracks a basket of 25 China value stocks captured by the FTSE Value-Stocks China Index, which was developed based on a proprietary value-based screening methodology designed by us. The Value China ETF benefits from Value Partners' 17 years of dedicated research and Asian market experience and it is the first ETF that applies the "fundamental indexing" concept to China related stocks.

During the first six months of 2010, our Value China ETF increased its AUM by nearly 42%, peaking at US$61 million in April 2010. The liquidity of the ETF has also been significantly enhanced, and we have raised the number of our participating dealers. The Value China ETF dropped by 3.2%^ for the first six months, when the Hang Seng and MSCI China indices both fell by 6.1%. We believe institutional and retail investors are now more receptive to our Value China ETF, given its good performance.

Awards and distinctions

We have seen significant market recognition of Value Partners' achievements, and also received major distinctions for the quality of our funds. According to results published on 13 July 2010, Value Partners was ranked the leading hedge fund management firm in Asia by *Institutional Investor's* 2010 Asia Hedge Fund 25. In their other global survey published in May 2010, we took the 79th spot on the list of the top 100 funds, worldwide. *Institutional Investor* is a prestigious financial publication that periodically reports on the fund performance of top global and regional fund management firms.

Additionally, Lipper Asia, a subsidiary of Thomson Reuters, awarded our Value Partners High-Dividend Stocks Fund as the Best Equity Fund in Asia Pacific (excluding Japan) in the 3-year category in the Lipper Fund Award 2010. Announced in March 2010, the Lipper Fund Award 2010 was given to our Fund based on 3-year returns from 1 January 2007 to 31 December 2009.

We have also maintained the top positions for our Hong Kong authorized funds in the Morningstar Rating, which compares their past performance against their peers in their respective comparison groups.

Internal development reflects our strength

Our business is a people business, and our strength rests upon the quality of our people. To further strengthen our leadership capacity and to reward outstanding performance, we have promoted certain senior members of the firm to leadership positions.

Effective from 1 July 2010, Mr. Louis So Chun Ki was promoted to Co-Chief Investment Officer, and Mr. Cheah Cheng Hye, who remains our Chairman, shares the role of Co-Chief Investment Officer with Mr. So, providing leadership to the investment team. Mr. Cheah focuses more on investment strategies, whilst Mr. So takes over the day-to-day operation of the investment team.

Additionally, Mr. Norman Ho Man Kei was promoted to the role of Investment Director, and four members of the investment team were appointed as Senior Fund Managers and two as Fund Managers.

On the business management side, Mr. Timothy Tse Wai Ming was promoted from Chief Financial Officer to the dual roles of Deputy Chief Executive Officer and Chief Financial Officer. I was promoted from the position of Managing Director to Chief Executive Officer, taking charge of the business and corporate management of Value Partners.

I would also like to express my gratitude to Ms. Chau Yee Man, who resigned from her post as Senior Fund Manager. She joined the Company in July 2005 and left in March 2010. I would also like to extend my good wishes to Mr. Eugene Law Ka Kin, who left the Company in July 2010. Joining Value Partners in December 2004, Mr. Law held a leadership role in the business management team.

Financial summary

As at 30 June 2010, our total AUM grew to US$5.7 billion, up from US$5.5 billion in December 2009, and up from US$4.0 billion one year ago. I am pleased to report that our net subscriptions of US$319 million over the first six months of this year already surpassed the total net subscriptions of US$82 million we reached for the whole of last year. If this trend continues in the second half of this year, 2010 will indeed be a significant improvement over 2009 in terms of net subscriptions to our funds.

As stated earlier, we have seen solid increases in our management fees, such that our gross management fees for the first six months were HK$149.0 million, compared to HK$98.2 million for the same period in 2009. Notwithstanding the increase in revenue, net profit for the period was HK$91.6 million, representing a 21.1% decrease from the HK$116.1 million net profit in the first half of 2009. The decline in profitability was mainly due to the lower unrealized mark-to-market gain of HK$3.6 million on our fund investments recorded in the first half of in 2010, versus the unrealized gain of HK$57.9 million in the same period of 2009.

Our balance sheet as at 30 June 2010 remained liquid and sound, with zero leverage and significant cash balances.

Overall, our business performance for the period was encouraging, given the volatile and difficult market. Though some of our funds are close to their high watermarks at the end of the first six months, the performance fee valuation days of the majority of these funds are in December. It is not possible for us to project whether performance fees for these funds will be earned at the end of the year. What we have been doing and will continue to do is to strive to deliver superior investment performance, thereby enhancing our chance to earn performance fees, and to keep our fixed costs down to allow us to sustain our profitability, even if market conditions deteriorate in the second half of the year.

Looking forward

The past six months have seen us focus on building our strengths, and we will continue to do so for the rest of the year and beyond. In our investment team, we have made some senior appointments and are committed to positioning Value Partners as the "Temple of Value Investing" in Asia and delivering superior investment returns. Our business team has generated stronger fund inflows and will continue our efforts in Hong Kong and abroad in building our distribution networks, and enhancing our support to established and new distributors. For the next six months, we will increase our marketing efforts in Europe and the US, so that when these markets finally turn around, we will be ready to capture the new inflows.

In terms of our product development, we are committed to our strategy of offering both premium, actively managed products and high volume ETFs and quantitative products. We will continue to create new premium products, but remain cautious on market reception of new products in the near term, as investor sentiment has not yet fully recovered. Our ETF suite remains on track, and we will continue releasing truly innovative ETF products.

We expect that Mainland China will be our primary strategic market for the next decade, as we are very positive on the future growth of its fund management industry. We think it is important that we will be able to capitalize on this great opportunity and develop a significant business in the Mainland. In the past six months, we started contacts and dialogues with potential partners and regulators in the Mainland, and so far the response has been positive. We are confident that given our strong track record in investing in China and our similar culture with potential Mainland partners, we will establish new businesses in the Mainland in the near future.

Since the financial crisis, it has been anticipated that regulators around the world will take new initiatives, including new legislation, to tighten the regulation of the financial services industry. In June, the Securities and Futures Commission of Hong Kong gazetted the new SFC Handbook which includes Code on Unit Trusts and Mutual Funds. Other countries have also passed or plan to promulgate new legislation regarding the financial services industry. These new regulations no doubt pose significant challenges to many financial institutions, including fund management companies. It is probable that additional costs will have to be incurred by us to comply with these new regulations.

Thanks and appreciation

Finally, I would take this opportunity to express my heartfelt gratitude and appreciation to our team, as their commitment and dedication have been instrumental for our achievements. I would also thank our business partners and shareholders for their support.

CHAN Sheung Lai
Chief Executive Officer & Executive Director

\# *Performance of Value Partners Classic Fund (A Units) over past five years: 2009, +82.9%; 2008, -47.9%; 2007, +41.1%; 2006, +41.8%; 2005, +15.9%. Performance figures are calculated in US dollars terms on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*

^ *As at 30 June 2010, the performance of Value China ETF was -3.5% since launch. Performance figures are calculated in HK dollars terms on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*

FINANCIAL REVIEW

Despite the volatile and relatively fragile market conditions throughout the first half of 2010, the Group's AUM was stable and held at US$5.7 billion as at 30 June 2010, representing a net increase of 2.7%, over the US$5.5 billion recorded six months earlier. Along with this, the Group's total revenue increased by 27.1% to HK$207.0 million for the six months ended 30 June 2010, compared to HK$162.8 million a year earlier. Net profit for the first half of 2010 was HK$91.6 million, which was a decrease from the HK$116.1 million net profit seen in the first half of 2009. The drop was mainly due to the lower unrealized mark-to-market gain of HK$3.6 million on our fund investments recorded in 2010, than the unrealized gain of HK$57.9 million in 2009, notwithstanding the increase in revenue in 2010. Having excluded those non-recurring and non-operating items, the Group's core earnings amounted to HK$90.5 million, representing an increase of 47.9% from HK$61.2 million, one year earlier. The increase in core earnings was mainly due to the increase in management fees.

Assets Under Management

AUM and return

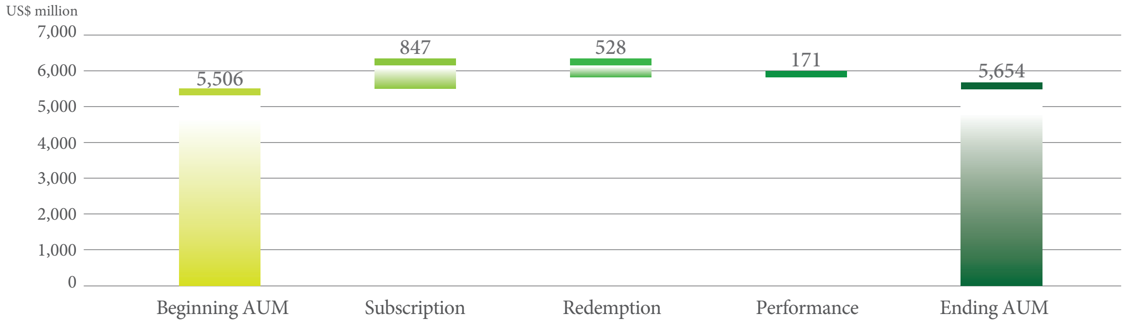
The Group's AUM amounted to US$5,654 million as at 30 June 2010, compared to US$5,506 million half a year earlier, representing a 2.7% increase. The growth was mainly driven by the positive net inflow of US$319 million, partly offset by the negative performance of US$171 million recorded during the period. The average AUM increased from US$3,391 million to US$5,538 million for the first half of 2009 and 2010, respectively, representing a 63.3% increase and resulting in higher management fees for 2010. In terms of fund performance, we generated an asset-weighted average return of funds under management of negative 1.9%, compared to the recorded losses of 6.1% for both the Hang Seng Index and MSCI China Index during the same period. In addition, Value Partners Classic Fund, our flagship fund, recorded a 1.0% gain during the first half of 2010.

Gross subscriptions for the period under review amounted to US$847 million, compared to US$437 million and US$824 million in the first and second half last year, respectively, reflecting the continuing steady positive trend of funds inflow and recovery starting from the second half of 2009. Gross redemptions amounted to US$528 million during the period, which were stable in comparison to the first and second halves of 2009.

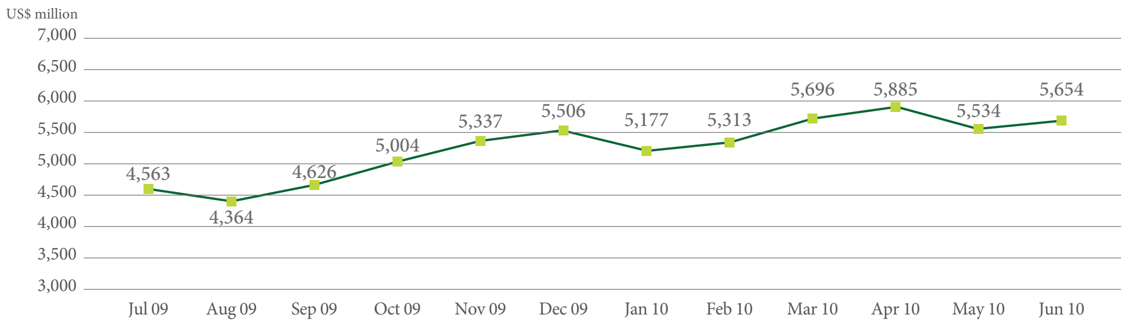
Net subscriptions for the period under review amounted to US$319 million, compared to net redemptions of US$144 million and net subscriptions of US$226 million recorded in the first and second half of 2009, respectively.

(In US$ million)	1H 2010	2H 2009	1H 2009
Subscriptions	**847**	824	437
Redemptions	**528**	598	581
Net subscriptions/(redemptions)	**319**	226	(144)

AUM change in the first half of 2010



Monthly AUM in the past twelve months

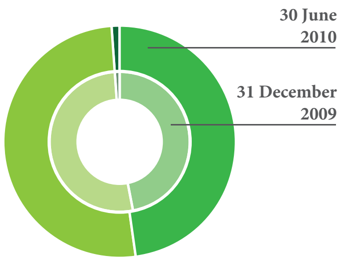


AUM by category

The charts below provide an analysis of the Group's AUM by different classifications, including brand, strategy and fund type, as at 30 June 2010.

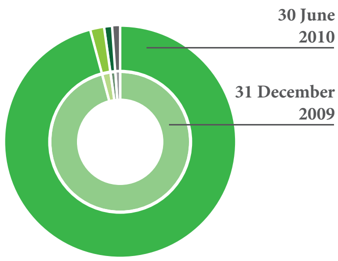
During the period under review, our product mix by brand remained stable, and White Label Funds accounted for 51% of the total AUM. Absolute Return Long-biased Funds represented the majority of our funds by strategy. In terms of fund type, the proportion remained stable, and authorized funds accounted for 73% of the total AUM.

Classification by brand



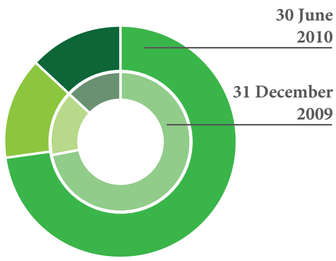
	30 June 2010	31 December 2009
Own Branded Funds	**48%**	47%
White Label Funds	**51%**	52%
Co-branded Funds	**1%**	1%

Classification by strategy



	30 June 2010	31 December 2009
Absolute Return Long-biased Funds	**96%**	96%
Long-short Hedge Funds	**2%**	2%
ETF and Quantitative Funds	**1%**	1%
Others	**1%**	1%

Classification by type of funds

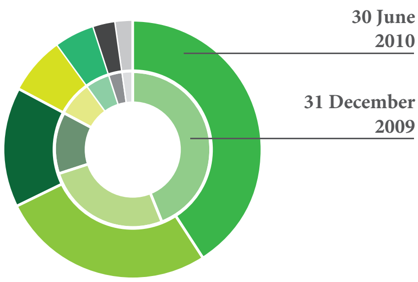


	30 June 2010	31 December 2009
Authorized Funds	**73%**	72%
Non-authorized Funds	**14%**	15%
Managed Accounts	**13%**	13%

Client base

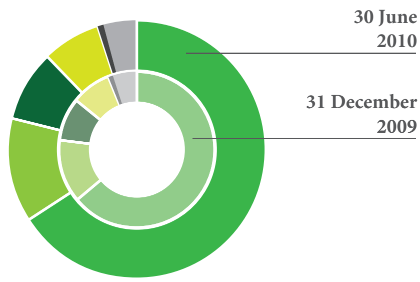
Institutional clients, the Group's primary group of fund investors, accounted for 85% of the total AUM as at 30 June 2010. In addition, retail investors increased from 13% to 15% of the Group's total AUM over the past six months, which was due to the higher fund inflow from Hong Kong retail investors through our expanded distribution channel network, such as retail banks. Institutional clients include institutions, pension funds, endowments and foundations, high-net-worth individuals, funds of funds, and family offices and trusts. Pension funds increased from 26% of the Group's AUM in 2009, to 27% in 2010, due to consistent fund inflow adding into our mandatory provident fund product. By geographical region, Hong Kong clients accounted for 66% of the Group's AUM. United States and European clients accounted for 22% of the Group's AUM, which was the same as last year.

Client analysis by type



	30 June 2010	31 December 2009
Institutions	**41%**	44%
Pension funds	**27%**	26%
Retails	**15%**	13%
Endowments and foundations	**7%**	7%
High-net-worth individuals	**5%**	5%
Funds of funds	**3%**	3%
Family offices and trusts	**2%**	2%

Client analysis by geographical region



	30 June 2010	31 December 2009
Hong Kong	**66%**	64%
United States	**13%**	13%
Europe	**9%**	9%
Australia	**7%**	8%
Japan	**1%**	1%
Others	**4%**	5%

Summary of results

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

(In HK$ million)	**1H 2010**	**1H 2009**	**% Change**
Total revenue	**207.0**	162.8	+27.1%
Gross management fees	**149.0**	98.2	+51.7%
Gross performance fees	**53.8**	61.0	-11.8%
Net profit	**91.6**	116.1	-21.1%
Basic earnings per share (HK cents)	**5.7**	7.3	-21.9%
Diluted earnings per share (HK cents)	**5.7**	7.2	-20.8%
Interim dividend per share (HK cents)	**Nil**	Nil	

Revenue and fee margins

The Group's total revenue increased by 27.1% to HK$207.0 million for the six months ended 30 June 2010, compared to HK$162.8 million for the corresponding period one year earlier, while gross management fees rose by 51.7% to HK$149.0 million from HK$98.2 million over the same period last year. These gains were mainly driven by the 63.3% increase in the Group's average AUM from US$3,391 million a year earlier, to US$5,538 million, partly offset by the contracted net management fee margin.

The net management fee margin came to 30 basis points for first half of the year, compared with 32 basis points recorded in the same period in the previous year. This margin contraction was due to the relative increase in the average AUM of funds that carry a lower margin (e.g. our mandatory provident fund product).

Gross performance fees amounted to HK$53.8 million. This represents an 11.8% decline, compared to the HK$61.0 million recorded for the same period last year. Out of the total performance fees generated during first half 2009, a total of HK$52.6 million was generated from a private equity fund previously managed by the Group, but it has since been dissolved. During the period under review, a majority of performance fees were generated from funds which had exceeded their benchmark returns, with the remaining amount generated from funds which had exceeded their high watermarks. As at 30 June 2010, of all funds managed by the Group, a number of own-branded funds were at or around their high watermarks.

Other income, comprising mainly dividend income and interest income, decreased from HK$9.4 million in the previous year to HK$4.5 million. Dividend income decreased from HK$6.9 million to HK$3.6 million, due to the decline in dividends received from investee companies, while interest income decreased from HK$1.3 million to HK$0.5 million, due to lower interest rates.

Other gains and losses

The Group's accounting treatment of our fund investments has allowed changes in the fair value of our fund investments to be reflected in the profit and loss accounts. In so doing, an unrealized gain of HK$3.6 million was recorded in the profit and loss accounts for the period under review, compared to HK$57.9 million unrealized gain recorded in same period last year.

Cost management

The Group's total expenses amounted to HK$108.8 million; this is relatively stable when compared to HK$104.2 million recorded in the same period last year, given the Group's prudent, closely-monitored cost management. Total expenses included distribution and advisory fees, fixed operating expenses, share-based compensation expenses, and management bonuses.

Distribution and advisory fees increased by 76.5% to HK$28.6 million, from HK$16.2 million one year earlier, which was in line with the increase in management fee income.

Fixed operating expenses, which consist mainly of fixed salaries, rent and other administrative and office expenses, amounted to HK$50.5 million, compared to HK$48.4 million, one year earlier. The management continued to exercise stringent cost discipline and aims to keep its fixed operating expenses well covered by its management fees income, which is considered as a relatively stable source of income. Internally, the Group measures this objective by using the fixed cost coverage ratio, an indicator which shows how many times fixed operating expenses are covered by management fees income. For the period under review, the management has maintained the Group's fixed cost coverage at 3.0 times.

Apart from operating expenses, the Group recorded an expense of HK$3.0 million, relating to stock options granted to employees. This expense item did not impact on cash flow, and is recognized in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Management bonuses amounted to HK$26.7 million for the period under review. This is consistent with the Group's compensation policy, which distributes 20% to 23% of a net profit pool every year as the management bonus to employees. The net profit pool comprises the net profit before management bonus and taxation, and after certain adjustments. This discretionary bonus promotes staff loyalty and performance, while it aligns the interests of employees with those of shareholders.

Net profit and core earnings

In the first half of 2010, net profit came to HK$91.6 million, decreased from HK$116.1 million in 2009, and core earnings were HK$90.5 million, representing an increase of 47.9% from HK$61.2 million reported for the same period last year. Core earnings measure the Group's core operating performance and exclude non-recurring and non-operating items such as our fund investments mark-to-market gain/loss. This year's core earnings increase was mainly due to a rise in management fees.

Dividends

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

Liquidity and financial resources

Fee income is the Group's main source of income. Other sources of income include interest income generated from bank deposits, as well as dividend income from investments held. During the period, the Group's balance sheet and cash flow positions remained strong. As at 30 June 2010, the Group had a net cash balance of HK$542.9 million. For the six months ended 30 June 2010, net cash inflows from operating activities amounted to HK$138.2 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 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 7.4 times.

Capital structure

As at 30 June 2010, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK$1,045.7 million and 1.6 billion, respectively.

OTHER INFORMATION

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

Foreign Exchange

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 2010, the Group employed a total of 93 staff (30 June 2009: 75) in Hong Kong, Singapore and Mainland China. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contributions. In addition, share options are granted and discretionary bonuses are also given based on the Group's and individual staff's performance.

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 2010.

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 that 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 2010.

Independent Review of Interim Results

The unaudited interim results of the Group for the six months ended 30 June 2010 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 2010.

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 2010.

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
Chan Sheung Lai
Chief Executive Officer and Executive Director

Hong Kong, 24 August 2010

As at the date of this Announcement, our Directors are Mr. Cheah Cheng Hye, , Mr. Chan Sheung Lai, Ms. Hung Yeuk Yan Renee, Mr. So Chun Ki Louis and Mr. Tse Wai Ming as Executive Directors and Dr. Chen Shih Ta Michael, Mr. Lee Siang Chin and Mr. Nobuo Oyama as Independent Non-executive Directors.