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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

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

(In HK$ million)	2010	2009	% Change
Total revenue	**1,075.2**	460.3	+133.6%
Gross management fees	**343.8**	233.5	+47.2%
Gross performance fees	**708.5**	219.8	+222.3%
Net profit	**653.2**	318.8	+104.9%
Basic earnings per share (HK cents)	**40.1**	19.9	+101.5%
Diluted earnings per share (HK cents)	**39.9**	19.9	+100.5%
Interim dividend per share (HK cents)	**Nil**	Nil	
Final dividend per share (HK cents)	**16.0**	8.0	+100.0%

FINAL 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 year ended 31 December 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").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Income			
Revenue	2	**1,075,209**	460,274
Other income	2	**9,752**	11,471
Total income		**1,084,961**	471,745
Expenses			
Distribution fees		**91,298**	37,248
Compensation and benefit expenses	3	**276,459**	168,711
Operating lease rentals		**7,322**	9,627
Advisory fees		**10,276**	4,659
Other expenses	4	**35,563**	28,723
Total expenses		**420,918**	248,968
Other gains — net	5	**95,438**	125,571
Operating profit		**759,481**	348,348
Share of loss of an associate		**(86)**	—
Share of loss of a joint venture		**(2,500)**	(2,641)
Profit before tax		**756,895**	345,707
Tax expense	6	**(103,723)**	(26,903)
Profit for the year		**653,172**	318,804
Other comprehensive income for the year			
Fair value gains on available-for-sale financial assets		**1,391**	985
Total comprehensive income for the year and total comprehensive income attributable to equity holders of the Company		**654,563**	319,789
Profit attributable to			
Equity holders of the Company		**653,172**	318,804
Earnings per share for profit attributable to the equity holders of the Company (HK cents per share)			
— basic	7	**40.1**	19.9
— diluted	7	**39.9**	19.9
Dividends (HK$'000)	8	**280,351**	128,000

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**7,951**	8,944
Intangible assets		**1,583**	1,567
Investment properties		**58,743**	—
Investment in an associate		**710**	—
Interest in a joint venture		**6,484**	8,984
Investments	*9*	**660,113**	462,882
Deferred tax assets		**—**	617
Other assets		**1,847**	1,891
		737,431	484,885
Current assets			
Investments	*9*	**164,920**	7,166
Fees receivable	*10*	**654,294**	201,371
Prepayments and other receivables		**16,886**	10,540
Cash and cash equivalents	*11*	**1,218,561**	517,071
		2,054,661	736,148
Current liabilities			
Accrued bonus		**190,184**	100,795
Distribution fees payable	*12*	**33,964**	13,255
Other payables and accrued expenses		**76,479**	17,423
Current tax liabilities		**73,499**	20,146
		374,126	151,619
Net current assets		**1,680,535**	584,529
Total assets less current liabilities		**2,417,966**	1,069,414
Non-current liabilities			
Deferred tax liabilities		**32**	—
Net assets		**2,417,934**	1,069,414
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Issued equity	*13*	**866,717**	53,767
Other reserves		**150,169**	139,631
Retained earnings			
— proposed dividends	*8*	**280,351**	128,000
— others		**1,120,697**	748,016
Total equity		**2,417,934**	1,069,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKFRS").

New and amended standards adopted by the Group:

- HKFRS 3 (Revised) "Business Combinations" (effective from 1 July 2009)

New standards, amendments and interpretations issued but are not yet effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKFRS 9 "Financial Instruments" (effective from 1 January 2013)
- HKAS 24 (Revised) "Related Party Disclosures" (effective from 1 January 2011)
- Amendment to HKAS 12 "Income Taxes" (effective from 1 January 2012)

2. Income

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

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Management fees	**343,803**	233,461
Performance fees	**708,493**	219,751
Front-end fees	**22,573**	5,001
Back-end fees	**340**	2,061
Total revenue	**1,075,209**	460,274
Other income		
Interest income on cash and cash equivalents	**1,648**	1,888
Dividend income on financial assets at fair value through profit or loss	**2,382**	644
Dividend income on available-for-sale financial assets	**5,034**	7,642
Others	**688**	1,297
Total other income	**9,752**	11,471
Total income	**1,084,961**	471,745

3. Compensation and benefit expenses

	2010	2009
	HK$'000	*HK$'000*
Management bonus	**190,184**	100,795
Salaries, wages and other benefits	**76,088**	59,467
Share-based compensation	**9,147**	7,538
Pension costs — mandatory provident fund scheme	**1,040**	911
Total compensation and benefit expenses	**276,459**	168,711

4. Other expenses

	2010	2009
	HK$'000	*HK$'000*
Research expenses	**6,595**	5,536
Travelling expenses	**4,847**	2,217
Office expenses	**3,774**	3,241
Marketing expenses	**3,658**	1,162
Depreciation and amortisation	**3,465**	4,280
Insurance expenses	**2,887**	3,020
Auditor's remuneration	**2,559**	2,908
Legal and professional fees	**2,434**	2,308
Registration and licensing fees	**1,251**	1,511
Recruitment and training expenses	**1,189**	725
Entertainment expenses	**827**	477
Others	**2,077**	1,338
Total other expenses	**35,563**	28,723

5. Other gains — net

	2010	2009
	HK$'000	*HK$'000*
Gains on disposal of subsidiaries	**—**	7,699
Losses on disposal of subsidiaries	**—**	(68)
Gains on disposal of property, plant and equipment	**—**	330
Gains on financial assets at fair value through profit or loss	**93,975**	120,324
Losses on financial assets at fair value through profit or loss	**(2,083)**	(1,878)
Losses on available-for-sale financial assets	**—**	(1,683)
Net foreign exchange gains	**3,546**	847
Total other gains — net	**95,438**	125,571

6. 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 consolidated financial statements.

Hong Kong profits tax has been provided on the estimated assessable profit for the year ended 31 December 2010 at the rate of 16.5% (2009: 16.5%).

	2010	2009
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax	**102,184**	35,888
Overseas tax	**552**	217
Adjustments in respect of prior years	**338**	(8,844)
Total current tax	**103,074**	27,261
Deferred tax		
Origination and reversal of temporary differences	**649**	(358)
Total tax expense	**103,723**	26,903

7. 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 $653,172,000 (2009: $318,804,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,627,819,000 (2009: 1,600,000,000). The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue during the period of 1,627,819,000 (2009:1,600,000,000) by 9,079,000 (2009: 2,078,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

8. Dividends

	2010	2009
	HK$'000	*HK$'000*
Proposed final dividend of HK16.0 cents (2009: HK8.0 cents) per ordinary share	**280,351**	128,000

The directors recommend payment of a final dividend of HK16.0 cents per ordinary share. The estimated total final dividends, based on the number of shares outstanding at 31 December 2010, are HK$280,350,877. Such dividends are to be approved by the shareholders at the Annual General Meeting of the Company on 4 May 2011 and have not been recognised as a liability at the balance sheet date.

9. Investments

Investments include the following:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Listed securities (by place of listing)						
Investment funds – Hong Kong	**284,865**	74,079	**—**	—	**284,865**	74,079
Investment funds – Singapore	**7,572**	6,842	**—**	—	**7,572**	6,842
Market value of listed securities	**292,437**	80,921	**—**	—	**292,437**	80,921
Unlisted securities (by place of incorporation/establishment)						
Equity securities – Singapore	**—**	—	**1,923**	2,631	**1,923**	2,631
Investment funds – Cayman Islands	**477,520**	334,265	**—**	—	**477,520**	334,265
Investment funds – Luxembourg	**7,435**	6,367	**—**	—	**7,435**	6,367
Investment funds – United States of America	**31,382**	33,627	**14,336**	12,237	**45,718**	45,864
Fair value of unlisted securities	**516,337**	374,259	**16,259**	14,868	**532,596**	389,127
Total investments	**808,774**	455,180	**16,259**	14,868	**825,033**	470,048
Representing:						
Non-current	**643,854**	448,014	**16,259**	14,868	**660,113**	462,882
Current	**164,920**	7,166	**—**	—	**164,920**	7,166
Total investments	**808,774**	455,180	**16,259**	14,868	**825,033**	470,048

There was no impairment provision on available-for-sale financial assets at 31 December 2010 (2009: Nil).

10. 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:

	2010	2009
	HK$'000	*HK$'000*
Fees receivable that were past due but not impaired		
1-30 days	**2,469**	1,342
31-60 days	**1,267**	306
61-90 days	**2,559**	—
Over 90 days	**2,297**	—
	8,592	1,648
Fees receivable that were within credit period	**645,702**	199,723
Total fees receivable	**654,294**	201,371

11. Cash and cash equivalents

	2010	2009
	HK$'000	*HK$'000*
Cash at bank and in hand	**705,569**	260,673
Short-term bank deposits	**474,641**	247,123
Deposits with brokers	**38,351**	9,275
Total cash and cash equivalents	**1,218,561**	517,071

12. Distribution fees payable

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

	2010	2009
	HK$'000	*HK$'000*
0-30 days	**32,661**	13,153
31-60 days	**665**	—
61-90 days	**384**	—
Over 90 days	**254**	102
Total distribution fees payable	**33,964**	13,255

13. Issued equity

	Number of shares	Issued equity *HK$'000*
At 1 January 2009 and 31 December 2009	1,600,000,000	53,767
At 1 January 2010	1,600,000,000	53,767
Share issued upon exercise of share options	12,192,981	37,648
Shares issued, net of issuing expenses	140,000,000	775,302
At 31 December 2010	1,752,192,981	866,717

CHAIRMAN'S STATEMENT

In 2010, Value Partners made a net profit of HK$653.2 million (basic earnings per share: HK40.1 cents), which is more than twice the 2009 figure of HK$318.8 million. We are pleased to propose a dividend for 2010 of HK16.0 cents per share. It was a tremendous year, not just for the financial results, but in other important respects as well. Notable points include:

- Excellent fund performance. As always, this is the key to our business model, and in 2010, we scored again. Taking our flagship Value Partners Classic Fund as an example, the fund's net asset value reached an all-time high following a gain of 20.2%[#] in 2010, well ahead of the Hang Seng and MSCI China indices' gains of 8.6% and 4.6%, respectively, during the same period.

- Record level of fund sales. In 2010, our funds attracted a net inflow (subscriptions minus redemptions) of US$1.3 billion, the biggest such inflow in our 17-year history. Assets under management reached US$7.9 billion, overtaking the previous record of US$7.3 billion under management in 2007, before the global financial crisis. We are one of Asia's largest fund management firms, and our market share is clearly expanding.

- Surging share price. Our remarkable growth was reflected in a 96.5% increase in Value Partners' share price, which ended 2010 at HK$7.80, from HK$3.97 a year earlier.

- Capital base strengthened. Value Partners raised HK$775.3 million in fresh capital in October 2010, with an issue of 140 million new shares (8.7% of the company) at HK$5.68 per share.

- Healthy pace of new business development. We launched yet another innovative exchange-traded fund, the Value Gold ETF, which is the world's first gold fund to store its bullion in Hong Kong. Value Partners now has two ETFs — Value China ETF (3046 HK) and the Value Gold ETF (3081 HK) launched in December 2009 and November 2010, respectively, both listed successfully on the Hong Kong Stock Exchange, and both managed through a joint venture with our strategic partner, Ping An of China.

  (In a separate development announced subsequent to the year end, Value Partners has signed an agreement to form a private equity fund management company in Yunnan, China. This is in the form of a 60% owned joint venture with a partner linked to the provincial government of Yunnan and the plan is to raise a renminbi-denominated private equity fund in 2011 for projects on the Chinese mainland.)

- Achievement recognition. In Hong Kong, Value Partners is considered an unusual story because there are few really successful local Hong Kong brands in commerce and industry. Instead, Hong Kong is better known for its landlords, shopkeepers and as a base for large multinational brands. In Value Partners' case, however, there is a long and consistent history of winning performance awards and industry recognition, going as far back as 1994, a year after the company's founding.

In 2010, Value Partners enjoyed remarkable success in winning a whole new collection of accolades. This is summarized in the accompanying "Chief Executive Officers' Report," and here we would provide just two highlights, as follows:

- Value Partners' Chairman and Co-Chief Investment Officer, Cheah Cheng Hye, delivered the keynote address at the Graham & Dodd Breakfast in 2010 — a prestigious annual event held by the Heilbrunn Center for Graham & Dodd Investing of Columbia Business School in New York. This was the 20th Graham & Dodd breakfast and the first with an Asian speaker; Mr Cheah's speech was entitled "Value investing: Making it work in China and Asia."

- Value Partners has been named as one of the three leading fund-management firms in Asia in the prestigious Thomson Extel Survey 2010, published recently. In the same survey, Value Partners' staff were ranked among the best individual fund managers in Asia. George Yang, Eric Chow and Ada Lau — all fund managers from Value Partners — were ranked No 1, No 2 and No 3, respectively on a list of 25 names in the survey devoted to leading Buyside Individuals in the "General Equities/Strategy" category.

Outlook

2011 is the first year of China's 12th five-year plan, during which strong initiatives will be taken to transform the country's economic model, from an export-led model to one that pushes domestic consumer spending and improvement of China's environment and living standards. The government in Beijing remains pro-business and pro-growth — but it is sensitive to any threat to stability. In this context, officials have put inflation at the top of their "worry list," and they are also keeping an anxious eye on global political and economic developments, for fear of any spillover effects on China.

Not surprisingly, we find the Chinese investment environment for 2011 quite challenging. For the serious, long-term investor, promising opportunities remain on offer, but these have to be carefully identified through bottom-up research. On the whole, the "China story" remains intact, with economic growth still pretty strong, projected at 9% for 2011, down just a bit from 2010's estimated 10%.

Our overall corporate objective is for Value Partners to be a "Temple of Value Investing" for the Asia-Pacific region. Progress has been strong, and further initiatives will be taken. We want to be a world class asset management institution, not only in terms of our Investment Team's proven ability and resources, but also in terms of the firm's overall branding, infrastructure and support systems. What we build need to endure over the long term.

Finally, we again express our deepest gratitude and appreciation to clients, employees and shareholders.

CHEAH Cheng Hye
Chairman and Co-Chief Investment Officer

[#] *Performance of Value Partners Classic Fund (A Units) over past five years: 2010, +20.2%; 2009, +82.9%; 2008, -47.9%; 2007, +41.1%; 2006, +41.8%. Performance figures are calculated in US dollars terms on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*

REPORT OF THE CHIEF EXECUTIVE OFFICERS

Strong recovery to record inflow

In the 2010 Interim Report, we noted that the major stock markets over the first six months of 2010 were difficult and volatile, while our flagship Value Partners Classic Fund remained resilient and increased by about 1.0% over the period, compared to the declines of 6.1% of both Hang Seng and MSCI China indices. From the second half, investment sentiment improved as investors realized the Chinese economy was heading towards a "soft landing" rather than the much feared "hard landing". Our funds performed very well during this period. The Classic Fund gained a net 20.2%[#] for the year; by comparison, the Hang Seng and MSCI China indices gained 8.6% and 4.6% respectively in 2010. Value Partners China Greenchip Fund Limited, which invests in small cap companies, was our best performing fund gaining 37.8%[^].

Our strong fund performance reflects our commitment to deliver superior return to investors and our dedication to and practice of value investing. This strong performance, supported by our expanded distribution channels, has attracted significant capital inflow to our funds. We are pleased to report that net subscriptions for the year amounted to US$1.3 billion, compared to US$82 million last year and bringing our assets under management ("AUM") to US$7.9 billion as at 31 December 2010. The capital inflow for 2010 has set a new record for Value Partners, versus our previous record net inflow of US$0.7 billion in 2006.

Our strong fund performance also allowed us to collect performance fees on many of our funds. For 2010, our revenue amounted to HK$1,075.2 million, comprising gross management fees of HK$343.8 million and gross performance fees of HK$708.5 million. This represents an increase of 133.6% over total revenue of HK$460.3 million recorded in 2009. Net profit for 2010 was HK$653.2 million, compared to HK$318.8 million for 2009.

Building our AUM

We ended the year with US$7.9 billion assets under management, the highest AUM at fiscal year end in the Group's history. We had AUM of US$5.5 billion at year end 2009. The increase in AUM of US$2.4 billion during the year resulted from net inflow of US$1.3 billion and positive fund performance of US$1.1 billion.

Net subscriptions for the year of US$1.3 billion have set a new record for us. The recovery in fund inflow that started early this year gained momentum in the second half of the year as market sentiment improved and our fund performance soared. Most of the new subscriptions were channeled to our premium, actively managed funds and came from Hong Kong based investors, which reflected our leading market position and expanded distribution channels in the home market. Our flagship Classic Fund has become one of the best selling equity funds on the HSBC retail bank platform in Hong Kong.

Our overseas subscriptions were sluggish in the first half of the year but improved in the second half. More overseas money came in when the market rebounded in the latter part of the year. Most of the new subscriptions, however, came from existing investors and there have been no major new mandates from overseas, except for mandates secured in the first half of the year from a leading Swiss private bank to manage and co-manage two funds.

On our sales and marketing efforts, we have focused on building the AUM of our current offerings in premium, actively managed products, and in view of the volatile market environment, we have not launched any new actively managed products.

Growing our Value ETFs

As part of our diversified product strategy, we have continued to expand our suite of Value ETF products. In 2009, we launched our Value China ETF (3046 HK), which tracks a basket of 25 China value stocks captured by the FTSE Value-Stocks China Index, an index based on a proprietary value-based screening methodology designed by us.

In November 2010, we launched our Value Gold ETF (3081 HK) on the Stock Exchange of Hong Kong. The Value Gold ETF is the first and only gold ETF backed by physical gold bullion stored in Hong Kong, and has received wide publicity in the market.

As at year end, the AUMs of our Value China ETF and Value Gold ETF were US$48 million and US$56 million, respectively. The Value China ETF gained 11.7%[Ω] for the year, while the Hang Seng and MSCI China indices recorded gains of 8.6% and 4.6%, respectively.

In December 2010, we launched the FTSE Value-Stocks Taiwan and the FTSE Value-Stocks Korea Indices. Both are equity indices based on value-based screening methodology designed by us and similar to the methodology for the FTSE Value-Stocks China Index.

Awards and distinctions

Our goal is to be, and to be recognized as, the temple of value investing in Asia. We have seen significant market recognition of Value Partners' achievements, and also received major distinctions for the performance of our funds. According to Institutional Investor magazine's 2010 Asia Hedge Fund 25, Value Partners was ranked number one hedge fund management firm based on AUM as at 1 April 2010 (July 2010 edition).

We have received many other awards and distinctions that provide further indication of our investment success and the broad recognition from our peers and investors. Our awards for the year are listed below.

Value Partners: 2010 Awards

Organizers	Awards	Winners
AsiaHedge Awards 2010	Management Firm of the Year Best China Fund	Value Partners Limited Value Partners China Greenchip Fund Ltd.*
Lipper Asia Lipper Fund Award 2010	Best Equity Asia Pacific (excluding Japan) Fund over 3 years	Value Partners High-Dividend Stocks Fund
Republic Partners Asia ETFs Awards 2010	Best New ETF in Asia 2010	Value China ETF
Thomson Reuters Extel Asia Pacific Survey 2010	Best Overall Fund Management Firm — Asia	Value Partners ranked the 3rd place out of the 25 named fund management companies
	Top Three Buyside Individuals — General Equities/Strategy	• Mr. George Yang, Value Partners Senior Analyst, ranked 1st place among the named individuals • Mr. Eric Chow, Value Partners Senior Fund Manager, ranked 2nd place among the named individuals • Ms. Ada Lau, Value Partners Senior Fund Manager, ranked 3rd place among the named individuals
	Leading Buyside Individual — Asia	• Mr. George Yang, Value Partners Senior Analyst, ranked 1st place among the named individuals • Mr. Eric Chow, Value Partners Senior Fund Manager, ranked 3rd place among the named individuals

* *The award-winning funds were selected from a pool of funds with top returns and within 25% of the top Sharpe ratio for the year. Value Partners China Greenchip Fund Ltd. is authorized by the Securities and Futures Commission (SFC) in Hong Kong but not as a hedge fund according to the Code on Unit Trust and Mutual Funds. SFC authorization is not a recommendation or endorsement of a scheme, nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors, nor is it an endorsement for its suitability for any particular investor or class of investors.*

In October 2010, Mr. Cheah Cheng Hye, our Chairman and Co-Chief Investment Officer, was named by AsianInvestor as one of the 25 Most Influential People in the Asian hedge fund industry. In the same month, Mr. Cheah was in New York City and delivered a speech as the first keynote speaker from Asia at the renowned annual Graham & Dodd Breakfast meeting organized by the Heilbrunn Center for Graham & Dodd Investing at Columbia Business School. This is regarded as one of the most prestigious forums for value investing in the United States.

We would like to extend our congratulations to Mr. Cheah and other colleagues that received these distinctions and awards, and our gratitude to all our colleagues for their contribution to building the strong market recognition of Value Partners.

Corporate leadership

As part of its ongoing drive to develop the Group into a world class fund management firm, we have continued to enhance our leadership capacity.

In July 2010, Mr. Louis So Chun Ki was promoted to Co-Chief Investment Officer, sharing the role of Co-Chief Investment Officer with Mr. Cheah Cheng Hye, our Chairman. Mr. Cheah focuses more on investment strategies, while Mr. So takes over the daily operation of the investment team. In addition, 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. Mr. Jimmy Chan Sheung Lai was promoted from the position of Managing Director to Chief Executive Officer, taking charge of the business and corporate management of Value Partners.

In January 2011, Mr. Michael Francis Coorey, who joined us in November 2010 as Director, Strategic Development, was appointed as Co-Chief Executive Officer and has taken over business and corporate management in Hong Kong. Mr. Coorey previously worked for investment groups such as Bessemer Holdings LLC, for whom he has established and run companies in China. He has led large scale corporate re-engineering at financial institutions such as Standard Chartered Bank, where his role was to increase the Company's return on equity, and at City Mutual Insurance where his role was to transform an old-line insurance company into a modern financial institution. He has run both publicly listed and private companies in China, Hong Kong and Japan.

Following the appointment of Mr. Coorey, Mr. Jimmy Chan Sheung Lai shares the role of Co-Chief Executive Officer. Mr. Chan focuses on business development, strategic investments and partnerships, and external relations to lead the Group to maximize and secure the significant business opportunities available to the Group in mainland China and elsewhere in Asia, Europe and the United States. In particular, he will lead the Group's efforts to establish a fund management business on the mainland.

Placement of shares

In October 2010, we completed a placing of 140,000,000 shares in the Company and raised net proceeds of HK$775.3 million. Most of the new capital has been earmarked for the expansion of our business in mainland China, as seed capital for the Group's new funds, and for the expansion of our distribution channels. The balance of the net proceeds is to be used as the general working capital of the Group.

This placement represents the first time that the Group raised new equity capital from the capital market.

Financial review

As at 31 December 2010, our total AUM amounted to US$7.9 billion, up from US$5.5 billion in December 2009. The year began with a steady increase in net inflow in our funds and the inflow gained significant momentum in the second half of the year. The total net inflow of US$1.3 billion has set a new record for Value Partners, versus our previous record net inflow of US$0.7 billion in 2006.

With the solid growth in AUM, our gross management fees increased to HK$343.8 million for the year, compared to HK$233.5 million for 2009. Our strong fund performance also allowed us to collect performance fees of HK$708.5 million, representing an increase of 222.3% over the performance fees of HK$219.8 million collected in 2009.

For 2010, our total revenue was HK$1,075.2 million, representing an increase of 133.6% over HK$460.3 million recorded in 2009. Net profit increased to HK$653.2 million, representing a growth of 104.9% over net profit of HK$318.8 million for 2009.

Our balance sheet as at 31 December 2010 remained strong and liquid, and was further bolstered by the net proceeds of the share placement.

Looking forward

In this year and beyond, we will devote more of our efforts to develop our Group into a world class asset management firm. The senior appointments in both our investment and business teams have strengthened our leadership capacity to lead the Group to achieve this goal.

We are committed to positioning Value Partners as the temple of value investing in Asia and our investment team has a good pool of well qualified fund managers and analysts dedicated to delivering superior investment returns. Our business team has helped generate strong fund inflow and will continue its efforts in Hong Kong and abroad to expand our distribution network and enhance our institutional investor base.

In product development, we are committed to our bar-bell strategy of offering premium, actively managed products as well as high volume ETFs and quantitative products. We will selectively launch new premium products such as QFII (Qualified Foreign Institutional Investor) and RMB denominated products that can meet unfulfilled market demand and leverage our investment strength. We will continue releasing truly innovative ETF products.

We have announced that we entered into an agreement to set up a joint venture private equity fund management company with 雲南省工業投資控股集團有限責任公司 (Yunnan Industrial Investment Holding Group Ltd) in Kumming, Yunnan, Western China. We will own a 60% interest in the joint venture, which plans to establish and manage a Renminbi-denominated private equity fund by the end of this year, with the aim of raising RMB500 million for the first fund.

This new joint venture is part of our expansion plan into mainland China. We believe that mainland China will be our primary strategic market for the next decade, and 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 addition to this private equity joint venture, we have started dialogues with potential partners and regulators about setting up other fund management businesses in the mainland. We are confident that given our strong track record in investing in China and our similar culture with potential mainland partners, we will establish significant fund management businesses in the mainland in the near future.

Since the financial crisis, regulators around the world have taken new initiatives, including new legislation, to tighten the regulation of the financial services industry. In June, the Securities and Futures Commission gazetted the new Handbook on Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products. Some of the new requirements as promulgated in the new Handbook have not yet been implemented but it is likely that the full implementation of these new requirements will affect how our funds will be marketed and sold to retail investors in Hong Kong. We do not however expect that the potential impact from the full implementation of the new requirements on the future capital inflow from the retail market will be significant.

Thanks and appreciation

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

[#] *Performance of Value Partners Classic Fund (A Units) over past five years: 2010, +20.2%; 2009, +82.9%; 2008, -47.9%; 2007, +41.1%; 2006, +41.8%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*

[^] *Performance of Value Partners China Greenchip Fund Limited over past five years: 2010, +37.8%; 2009, +116.7%; 2008, -57.4%; 2007, +36.3%; 2006, +43.7%. Performance figures are calculated in HK dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*

[Ω] *Performance of Value China ETF since launch on 10 December 2009: 2010, +11.7%; 2009 (since launch), -0.4%. Performance figures are calculated in HK dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*

FINANCIAL REVIEW

The Group reported very strong business and financial performance during 2010, as a result of good fund performance and significant fund inflows. The Group's AUM was US$7.9 billion as at 31 December 2010, representing a net increase of 44.2%, which was over the US$5.5 billion recorded one year earlier. In addition, the Group's total revenue increased by 133.6% to HK$1,075.2 million for the year ended 31 December 2010, compared to HK$460.3 million recorded one year earlier. Net profit for the year was HK$653.2 million, which was an increase from the HK$318.8 million net profit seen in 2009. The significant increase in net profit was mainly driven by strong fund performance and increased performance-fee earnings. As at 31 December 2010, a majority of the funds managed by the Group exceeded their high watermarks or benchmark returns. Gross performance fees amounted to HK$708.5 million, representing a 222.3% increase compared to HK$219.8 million recorded last year. The increase in management fees also contributed to the increase in the Group's net profit. Gross management fees amounted to HK$343.8 million, representing a 47.2% increase compared to HK$233.5 million recorded last year.

Assets Under Management

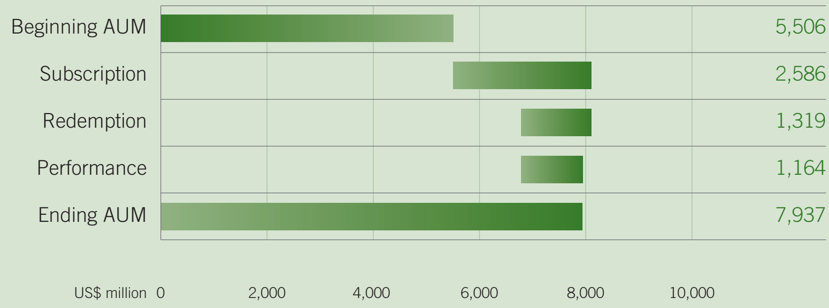
AUM and return

The Group's AUM amounted to US$7,937 million as at 31 December 2010, compared to US$5,506 million one year earlier, representing a 44.2% increase. The growth was mainly driven by the strong inflows of funds and positive fund returns, which accounted for a US$1,267 million and US$1,164 million increase in AUM, respectively. The average AUM increased from US$4,088 million to US$6,219 million in 2010, representing a 52.1% increase, which resulted in higher management fees for 2010. In terms of fund performance, we generated an asset-weighted average return of funds under management of 18.8%, compared to the Hang Seng Index and MSCI China Index, which, for the same period, recorded gains of 8.6% and 4.6%, respectively. In addition, our flagship Value Partners Classic Fund recorded a 20.2% gain in 2010.

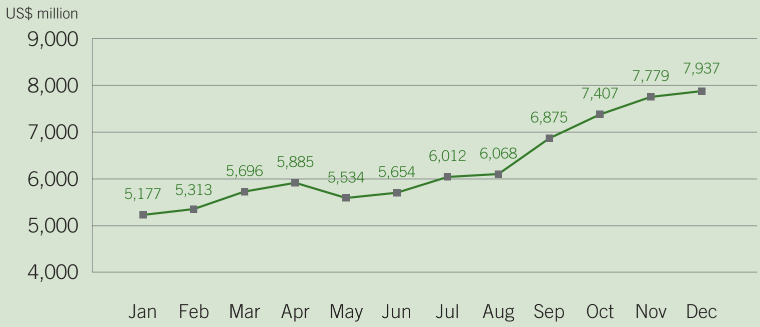
Gross subscriptions for the second half of 2010 amounted to US$1,739 million, compared to US$847 million recorded in first half of 2010 and US$1,261 million recorded in 2009, reflecting the continuing steady positive fund inflow and recovery that began in 2009. Gross redemptions amounted to US$1,319 million during the year, which were stable in comparison to 2009. Net subscription significantly increased from US$82 million in 2009 to US$1,267 million in 2010.

(In US$ million)	1H 2010	2H 2010	FY 2010	FY 2009
Subscriptions	847	1,739	2,586	1,261
Redemptions	528	791	1,319	1,179
Net subscriptions	319	948	1,267	82

AUM change in the year 2010



Monthly AUM in the year 2010

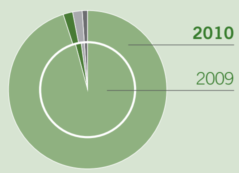


AUM by category

The charts below provide an analysis of the Group's AUM by different classifications, including brand, strategy and fund type, as at 31 December 2010.

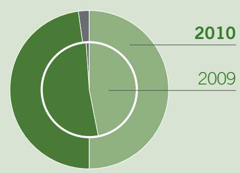
During the period under review, there was higher fund inflow adding into our Own Branded Funds than White Label Funds. As a result, the ratio of our Own Branded Funds increased from 47% out of the total AUM in 2009 to 50% at the end of the year. Our Absolute Return Long-biased Funds represented the majority of our funds by strategy. In terms of fund type, authorized funds accounted for 75% of the total AUM.

Classification by strategy



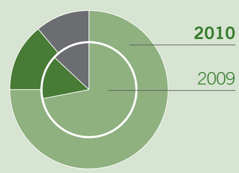
	2010	2009
Absolute Return Long-biased Funds	**95%**	96%
Long-short Hedge Funds	**2%**	2%
ETF & Quantitative Funds	**2%**	1%
Others	**1%**	1%

Classification by brand



	2010	2009
Own Branded Funds	**50%**	47%
White Label Funds	**48%**	52%
Co-branded Funds	**2%**	1%

Classification by type

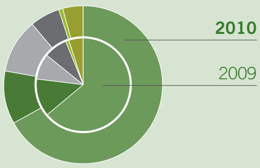


	2010	2009
Authorized Funds	**75%**	72%
Non-authorized Funds	**14%**	15%
Managed Accounts	**11%**	13%

Client base

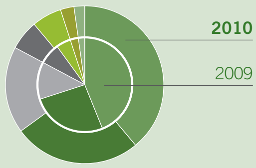
Institutional clients, the Group's primary set of fund investors, accounted for 82% of the total AUM as at 31 December 2010. Institutional clients include institutions, pension funds, endowments and foundations, high-net-worth individuals, funds of funds, and family offices and trusts. The proportion of funds coming from retail investors increased from 13% to 18% of the Group's total AUM over the year, which was due to the higher fund inflow from Hong Kong retail investors through our expanded retail distribution channel network, such as retail banks. By geographical region, Hong Kong clients accounted for 67% of the Group's AUM. Clients coming from the United States and Europe accounted for 22% of the Group's AUM, which was the same as last year.

Client analysis by geographical region



	2010	2009
Hong Kong	**67%**	64%
United States	**11%**	13%
Europe	**11%**	9%
Australia	**6%**	8%
Japan	**1%**	1%
Other	**4%**	5%

Client analysis by type



	2010	2009
Institutions	**39%**	44%
Pension funds	**26%**	26%
Retail	**18%**	13%
Endowments & foundations	**6%**	7%
High-net-worth individuals	**6%**	5%
Fund of funds	**3%**	3%
Family offices & trusts	**2%**	2%

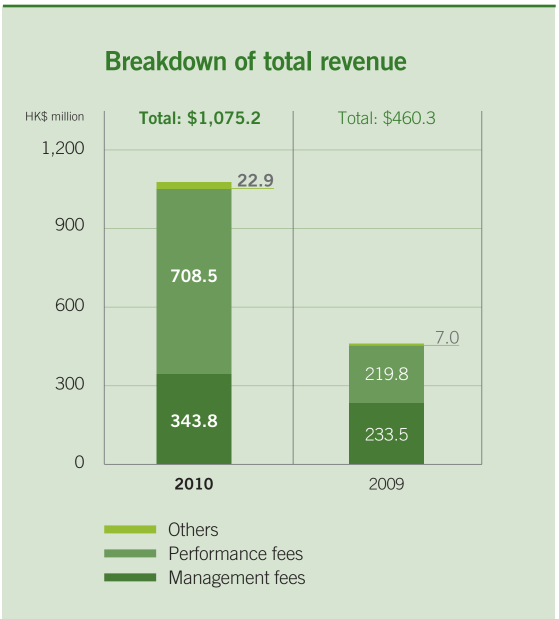
Summary of results

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

(In HK$ million)	2010	2009	% Change
Total revenue	**1,075.2**	460.3	+133.6%
Gross management fees	**343.8**	233.5	+47.2%
Gross performance fees	**708.5**	219.8	+222.3%
Net profit	**653.2**	318.8	+104.9%
Basic earnings per share (HK cents)	**40.1**	19.9	+101.5%
Diluted earnings per share (HK cents)	**39.9**	19.9	+100.5%
Interim dividend per share (HK cents)	**Nil**	Nil	
Final dividend per share (HK cents)	**16.0**	8.0	+100.0%

Revenue and fee margins

The Group's total revenue increased by 133.6% to HK$1,075.2 million in 2010, compared to HK$460.3 million one year earlier.



Gross performance fees increased by 222.3% to HK$708.5 million, compared to HK$219.8 million recorded in 2009. The increase in performance fees was mainly driven by the growth in AUM and strong fund performance. During the period under review, performance fees were generated from funds which had exceeded their high watermarks, with the remaining amount generated from funds which had exceeded their benchmark returns.

Gross management fees rose by 47.2% to HK$343.8 million from HK$233.5 million in the previous year. These gains were mainly driven by the 52.1% increase in the Group's average AUM, partly offset by the contracted net management fee margin.

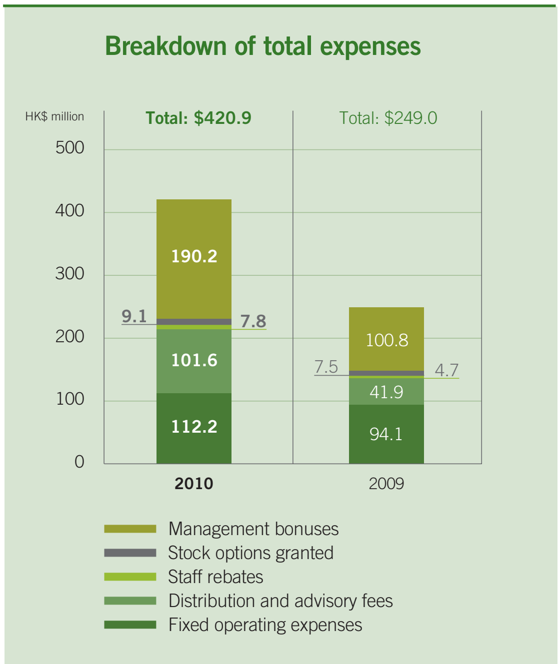
The net management fee margin came to 60 basis points, compared with 63 basis points recorded in the previous year. This margin contraction was mainly due to the higher distribution fees paid as a result of the expansion in the Group's retail distribution channel network.

Other income, which was mainly comprised of dividend income and interest income, decreased from HK$11.5 million in the previous year to HK$9.8 million. Dividend income decreased from HK$8.3 million to HK$7.4 million, due to the decline in dividends received from investee companies, while interest income decreased from HK$1.9 million to HK$1.6 million, due to lower interest rates.

Other gains and losses

The Group's accounting treatment of our fund investments has required changes in the fair value of our fund investments to be reflected in the consolidated statement of comprehensive income. In so doing, an unrealized gain of HK$80.3 million was recorded in the consolidated statement of comprehensive income for the year under review, compared to HK$114.2 million unrealized gain recorded in the previous year.

Cost management



The Group's total expenses amounted to HK$420.9 million, compared to HK$249.0 million recorded one year earlier. Total expenses included distribution and advisory fees, fixed operating expenses, staff rebates, share-based compensation expenses, and management bonuses.

Distribution and advisory fees increased by 142.5% to HK$101.6 million, from HK$41.9 million one year earlier, which was in line with the increase in fee income.

Fixed operating expenses, which was mainly consisted of fixed salaries, rent and other administrative and office expenses, amounted to HK$112.2 million, compared to HK$94.1 million one year earlier. The increase was in line with the Group's continuing business expansion. The Group's management continued to exercise stringent cost discipline and has aimed to keep its fixed operating expenses well covered by its management fee income, which is considered a relatively stable source of income. Internally, the Group has measured this objective by using the fixed cost coverage ratio, an indicator that shows how many times fixed operating expenses are covered by management fee income. For the period under review, the Group's management has kept the fixed cost coverage at 3.1 times.

Staff rebates increased from HK$4.7 million to HK$7.8 million recorded in the current year. Staff are entitled to partial rebates of management fee and performance fee in relation to the staff's investments in the investment funds managed by the Group. The increase in staff rebates was in line with the increase in management fee and perforemance fee income.

Apart from operating expenses, the Group recorded an expense of HK$9.1 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.

Management bonuses amounted to HK$190.2 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

Net profit came to HK$653.2 million, an increase from HK$318.8 million in 2009, and core earnings were HK$580.5 million, representing an increase of 186.5% from the HK$202.6 million reported the previous year. Core earnings measure the Group's core operating performance and exclude non-recurring and non-operating items, such as the mark-to-market gain or loss of the Group's investments in own funds. This year's core earnings increase was mainly due to the rise in performance fees and management fees.

Dividends

The Group has been practicing a more consistent dividend distribution policy, one 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.

For 2010, the Board of Directors recommended a final dividend of HK16.0 cents per share to shareholders.

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 31 December 2010, the Group had a net cash balance of HK$1,218.6 million. During the year, net cash inflows from operating activities amounted to HK$281.8 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 5.5 times.

Capital structure

As at 31 December 2010, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK$2,417.9 million and 1.75 billion, respectively.

OTHER INFORMATION

Human Resources

As at 31 December 2010, the Group employed 103 staff. Remuneration packages that take into account of business performance, market practices and competitive market conditions are offered to employees in compensation for their contributions. In line with our emphasis on recognition for performance and human capital retention, we reward our employees with year-end discretionary bonuses which are linked to our level of profits for that financial year.

Dividends

No interim dividend was paid during the year. The Board is pleased to recommend the distribution of a final dividend of HK16.0 cents per share for the year ended 31 December 2010. Subject to the approval of shareholders of the Company at the Annual General Meeting for the year 2011, the dividend will be payable on or about 18 May 2011 to the shareholders whose names appear on the Registers of Members of the Company at close of business on 4 May 2011. The Board will continue to review the Group's financial position and capital needs every year in deciding its dividend recommendation going forward.

Annual General Meeting

It is proposed that the Annual General Meeting of the Company will be held on Wednesday, 4 May 2011. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 29 April 2011 to Wednesday, 4 May 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 28 April 2011.

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 financial year ended 31 December 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 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 consolidated results of the Group for the year ended 31 December 2010.

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 for the year ended 31 December 2010.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 to the Listing Rules.

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 year ended 31 December 2010.

Publication of Final Results and Annual Report on the Stock Exchange

The final results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.valuepartnersgroup.com.hk). The annual 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
Cheah Cheng Hye
Chairman and Co-Chief Investment Officer

Hong Kong, 10 March 2011

As at the date of this Announcement, our Directors are Mr. Cheah Cheng Hye, Mr. Chan Sheung Lai, Mr. Michael Francis Coorey, 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.