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)
（於開曼群島註冊之有限責任公司）

Stock Code 股份代號：806

Annual Report 2007
二零零七年年報

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Corporate Information

Board of Directors

Chairman and Chief Investment Officer
Mr. CHEAH Cheng Hye

Executive Directors
Mr. CHOI Nga Chung
Mr. HO Man Kei, CFA
Ms. HUNG Yeuk Yan Renee
Mr. LAW Ka Kin
Mr. NGAN Wai Wah, CFA
Mr. SO Louis Chun Ki

Independent Non-executive Directors
Dr. CHEN Shih Ta Michael
Mr. LEE Siang Chin
Mr. OYAMA Nobuo

Non-executive Honorary Chairman

Mr. YEH V-Nee

Company Secretary

Mr. TSE Wai Ming, CFA & CPA

Qualified Accountant

Mr. TSE Wai Ming, CFA & CPA

Authorised Representatives

Mr. NGAN Wai Wah, CFA
Mr. LAW Ka Kin

Members of the Audit Committee

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

Members of the Remuneration Committee

Dr. CHEN Shih Ta Michael *(Chairman)*
Mr. CHEAH Cheng Hye
Mr. NGAN Wai Wah, CFA
Mr. LEE Siang Chin
Mr. OYAMA Nobuo

Members of the Risk Management Committee

Mr. Mark DICKENS, J.P. *(Chairman)*
Mr. CHEAH Cheng Hye
Mr. SO Louis Chun Ki
Mr. NGAN Wai Wah, CFA
Mr. LAW Ka Kin
Ms. WOO Lai Nga, CFA & CPA

Members of the Valuation Committee

Mr. NGAN Wai Wah, CFA *(Chairman)*
Mr. LAW Ka Kin
Mr. TSE Wai Ming, CFA & CPA

Registered Office

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

Principal Place of Business in Hong Kong

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1 Queen's Road East
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

Auditor

PricewaterhouseCoopers

Legal Advisor

Richards Butler in association with Reed Smith LLP

Compliance Advisor

J.P. Morgan Securities (Asia Pacific) Limited

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Website

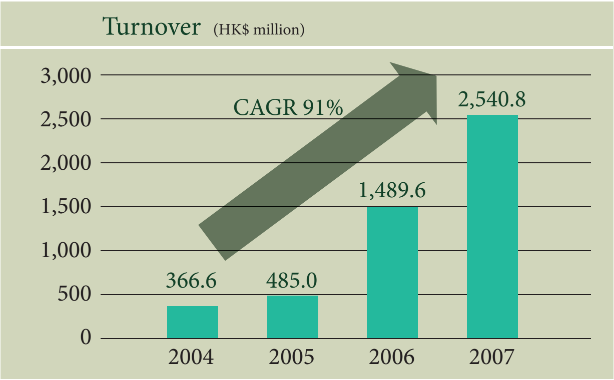
www.valuepartnersgroup.com.hk

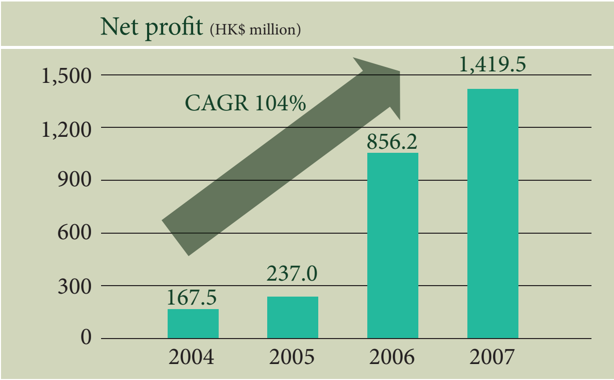
Stock Code

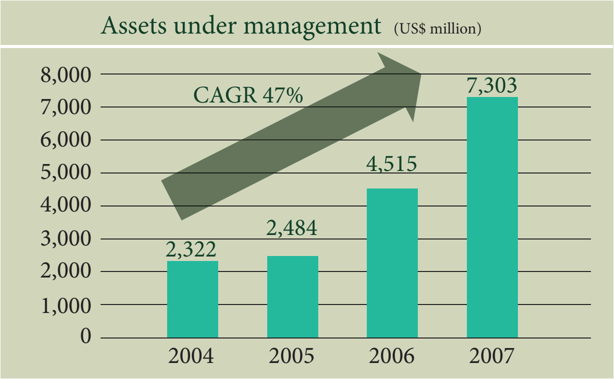
806

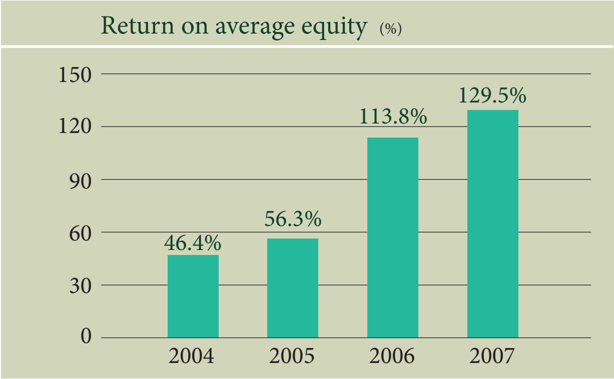
Financial Highlights

	2007 HK$ million	2006 HK$ million	% change
Turnover	**2,540.8**	1,489.6	70.6%
Operating profit	**1,655.3**	1,034.9	59.9%
Net profit	**1,419.5**	856.2	65.8%
Earnings per share – basic & diluted (HK cents)	**89**	54	
Assets under management (US$ million)	**7,303**	4,515	61.7%
Return on average equity (%)	**129.5%**	113.8%	









Chairman's Statement

Only a few months have passed since the listing, on 22 November 2007, of Value Partners Group Limited on the Hong Kong Stock Exchange, so there isn't a lot new to be added to the information already published in our listing prospectus. In my mind, fresh highlights would include the following:

- For the year ended 31 December 2007, the Group performed very well, achieving a profit after tax of HK$1,419.5 million, 65.8% higher than the previous year, representing per-share earnings of HK89 cents. The Group's Return on Average Equity ("ROAE") in 2007 was a remarkable 129.5%.

- Assets under management climbed to US$7,303 million in 2007 from US$4,515 million the previous year, helped by the continuing fine performance of all our funds (details are provided in the accompanying "Report of the Chief Executive Officer").

- For the final dividend, the Directors intend to propose HK26.6 cents per share, plus a special dividend of HK8.9 cents per share. We hope shareholders will find the pay-out generous, considering the short period since the listing.

- We are cautious about prospects in 2008.

We can see that United States economic and financial difficulties have a global impact. The economic impact on the Greater China region, which is our major focus, should not be particularly severe, since this region enjoys huge surpluses and is able to rely on domestic consumption and investment for economic growth. But stockmarket performance and investor sentiment is another matter – we have seen various periods in the past when the stockmarket did poorly even when the economy did well, and vice versa.

We think it prudent to be prepared for a period of depressed investor psychology and diminished appetite for investment risk, particularly if negative news continues to flow from the United States. But given our faith in China's fundamental strengths, we would see any major setback in the region's stockmarkets as a buying opportunity, since rapid economic growth will overcome poor investment sentiment, sooner or later.

What cannot be predicted is whether "sooner or later" refers to 2008, 2009 or an even later date. The complicating factor for China in 2008 is that the government needs to keep inflation in check, and this adds to investor worries about potential harm to corporate earnings, even though most observers recognize that overall, the rapid growth of the economy is not threatened.

We still think, however, that the essential point is a simple one: whenever financial markets disconnect from the real world, either by getting too far ahead or lagging too far behind ("overshooting" and "undershooting"), attractive opportunities would emerge to either buy or sell.

The best preparation for uncertainty, obviously, is robust good health. Here, the news is excellent. Fund management is all about "people and systems," and in the 15 years since it set up shop, Value Partners has learnt and put to use many lessons about what it takes to be an effective and disciplined asset management institution. Today, we consider ourselves to be a leader in Hong Kong in all the building blocks of the asset management business: research and investment; dealing; fund-raising and managing client relationships; compliance and risk management; business development and corporate administration; and back-office support operations.

Chairman's Statement

Our staff, over 90 people, are enthusiastic and well-motivated, and they deserve the applause of all shareholders. Indeed, a majority of our staff are shareholders themselves, having bought into the Company through last November's initial public offering.

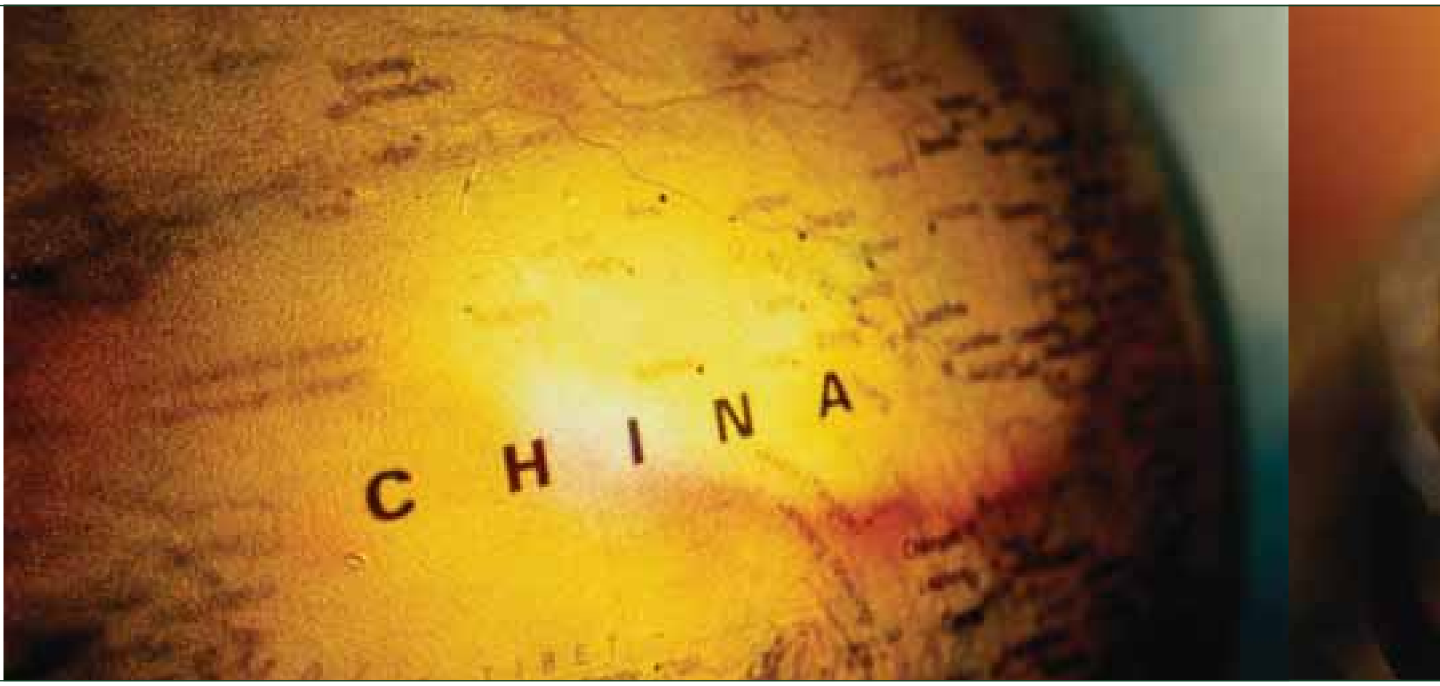
Value Partners' corporate culture emphasizes continuous improvement, both at the level of the individual employee and at the organizational level. In 2008, we should see further expansion in our menu of funds, the penetration of new markets and new projects with our business partners. Internally, continuous improvements will further enhance our ability to carry out our mission, which is to deliver a consistently satisfactory investment experience to our clients.

One timely initiative was the introduction of a new Value Partners fund focusing on Taiwan. This new fund*, which required some months of preparation, was launched in March 2008 just weeks before Kuomintang leader Ma Ying-jeou won the 22 March presidential election, an event that promises to improve dramatically the outlook for Taiwan's economy and stockmarket.

Cheah Cheng Hye
Chairman and Chief Investment Officer

* The Taiwan fund is not authorized by the Securities and Futures Commission of Hong Kong for marketing to the general public in Hong Kong.

Report of the Chief Executive Officer



Introduction

The year 2007 was momentous for Value Partners Group Limited (the "Company") and its subsidiaries ("Value Partners Group" or "Group"). On 22 November 2007, the Group crossed an important milestone in its 14-year old history and became the only Hong Kong based, Greater China oriented, fund management company listed on the Stock Exchange. Having consolidated its foundation and reputation during its existence as a private company, Value Partners Group Limited is now poised to move on to even greater heights as a public company.

With 1,600 million shares in issue at an offer price of HK$7.63 per share, the Company's market capitalization was HK$12.2 billion (US$1.56 billion) upon listing. Since the management did not sell any shares in the initial public offering, and no new money was raised from the public, the listing was actually a sale of shares held by minority shareholders in the United States, which are private equity funds run by J.H. Whitney and Value Holdings respectively, which acquired a minority stake in Value Partners Limited in the 1990s. Even after the public listing, the senior management and directors have maintained a majority stake in the Company, indicating that the interests of management and investors in the Group remain well aligned.

Industry outlook

Value Partners Group's primary business is asset management in the Asia-Pacific region with investment focus on Greater China, which includes the People's Republic of China, Hong Kong and Taiwan. We actively invest in this geography through a range of product lines including absolute return long-biased funds, hedge funds, quantitative funds and private equity funds. The Group also manages white label or co-branded funds and portfolios for institutional investors. All the Group's products and services are guided by the same core value investing principles. As at 31 December 2007, the Value Partners Group had US$7.3 billion of assets under management.

Over the last ten years, the Asia Pacific region has become an increasingly important destination for international capital as a result of structural changes, continuing rapid economic growth and increasing globalization. Between 1997 and 2006, the growth of real GDP in simple average terms, of the major countries in the region, was 4.8%, which was double the

Report of the Chief Executive Officer

simple average of the real GDP growth of 2.4% of the United States, United Kingdom and Japan during the same period. Greater China's simple average real GDP growth during this period, at 5.9%, was higher than that of the rest of the Asia Pacific region.

In addition to contributing to the performance of equity markets, the accelerating economic growth has also led to accumulation of private wealth and an increase in the number of wealthy individuals in the region. This, along with changes in demography and investment habits, has supported the growth in assets under management of fund management firms.

Value Partners Group aims to nurture and grow clients' wealth through diligent stewardship. We believe this aim is best achieved by following four basic tenets:

- always placing the interests of our clients first;
- focusing our resources on performance delivery, not accumulation of assets;
- adhering strictly to our value investment approach; and
- building and upholding an enthusiastic, team-based working environment and performance oriented corporate culture.

Business strategy and development

As a measure of diversified business strategy, our plan has been to develop two categories of products to minimize the risk of over-concentration in our Group's overall business strategy.

The first category of products will derive more of its income from performance fees. This category can be expected to do relatively better in bull market conditions when asset values increase, leading to substantially higher performance fees. Products in this category may take longer to scale up. In this category, new funds flow would be mainly from sophisticated investors. Absolute return long-biased funds, hedge funds and private equity funds would belong to this category.

In this category, a private equity fund was launched in April 2007. The first closing of the fund occurred in June 2007. The total committed capital of the fund now is approximately US$150 million. The fund primarily invests in unlisted securities but may also acquire other investments, including listed securities and convertible bonds of companies having their main operations or most of the assets located in or deriving most of their income from the Asia-Pacific region.

Report of the Chief Executive Officer

In addition, we are particularly pleased that in December 2007, the Endowment Fund of a major American University appointed one of our major operating subsidiaries, as the investment manager of a managed account which adopts an absolute return long-biased strategy. We consider this as an endorsement of our investment philosophy and professionalism.

In the second category of products, revenue would be based primarily on management fees. The inflow would be primarily driven by performance and active marketing and the size of assets under management would drive profit. Capacity is less of a concern in this category. The fund size in this category can be scaled up quickly as demand increases. The funds would focus on mainstream stocks. Quantitative products under the Sensible Asset Management ("SAM") brand would be in this category.

We launched our first quantitative product, the Asia Value Formula Fund, under the SAM brand in 2007. We obtained authorization from the Securities and Futures Commission of Hong Kong for the fund in May 2007 and the initial public offer was completed in October 2007. The fund adopts a quantitative approach to identify under-valued securities comprised in the MSCI Asia ex-Japan Index that will benefit from the upside correction between the market's short-term inefficiency and long-term efficiency.

For all fund categories, the unifying theme is a strong adherence to the value-investing philosophy. Products in these fund categories are complementary to each other in the overall context of the Group's business.

Business review for 2007

The key drivers of corporate earnings in the asset management industry are fund performance and assets under management ("AUM"). Value Partners Group's combination of strong performance progress and size are reflected in its high profitability.

Financial highlights for 2007

The Company reported a very strong business and financial performance during 2007, with good fund performance and significant year-on-year increase in AUM, revenue and profit.

Key highlights were:

- Group turnover grew 70.6% to HK$2,540.8 million (2006: HK$1,489.6 million);
- Net profit increased 65.8% to HK$1,419.5 million (2006: HK$856.2 million);
- Earnings per share of HK89 cents, up from HK54 cents in 2006;
- AUM climbed 61.7% to US$7,303 million (2006: US$4,515 million);
- Return on average equity ("ROAE") for 2007 was 129.5% (2006: 113.8%);
- Proposed dividend:
    - Final dividend ~ HK26.6 cents per share
    - Special dividend ~ HK8.9 cents per share

Report of the Chief Executive Officer

Fund performance

It is encouraging that all our major funds clocked in good performances. **Value Partners Classic Fund***, our flagship fund, gained a net 41.1%#, following the gain of 41.8%# achieved in 2006. The fund's net asset value per unit has doubled (up 100.0%) over the past two years.

Value Partners High-Dividend Stocks Fund gained a net 44.2%# in 2007, following the gain of 35.0%# achieved in 2006. The fund's net asset value per unit has almost doubled over the past two years (up 94.6%).

Our **China Convergence Fund**, formerly known as China ABH Shares Fund, gained a net 56.6%# in 2007, following the gain of 86.9%# achieved in 2006. The fund's net asset value per unit has risen 192.8% over the past two years.

Our **Chinese Mainland Focus Fund** gained a net 56.0%# in 2007, following the gain of 48.1%# achieved in 2006. The fund's net asset value per unit has increased 131.1% over the past two years.

* *Value Partners Classic Fund – A units*

\# *Performance data is net of fees, calculated in US Dollar, NAV to NAV, with dividends reinvested*

Assets under management ("AUM")

During the year, the Group's AUM rose by 61.7% from US$4,515 million to US$7,303 million. Average AUM increased from US$3,545 million to US$6,093 million or 71.9% year-on-year. Gross subscription increased from US$1,601 million to US$2,542 million. Net subscription dropped from US$749 million in 2006 to US$684 million in 2007.

Classification by Brand *(US$ million)*	**2006 AUM**	**2007 AUM**	**% Change**
Own Branded Funds	3,149	4,498	42.8%
White Label Funds	1,162	2,559	120.2%
Co-Branded Funds	204	246	20.6%
Total AUM	**4,515**	**7,303**	**61.7%**

Classification by Strategy *(US$ million)*	**2006 AUM**	**2007 AUM**	**% Change**
Absolute Return Long-biased Funds	4,209	6,726	59.8%
Hedge Funds	267	402	50.6%
Private Equity Funds	39	149	282.1%
Quantitative Funds	–	26	N/A
Total AUM	**4,515**	**7,303**	**61.7%**

Classification by Type of Funds *(US$ million)*	**2006 AUM**	**2007 AUM**	**% Change**
Authorized Funds	2,867	4,551	58.7%
Non-Authorized Funds	839	1,526	81.9%
Managed Accounts	770	1,077	39.9%
Private Equity Funds	39	149	282.1%
Total AUM	**4,515**	**7,303**	**61.7%**

Report of the Chief Executive Officer

The above table demonstrates the analysis of AUM of our Group from different perspectives, by brand, type and strategy.

- In 2007, in terms of branding, Own Branded Funds accounted for 61.6% of the total AUM, White Label Funds for 35.0% of the total AUM and Co-branded Funds, for the rest. Both Own Branded Funds and White Label Funds showed a significant growth in size during 2007 by 42.8% and 120.2% respectively.

- In terms of classification based on strategy, Absolute Return Long-biased Funds formed the bulk of 92.1% and Hedge Funds, 5.5% of the total AUM. Private Equity Funds and Quantitative Funds made up the rest of the AUM. Absolute Return Long-biased Funds posted an annual return of 46.2% during 2007, and Hedge Funds, which carry a higher fee margin, 56.6%.

- In terms of funds by type, funds authorized for sale in Hong Kong constituted 62.3% of the total AUM and Non-anthorized Funds, 20.9%. Managed Accounts and Private Equity Funds accounted for the rest of the AUM.

In terms of sources of AUM, Hong Kong contributed 47.7%, followed by the United States at 20.4%, Europe at 19.0% and Australia at 5.4%. Japan's share was at 2.2% and the rest of the world accounted for 5.3% of funds under management.

Institutions represent about 50.1% of all our clients by assets. Pension funds make up 12.1% of our clients, endowments and foundations 9.5% and funds of funds 8.1%. High-net-worth individuals account for 5.6% and retail investors account for 13.1%. Family offices and trusts accounted for the rest of our client base.

Summary of financial results

The Group's total income grew by 91.2% Compound Annual Growth Rate ("CAGR") between 2004 and 2007, with performance fees being the key driver of the growth. During the year total income increased by 72.1% to HK$2,612.0 million. Total expenses increased by 73.3% to HK$976.8 million. The Group's after-tax profit increased 65.8% to HK$1,419.5 million. Earnings per share stood at HK89 cents.

Revenue and fee margins

Gross performance fees increased by 68.2% to HK$2,075.6 million, compared to HK$1,234.2 million in 2006. Net performance fees increased by 69.5% to HK$1,874.9 million, compared to HK$1,106.3 million in 2006. The increase in performance fees was mainly driven by the growth in AUM and strong fund performance. The top five funds – Value Partners Classic Fund, China Convergence Fund, Value Partners High-Dividend Stocks Fund and two non-authorized funds – contributed approximately 63.2% of the gross performance fees.

Gross management fees increased by 77.1% to HK$436.6 million, compared to HK$246.5 million last year, reflecting the strong AUM growth of our funds. Net management fees increased by 77.9% to HK$353.2 million, compared to HK$198.5 million in 2006. Net management fee margin moved up from 72 basis points in 2006 to 75 basis points in 2007. This is attributable mainly to the change in fee structure in August 2006, which largely focused on the increase of management fees of our authorized funds.

Other income, mainly represented by dividend income and interest income, increased from HK$28.5 million in the previous year to HK$71.3 million. Dividend income rose from HK$16.8 million to HK$40.0 million due to increase in dividend received from investment securities held by the Group. Interest income increased from HK$11.1 million to HK$28.3 million mainly due to increase in average cash balance on hand.

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Revenue per employee moved up significantly from HK$24.5 million in 2006 to HK$29.0 million in 2007.

Cost management and operating margins ^

We aim to make the more stable management fee pay for the fixed and recurring expenses such as fixed salaries, rent, other administrative expenses, etc. In 2007, with fixed cost coverage being 4.2 times compared to 3.4 times in 2006, the income from management fee covered fixed expenses more adequately than in the previous year. This strategy also leaves enough scope for us to realize the upside potential of income from the relatively more volatile performance fee.

In 2007, expenses increased by 73.3% to HK$976.8 million, compared with HK$563.8 million in 2006. Much of total expenses are on account of discretionary bonus payments to our employees. We aim to distribute 25% of profit before tax, subject to certain adjustments, to our employees in the form of discretionary bonus in order to promote employee loyalty and commitment. The Group's compensation policy aligns the interest of our employees to the end financial result of the Group. Discretionary bonus payment amounted to HK$549.8 million, up 75.5% from last year.

The Group incurred one-off expenses amounting to HK$56.8 million in 2007 in relation to the Group's IPO during the year.

The operating margin declined from 77.2% in 2006 to 70.6% in 2007; however, if the one-off IPO expenses amounting to HK$56.8 million were excluded, the operating margin for 2007 stood at 73.0%. The profit margin (fee income) was 55.9%, compared to 57.5% for 2006. However, if the one-off IPO expenses were excluded, the profit margin stood at about 58.1%, higher than last year.

^ Operating margin is defined as operating profit divided by revenue less distribution cost and advisory fees.

Dividend

As disclosed in our prospectus, we intend to distribute to our shareholders as dividends (i) for the year ending 31 December 2007, no less than 30% of total distributable profits in respect of the period from the Date of Listing to 31 December 2007, and (ii) for each of the following years, no less than 30% of total distributable profits in respect of the relevant year.

In respect of the results for the year ended 31 December 2007, the Board of Directors recommended a final dividend and a special dividend of HK26.6 cents and HK8.9 cents per share respectively. Hence the total dividend per share will be HK35.5 cents and total amount of dividend will be HK$568.0 million, which represents a dividend payout of 30% for final dividend plus another 10% as special dividend, based on the net profit of the complete year of 2007. These proposed dividends are subject to shareholders' approval at the Company's first Annual General Meeting to be held on 15 May 2008 and will be payable to all shareholders registered on 23 May 2008. The dividends will be paid on or about 4 June 2008.

Liquidity and financial resources

Our major source of funds generated from our asset management business is fees income received. Other sources mainly include interest income from bank balances and dividend income from investments held. As at 31 December 2007, the Group had a net cash balance of HK$745.1 million. Net cash inflow from operating activities increased by 202.4% over the previous financial year to HK$1,029.1 million.

As at 31 December 2007, the Group had no bank borrowings and did not pledge any assets as security for overdraft or any

Report of the Chief Executive Officer

facility. Our debt-to-equity ratio (interest bearing external borrowings divided by shareholders' equity) was zero percent while our current ratio (current assets divided by current liabilities) was 1.7 as at 31 December 2007.

Capital structure

On 26 October 2007, the Company issued 1.6 billion ordinary shares to the then shareholders of Value Partners Limited in exchange for all their interests in Value Partners Limited and thereafter became the immediate and ultimate holding company of the subsidiaries now comprising the Group in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong.

The Group's shareholders' equity and the total number of shares in issue as at 31 December 2007 were HK$1,213.8 million and 1.6 billion respectively.

Management and people

In 2007, we grew stronger in terms of human resources too. From a count of 62 employees in 2006, our strength stood at 90 employees at the end of 2007. The number of investment professionals, including Fund Managers and Research Analysts, increased from 20 to 29 during the year, making us one of the largest Greater China-focused teams in Asia Pacific region.

Our organizational structure helps us make the most of the senior management talent the Company has gathered over the years. We aim to remain small enough to be nimble and effective while at the same time, big enough to be strong. Our investment teams are organized in clusters so that they can analyze and respond to investment opportunities quickly, like a boutique house, while our infrastructure and administrative structure is well-equipped to handle large volumes of work.

The core investment team of the Group comprises the Chief Investment Officer and five Senior Fund Managers. Each of the five Senior Fund Managers heads a cluster, comprising Fund Managers, Assistant Fund Managers and Analysts. On an average, each core investment team member has put in 11 years in the industry, including an 8-year stint at Value Partners Group.

Risk management

Demonstrating our commitment to internal controls and regulatory compliance, we created a new senior position of Chief Risk Officer ("CRO") in 2007. Mr. Mark Dickens J.P., who took over as our first CRO, brings with him over two decades of experience in the financial regulatory sector in Hong Kong and Australia. He served in several senior official positions for over 14 years in the Securities and Futures Commission in Hong Kong, with 8 years as a board member.

The primary role of the CRO is to oversee our existing legal, compliance, internal audit and risk management functions and protect the Company against market, operational, regulatory, legal, credit and reputation risks.

As per the listing requirements, the Company has formed two Committees with board level responsibilities – Remuneration Committee and Audit Committee. In addition, the Company has proactively formed two special Committees – Risk Management Committee and Valuation Committee.

Report of the Chief Executive Officer

Strategic investors

Ping An Insurance

The Ping An Insurance (Group) Company of China Ltd. ("Ping An") has taken a 9% stake in the Company. We welcome the association with Ping An, among others, for the possibilities it may open up in the asset management industry over the long term. We are actively exploring the potential opportunities for business co-operation with Ping An, particularly with respect to the offering of investment products in the People's Republic of China. These may include, but are not limited to, Qualified Domestic Institutional Investors ("QDII") products.

Unaudited interim review for the period ended 29 February 2008

While the performance of the Company for 2007 was excellent, in the first two months of 2008, the prevailing worldwide stock market volatility had an adverse impact on our funds, resulting in negative performances in these two months. During the two months, the Company's AUM fell by 11.4% from US$7,303 million to US$6,472 million. Net result from subscriptions and redemptions was a marginal US$81 million outflow. Asset-weighted average return of funds under management was negative 10.6% compared to the Hang Seng Index which reported a negative return of 12.5% during the same period.

Since the beginning of 2008, we have added two new mandates to our product suite. In February 2008, we have won the mandate of a managed account from another endowment fund of a renowned university in the United States. In addition, we have successfully launched a non-authorized fund (which is not authorized by the Hong Kong Securities and Futures Commission to be marketed to the public generally in Hong Kong) focusing on Taiwan equities. The Taiwan focused fund was launched in March 2008 and has raised an amount of US$60 million. This subscription into the Taiwan focused fund in March 2008 has not been included in the above figures for the first two months of 2008.

Looking forward

Our future growth strategy is three pronged. First, to broaden the product mix in terms of geographical coverage by widening the investment focus to other parts of the Asia Pacific region in addition to Greater China, and if attractive opportunities exist, expanding through strategic acquisitions.

Secondly, we aim to develop Value Partners' fund series further through themes and funds with strong investment performance and by accepting discretionary mandates in line with our value investing principles. We are targeting to launch another property focused fund in the second quarter of this year.

Thirdly, we want to broaden the product set of Value Partners in terms of product type by increasing our focus on developing quantitative funds.

As for 2008, after witnessing very high growth in equities in the region over the last two years, we have become more cautious, but remain optimistic. We believe that the Greater China region is in a fortunate position, even if the fears of a global slowdown were to come true. We believe that attractive investment opportunities continue to exist for us and attractive shareholder returns and growth trajectory are very much achievable through strong and sustained investment performance and efficient operations.

We believe that the Value Partners Group is in the right business, in the right place at the right time and that these favourable factors plus our team's hard work will take the Company to a new stage and a brighter future.

Report of the Chief Executive Officer

Awards

As with earlier years, awards and accolades continued to seek Value Partners Group during 2007. **Value Partners Limited** was ranked as the second largest hedge fund manager in Asia after Sparx Group Co. of Japan in the July to August 2007 edition of ***Alpha Magazine***. **Value Partners Classic Fund** was ranked No. 1 by ***Lipper*** among the funds sold in Hong Kong in terms of annualized total return, risk-return ratio and absolute return for the period from 1 April 1993 to 31 May 2007. **Value Partners High-Dividend Stocks Fund** was chosen as the Fund of the Year in Asia excluding Japan, in the ***AsiaHedge Awards 2007***. In January 2008, ***FinanceAsia*** voted our Chairman and CIO, Mr. Cheah Cheng Hye, as the "Capital Markets Person of the Year 2007".

Directors

On behalf of the Company, we would like to take this opportunity to thank Mr. Yeh V-Nee, our Non-executive Honorary Chairman for his unstinted support to our operations since inception. Mr. Brian Doyle was one of the Directors of Value Partners Limited. Mr. Doyle resigned in November 2007. We would like to place on record our appreciation for his valuable contribution to the Group's growth.

We are pleased to welcome on board three Independent Non-executive Directors: Dr. Chen Shih Ta Michael, Chairman of the Remuneration Committee and a member of the Audit Committee; Mr. Lee Siang Chin, Chairman of the Audit Committee and a member of the Remuneration Committee, and Mr. Nobuo Oyama, a member of the Audit and Remuneration Committees of the Group. We are confident that the directors will guide us in achieving and surpassing the performance goals and standards that we have set for ourselves.

Biographies of Directors and Senior Management

Chairman

CHEAH Cheng Hye

Chairman and Chief Investment Officer ("CIO")

Mr. Cheah Cheng Hye, 54, co-founded Value Partners Limited in February 1993 with a partner, Mr. Yeh V-Nee. He has been the Group's CIO from the start, and also served simultaneously as Managing Director, in charge of the Group's business and corporate activities, during the 1990s. Mr. Cheah is also a director of Value Partners Limited and Value Partners Hong Kong Limited, our subsidiaries. Under him, the AUM of the Group has reached US$7.3 billion as at 31 December 2007, building up a global client base. Mr. Cheah transformed Value Partners Group from a start-up boutique firm into a full-fledged, major asset management company. Value Partners Limited received the Enterprise Award in the 2005 Hong Kong Business Awards competition organized by DHL/South China Morning Post.

Mr. Cheah was voted as the "Capital Markets Person of the Year 2007" by the editors and journalists of FinanceAsia, a well-established Hong Kong based financial publication in January 2008. As one of the pioneers in applying value investing to regional markets, he was personally voted the "Most Astute Investor" in the Asset Benchmark Survey, October 2003. Prior to Value Partners Group, Mr. Cheah was with Morgan Grenfell Group in Hong Kong; he founded the firm's Hong Kong equities research department in 1989 and acted as its head, and also carried out proprietary trading. He was previously a financial journalist with The Asian Wall Street Journal and Far Eastern Economic Review, where he covered business and finance across the East and Southeast Asian region.

Mr. Cheah is also the sole director of Cheah Capital Management Limited, a substantial shareholder of the Company.

Executive Directors

CHOI Nga Chung

Executive Director and Senior Fund Manager

Mr. Choi Nga Chung, aged 36, holds a leadership role in Value Partners Group' investment process, including a high degree of responsibility for portfolio management. Mr. Choi joined the Group in 1996. In 1999 he left the Group to join Dresdner Kleinwort Benson as an analyst and subsequently returned to the Group in 2001. Mr. Choi was named among the top 20 buy-side analysts for Hong Kong and the PRC in a 1999 Reuters survey. In 2000 he was also voted by Asia Money magazine as one of the best Hong Kong and the PRC analysts. Mr. Choi graduated from the University of Wales with a degree in Banking and Finance in July 1994 and obtained a Masters degree in Finance at the University of Lancaster, UK in December 1995. Mr. Choi is also a director of one other Group company, Value Partners Private Equity Limited.

HO Man Kei, CFA

Executive Director and Senior Fund Manager

Mr. Ho Man Kei, aged 41, holds a leadership role in Value Partners Group' investment process, including a high degree of responsibility for portfolio management. He joined the Group in November 1995. He was an executive with Dao Heng Securities Limited from 1992 and started his career with Ernst & Young. Mr. Ho is a graduate of the University of Hong Kong, where he received a Bachelor of Social Science in December 1989 majoring in Management Studies. He became a CFA charterholder in October 1996 and a member of the Association of Chartered Certified Accountants in April 2001. Mr. Ho is also a director of the following Group companies, namely, Value Partners (Cayman GP) Limited, Value Partners (Cayman GP) II Ltd, Value Partners Hong Kong Limited, Value Partners Limited and Value Partners Private Equity Limited.

Biographies of Directors and Senior Management

HUNG Yeuk Yan Renee

Executive Director and Senior Fund Manager

Ms. Hung Yeuk Yan Renee, aged 33, is involved in all aspects of Value Partners Group' investment process, including a high degree of responsibility for portfolio management. She joined the Group in April 1998 as an analyst and was subsequently promoted to Fund Manager and Senior Fund Manager. She graduated from the University of California in Los Angeles in December 1997 with a degree in Applied Mathematics.

LAW Ka Kin

Executive Director and Chief Operating Officer ("COO")

Mr. Law Ka Kin, aged 47, joined Value Partners Group in December 2004 and is in charge of overseeing the operations of the Company. Mr. Law is also the Vice Chairman and a Director of one other Group company, Sensible Asset Management Limited. Prior to joining the Group, Mr. Law was the COO and Executive Director for Celestial Asia Securities Holdings Limited since 1998 and 2000 respectively. Before that he was the head of research and a research analyst with several multinational companies for over 10 years. Mr. Law graduated from the City of London Polytechnic, UK with a Bachelor degree majoring in Economics in July 1984.

NGAN Wai Wah, CFA

Executive Director and Chief Executive Officer ("CEO")

Mr. Ngan Wai Wah, aged 34, joined Value Partners Group in March 2004, and is responsible for the business management of the Company. Mr. Ngan is also the Chairman of Sensible Asset Management Limited, and a Director of the following Group companies, namely, Hongkong Fund Management Limited, Hongkong Investment Management Limited, Middle Star Capital Limited, Sensible Asset Management Limited, Value Funds Limited, Value Partners (Cayman GP) Limited (alternate director), Value Partners (Cayman GP) II Ltd (alternate director), Value Partners Consultancy Limited, Value Partners Hong Kong Limited and Value Partners Limited. Mr. Ngan was also the Chairman of Development Partners Limited, a joint venture between the Company and FMO, the development bank of the Netherlands, from April 2005 to October 2007. Prior to joining the Group, he worked for Manulife Asset Management (Hong Kong) since 1997, where he served as Director of Sales and Distribution and was responsible for both the institutional and the retail businesses. Before joining Manulife, Mr. Ngan was associated with Altamira Investment Services Inc. (Canada). Mr. Ngan is a member of the Public Shareholders Group of the Securities and Futures Commission of Hong Kong. He received a Bachelor of Commerce degree majoring in Finance from the University of British Columbia in May 1996 and became a CFA charterholder in September 2004.

SO Louis Chun Ki

Executive Director and Senior Fund Manager

Mr. So Louis Chun Ki, aged 32, is involved in all aspects of Value Partners Group' investment process, including a high degree of responsibility for portfolio management. Mr. So joined Value Partners Group in May 1999 as an analyst and was promoted to Fund Manager and Senior Fund Manager. Mr. So also serves as Chairman of the board of Value Partners China Greenchip Fund Limited, and is a Director of the Group company, Sensible Asset Management Limited. He graduated from the University of Auckland with a degree in Commerce in April 1997 and from the University of New South Wales with a Masters degree in Commerce in October 1998.

Biographies of Directors and Senior Management

Independent Non-executive Directors

CHEN Shih Ta Michael

Independent Non-executive Director

Dr. Chen Shih Ta Michael, aged 62, was appointed as an Independent Non-executive Director of the Company on 22 October 2007 and is the Chairman of our Remuneration Committee and a member of our Audit Committee. Dr. Chen is currently an Executive Director of the Harvard Business School Asia Pacific Research Center, the first international research office established by the Harvard Business School in Asia.

Prior to joining the Harvard Business School Asia Pacific Research Center in October 2005, Dr. Chen worked in both the private and public sectors. Dr. Chen previously served as Head of the Risk Management Unit of the Private Sector Operations Department of the Asian Development Bank, Head of International Private Banking in Hong Kong of Standard Chartered Bank and as a Regional Director of National Westminster Bank. Dr. Chen has also served on the boards of Asian Development Bank investee companies and has taught and written cases for various educational entities and universities.

Dr. Chen graduated with a BA (Honors) Degree in Economics from the University of California, Berkeley in June 1966, and received an MBA from Harvard University in June 1972 and a PhD in Economics from Cornell University in August 1973.

LEE Siang Chin

Independent Non-executive Director

Mr. Lee Siang Chin, aged 59, was appointed as an Independent Non-executive Director of the Company on 22 October 2007 and is the Chairman of our Audit Committee and a member of our Remuneration Committee. Mr. Lee is an Independent Non-executive Director of the Social Security Organisation of Malaysia, a member of its investment panel and chairman of its audit committee. Mr. Lee also serves as an Independent Non-executive Director for AmInvestment Services Bhd, AmFutures Sdn Bhd, Uni. Asia Life Assurance Bhd and AmFraser Securities Pte. Ltd.

Mr. Lee had previously served as Chairman and Managing Director of Surf88.com Sdn Bhd, and AmSecurities Sdn Bhd respectively, and has worked in corporate finance in leading investment banks in London, Sydney and Kuala Lumpur. Mr. Lee has held various public offices, and had served as a board member of the Kuala Lumpur Stock Exchange and President of the Association of Stock Broking Companies in Malaysia.

Mr. Lee became a Fellow of the Institute of Chartered Accountants in England and Wales in January 1979 and a member of the Malaysian Institute of Certified Public Accountants in June 1975.

Biographies of Directors and Senior Management

OYAMA Nobuo

Independent Non-executive Director

Mr. Nobuo Oyama, aged 54, was appointed as an Independent Non-executive Director of the Company on 22 October 2007 and is a member of our Audit and Remuneration Committees. Mr. Oyama is the founder and Managing Director of Asiavest Co., Ltd. which is an independent investment research and advisory firm in Tokyo, Japan. He has over 30 years of experience in offshore treasury operations for Japanese institutional investors across Japan, United Kingdom and Hong Kong and he has worked for Nichimen and Sojitz.

Mr. Oyama received a Bachelor Degree in Economics from the Kobe University in Japan in March 1976 and became a registered member of the Japan Association for Financial Planners in December 2006.

Other Senior Management

CHAU Yee Man, CFA & CPA

Senior Fund Manager

Ms. Chau Yee Man, aged 39, joined the Group in July 2005 as a Senior Fund Manager. Prior to joining the Group, she was associated with Credit Agricole Asset Management ("Credit Agricole"), serving as the Senior Investment Manager and was responsible for the Hong Kong and Greater China portfolios. In recent years, funds managed by Ms. Chau have won various best performance awards. Before joining Credit Agricole, Ms. Chau had also worked at Sofaer Global Research Ltd and Deloitte Touche Tohmatsu. Ms. Chau graduated from Macquarie University with a degree in Master of Applied Finance in November 2002, and qualified as a CFA charterholder and CPA in September 1997 and November 1999 respectively.

DICKENS Mark, J.P.

Chief Risk Officer ("CRO")

Mr. Mark Dickens J.P., aged 55, has been in the financial regulatory sector in Hong Kong and Australia for more than 23 years. Joining the Group in July 2007 as CRO, he had held senior positions with the Hong Kong Securities and Futures Commission ("SFC"), and was a member of its board for eight years. During his time in the SFC, Mr. Dickens served in three of the SFC's four divisions. He joined the SFC in 1991 as an Assistant Director of Corporate Finance. In 1992, he was promoted to Senior Director. In 1997, he was appointed Executive Director of Enforcement. In 1999, he was appointed Executive Director for Supervision of Markets, remaining in that position until 2005. Prior to joining the SFC, Mr. Dickens worked for the Australian National Companies and Securities Commission in Australia in various positions including General Counsel and Senior Director, Market Supervision. Mr. Dickens has obtained a Bachelor of Economics degree in April 1973 and Bachelor of Laws degree in April 1977 from the Australian National University.

KONG Hing Keung

Head of Dealing

Mr. Kong Hing Keung, aged 34, joined the Group in July 2000 and oversees the central dealing system. Prior to joining the Group, he held dealing positions with Chinatrust Commercial Bank Ltd. and The Bank of Tokyo-Mitsubishi Ltd. Mr. Kong graduated in December 1996 from The Chinese University of Hong Kong with a Bachelor degree in Social Science.

Biographies of Directors and Senior Management

LEE Vivienne
Director, Compliance

Ms. Vivienne Lee, aged 33, joined the Group in May 2004 to assist in overseeing the compliance department. Prior to joining the Group, Ms. Lee was an Assistant Manager with the Hong Kong Securities and Futures Commission responsible for monitoring and conducting inspection of a portfolio of licensed intermediaries. Prior to that, she was a staff accountant in Ernst & Young responsible for providing financial audit and business advisory services to a number of companies. Ms. Lee graduated from the University of New South Wales with a Bachelor degree in Economics and she is a member of the CPA Australia.

TENG Kooi See
Director, Investment Services

Ms. Teng Kooi See, aged 43, joined the Group in January 2004 and oversees the sales, marketing and client services team. Prior to joining the Group, she held corporate governance roles in Jardine Fleming Holdings Ltd, China Resources Enterprise Ltd and LASMO Plc. Ms. Teng became an Associate of the Institute of Chartered Secretaries and Administrators in November 1991.

TSE Wai Ming, CFA & CPA
Director, Finance

Mr. Tse Wai Ming, aged 32, joined the Group in January 2007 and oversees the finance department. Prior to joining the Group, he was a senior manager at Transaction Services Group of KPMG and a manager at Financial Services Group of PricewaterhouseCoopers. Mr. Tse graduated in December 1997 from The Chinese University of Hong Kong with a Bachelor degree in Business Administration. He became a member of the Hong Kong Institute of Certified Public Accountants in October 2000. He became a CFA charterholder in September 2001.

TSIEN Pak Cheong David
Managing Director
Value Partners Private Equity Limited ("VPPE")

Mr. Tsien Pak Cheong, David, aged 46, joined the Group in July 2006 and he is responsible for the business development of VPPE. Prior to joining the Group, he was the Vice President in the Institutional Equities, Asia Pacific Department of JP Morgan. Mr. Tsien graduated in July 1985 from the University of Lancaster, England with a Bachelor degree in Economics. Mr. Tsien was informed by the Market Misconduct Tribunal on 26 October 2007 that he is a person suspected of market misconduct into which the tribunal will inquire. The possible misconduct occurred before Mr. Tsien was employed by the Group.

VALADAO Mark
Director of Investment Research
Sensible Asset Management Limited ("SAM")

Mr. Mark Valadao, aged 36, joined the Group in July 2007 and he is responsible for investment research, business management and sales and marketing of SAM. Prior to joining the Group, he worked for HSBC Investments, Mellon Capital Management Corporation and Lehman Brothers. Mr. Valadao graduated with a Bachelor of Science degree in Business Administration from California Polytechnic State University in March 1996.

WOO Lai Nga, CFA & CPA
Chief Compliance Officer

Ms. Woo Lai Nga, aged 32, joined the Group in October 2002 and oversees the compliance department. Prior to joining the Group, she was a senior associate of PricewaterhouseCoopers. Ms. Woo graduated in December 1998 from The Chinese University of Hong Kong with a Bachelor degree in Business Administration. She became a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in February 2002 and June 2002 respectively. Ms. Woo became a CFA charterholder in September 2003.

Report of the Directors

The board of directors (the "Board") of Value Partners Group Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present the first annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2007.

Corporate reorganisation and public listing

The Company was incorporated with limited liability in the Cayman Islands on 10 November 2006. Pursuant to a group reorganisation in October 2007 in the preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group.

Details of the reorganisation of the Group are set out in the Prospectus of the Company dated 8 November 2007 (the "Prospectus").

Principal activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 6 to the financial statements.

Results

The results of the Group for the year are set out in the Consolidated Income Statements on page 37.

Dividends

The Company

The Directors recommend the payment of final dividend of HK26.6 cents per share and a special dividend of HK8.9 cents per share for the year ended 31 December 2007 to the shareholders whose names are registered on the register of members on 23 May 2008.

Value Partners Limited ("VPL")

As disclosed in the Prospectus, the Company would announce the amount of audited consolidated retained earnings of VPL as at 31 August 2007 for determining the amount of special dividend payable to the shareholders of VPL as at 24 October 2007 ("VPL special dividend"). As at 31 August 2007, the audited consolidated retained earnings of VPL was HK$672.8 million as audited by the Group's auditors in accordance with Hong Kong Financial Reporting Standards. The VPL special dividend was determined as HK$660.0 million in total based on the criteria as disclosed in the Prospectus. The VPL special dividend will be payable on or about 4 June 2008 to the shareholders of VPL as at 24 October 2007.

Summary of results, assets and liabilities

Summary of results, assets and liabilities for the years of 2004 to 2007 are set out on page 88 of this report.

Share capital

Details of the movements during the year in the share capital of the Company are set out in Note 15 to the financial statements.

Reserves

Details of the movements during the year in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 38.

In addition to the retained profits of the Company, the share premium account of the Company is also available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid in accordance with the Companies Law of the Cayman Islands.

As at 31 December 2007, the share premium of the Company was approximately HK$760.6 million and the retained earnings of the Company was approximately HK$1.6 million. The dividends proposed by the Company will be financed by the dividends to be paid by Value Partners Limited to the Company.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$243,000.

Directors

The Board during the year ended 31 December 2007 and up to the date of this report comprised:

Executive Directors

Mr. CHEAH Cheng Hye
(Chairman and CIO) (appointed on 10 November 2006)
Mr. CHOI Nga Chung (appointed on 22 October 2007)
Mr. HO Man Kei (appointed on 22 October 2007)
Ms. HUNG Yeuk Yan Renee
(appointed on 22 October 2007)
Mr. LAW Ka Kin (Chief Operating Officer)
(appointed on 22 October 2007)
Mr. NGAN Wai Wah (Chief Executive Officer)
(appointed on 10 November 2006)
Mr. SO Louis Chun Ki (appointed on 22 October 2007)

Independent Non-executive Directors

Dr. CHEN Shih Ta Michael (appointed on 22 October 2007)
Mr. LEE Siang Chin (appointed on 22 October 2007)
Mr. OYAMA Nobuo (appointed on 22 October 2007)

In accordance with article 86 of the Company's articles of association, all the directors will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the Independent Non-executive Directors has been appointed for a term of one year commencing on 22 November 2007, subject to the provisions of the Company's articles of association.

Report of the Directors

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors are independent.

Biographical details of the directors as at the date of this annual report are set out on pages 15 to 19.

Directors' service contracts

Each of the Executive Directors, has entered into a service contract with the Company for an initial term of three years commencing on 22 November 2007 which shall be terminated in accordance with the provisions of the service contract or, throughout the term of the appointment, by either party giving to the other not less than three months' prior notice in writing (other than Mr. Cheah whose notice period is six months).

Each of the Independent Non-executive Directors, has entered into a service contract with the Company for an initial term of one year commencing on 22 November 2007 and either the Company or the Independent Non-executive Director may terminate the appointment by giving at least three months' notice provided that such notice shall not expire until the expiry of one year from 22 November 2007.

Save as disclosed above, none of the directors have entered or have proposed to enter into any service agreement with the Company or any member of the Group which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' interests in shares of the Company

As at 31 December 2007, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which had been notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which had required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(a) Long position in Shares

Name of Director	Nature of interest	Number of Shares	Number of Shares in which a Director is interested under physically settled equity derivatives	Approximate percentage of issued Shares
Mr. Cheah Cheng Hye[(1)]	Founder of trust/beneficial	570,468,484	–	35.65%
Mr. Choi Nga Chung	Beneficial	57,655,209	–	3.60%
Mr. Ho Man Kei	Beneficial	57,655,209	–	3.60%
Ms. Hung Yeuk Yan Renee[(2)]	Founder of trust	40,358,583	-	2.52%
Mr. Law Ka Kin[(3)]	Beneficial	–	525,000	0.03%
Mr. Ngan Wai Wah	Beneficial	30,690,691	–	1.92%
Mr. So Louis Chun Ki	Beneficial	40,358,583	–	2.52%

Notes:

(1) These Shares are directly held by Cheah Capital Management Limited ("CCML") which is wholly-owned by Cheah Company Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. Cheah Cheng Hye and certain members of his family.

(2) These Shares are directly held by Bright Starlight Limited which is wholly-owned by Scenery Investments Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. Hung Yeuk Yan Renee.

(3) The interest of Mr. Law Ka Kin pursuant to physically settled equity derivatives is through the Pre-IPO Share Option granted to him on 29 October 2007. Details are as follows:–

Name	Number of Shares in which interested	Date of grant	Exercise price	Exercise period
Mr. Law Ka Kin	525,000	29 October 2007	HK$7.63	22 May 2008 to 21 November 2008

(b) Interest in associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares	Approximate percentage of issued shares of the relevant associated corporation
Mr. Cheah Cheng Hye	Value Partners Strategic Equity Fund	Beneficial	100,000 non-voting shares	0.67% of the total issued non-voting shares
Mr. Choi Nga Chung	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Mr. Ho Man Kei	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Ms. Hung Yeuk Yan Renee	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Mr. Lee Siang Chin	Value Partners Strategic Equity Fund	Corporate (1)	50,000 non-voting shares	0.33% of the total issued non-voting shares
Mr. Ngan Wai Wah	Value Partners Strategic Equity Fund	Beneficial	25,000 non-voting shares	0.17% of the total issued non-voting shares

Note:

(1) These non-voting shares are directly held by Stenying Holdings Limited, whose entire issued share capital is held by Mr. Lee Siang Chin and Ms. Koo Yoon Kin in equal shares. Ms. Koo Yoon Kin is the spouse of Mr. Lee Siang Chin.

Report of the Directors

Substantial shareholders of the company

As at 31 December 2007, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares under the SFO

Name	Nature of interest	Number of Shares	Approximate percentage of issued Shares
Ms. To Hau Yin (1)	Spouse	570,468,484	35.65%
Mr. Yeh V-Nee	Beneficial	292,523,324	18.28%
Ms. Liang Mira (2)	Spouse	292,523,324	18.28%
Cheah Capital Management Limited (3)	Beneficial	570,468,484	35.65%
Cheah Company Limited (3)	Corporate	570,468,484	35.65%
Hang Seng Bank Trustee International Limited (3) (4)	Trustee	610,827,067	38.17%
Hang Seng Bank Limited (3) (4)	Interest of controlled corporation	610,827,067	38.17%
The Hongkong and Shanghai Banking Corporation Limited (3) (4)	Interest of controlled corporation	610,827,067	38.17%
HSBC Asia Holdings BV (3) (4)	Interest of controlled corporation	610,827,067	38.17%
HSBC Asia Holdings (UK) (3) (4)	Interest of controlled corporation	610,827,067	38.17%
HSBC Holdings BV (3) (4)	Interest of controlled corporation	610,827,067	38.17%
HSBC Finance (Netherlands) (3) (4)	Interest of controlled corporation	610,827,067	38.17%
HSBC Holdings plc (3) (4)	Interest of controlled corporation	610,827,067	38.17%
Value Holdings, LLC	Corporate	92,333,542	5.77%
Ping An Insurance (Group) Company of China, Ltd. (5)	Corporate	144,000,000	9.00%
Passport Management, LLC (6)	Beneficial	80,000,000	5.00%
Passport Capital, LLC (6)	Corporate	80,000,000	5.00%
Mr. John H. Burbank III (6)	Personal	80,000,000	5.00%

Notes:

(1) Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye.

(2) Ms. Liang Mira is the spouse of Mr. Yeh V-Nee.

(3) Cheah Capital Management Limited ("CCML") is wholly-owned by Cheah Company Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. Cheah Cheng Hye and certain members of his family. For the purposes of the SFO, Mr. Cheah Cheng Hye is the founder of this trust.

(4) This includes 570,468,484 Shares held by CCML and 40,358,583 Shares held by Bright Starlight Limited. Bright Starlight Limited is wholly-owned by Scenery Investments Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. Hung Yeuk Yan Renee. For the purposes of the SFO, Ms. Hung Yeuk Yan Renee is the founder of this trust. Hang Seng Bank Trustee International Limited is wholly-owned by Hang Seng Bank Limited. Hang Seng Bank Limited is a subsidiary of The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited is a wholly-owned subsidiary of HSBC Asia Holdings BV, which is a wholly-owned subsidiary of HSBC Asia Holdings (UK), which in turn is a wholly-owned subsidiary of HSBC Holdings BV. HSBC Holdings BV is a wholly-owned subsidiary of HSBC Finance (Netherlands), which in turn is wholly-owned by HSBC Holdings plc.

(5) These Shares are directly held as to 79,840,000 Shares by Ping An Life Insurance Company of China, Ltd. and as to 64,160,000 Shares by Ping An Property & Casualty Insurance Company of China, Ltd., and the ultimate holding company of each of the above companies is Ping An Insurance (Group) Company of China, Ltd.

(6) Passport Management, LLC serves as investment manager to various investment funds and therefore has a controlling interest over the shares beneficially owned by these funds. Passport Capital, LLC is the sole managing member of Passport Management, LLC. Mr. John H. Burbank III is the sole managing member of Passport Capital, LLC. As a result, each of Mr. John H. Burbank III and Passport Capital, LLC may be considered to be joint actors with Passport Management, LLC.

Directors' interest in contracts of significance

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

Share options

A share option scheme (the "Share Option Scheme") was adopted by the sole shareholder's written resolution of the Company dated 24 October 2007. A summary of the principal terms of the Share Option Scheme is set out below.

1.	Purpose of the Share Option Scheme	To reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.
2.	Participants of the Share Option Scheme	Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.
3.	Total number of shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2007	160,000,000 shares (10%)
4.	Maximum entitlement of each participant under the Share Option Scheme	In any 12-month period, in aggregate not over:– (a) 1% of the issued share capital (excluding substantial shareholders and Independent Non-executive Directors) (b) 0.1% of the issued share capital and exceeding HK$5 million in aggregate value (for substantial shareholders and Independent Non-executive Directors). Such further grant of options shall be subject to prior approval by resolution of the Shareholders.
5.	The period within which the shares must be taken up under an option	In respect of any particular option, the period to be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the date of grant.
6.	The minimum period for which an option must be held before it can be exercised	Nil

7.	The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	Upon acceptance of the option, the grantee shall inform the Company together with HK$1 by way of consideration for the grant within 28 days from the date of offer.
8.	The basis of determining the exercise price	The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:- (a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (c) the nominal value of the Shares.
9.	The remaining life of the Share Option Scheme	The Share Option Scheme will remain valid until 23 October 2017.

Connected transactions and continuing connected transactions

During the year, the Company did not have any connected transactions which were subject to the requirements of the Listing Rules.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' and the five highest paid individuals' emoluments

The directors' fees and remuneration and the emoluments of the five highest paid individuals are disclosed in Note 20 to the financial statements. The emoluments of the Directors are determined with regard to their duties and responsibilities, the Company's performance, prevailing market conditions and after considering the market emoluments for Directors of other listed companies.

Report of the Directors

Pension schemes

Pension costs for the year are set out in Note 20 to the financial statements.

Sufficiency of public float

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

Purchase, redemption or sale of listed shares of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed Shares during the year.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the Companies Law in the Cayman Islands.

Major customers and suppliers

The aggregate total fees income and distribution fees attributable to the Group's five largest customers (in terms of AUM as at the end of year) and suppliers were approximately 23.8% and 67.7% of the Group's total fees income and distribution fees respectively for the year ended 31 December 2007.

Our Group's largest customer (in terms of AUM as at the end of year) accounted for approximately 7.2% of total fees income whereas our largest supplier accounted for approximately 16.7% of total distribution fees.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five largest customers or suppliers.

Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in Note 7 to the financial statements.

Post balance sheet event

There is no significant event occurring after the balance sheet date.

Auditor

Effective from 27 December 2006 and up to the date of this report, the external auditor of the Group is Messrs PricewaterhouseCoopers. Prior to this, Horwath Hong Kong CPA Limited (now known as Shu Lun Pan Horwath Hong Kong CPA Limited) was the external auditor of the Group up to and including the financial year ended 31 December 2005.

The financial statements have been audited by Messrs PricewaterhouseCoopers, who retire and, being eligible, offer themselves for reappointment.

A resolution to re-appoint Messrs PricewaterhouseCoopers as auditors of the Company will be submitted at the annual general meeting of the Company.

On behalf of the Board
CHEAH Cheng Hye
Chairman and Chief Investment Officer

Hong Kong, 25 March 2008

Corporate Governance Report

The Board of Directors of the Company (the "Board") is committed to maintaining a high standard of corporate governance and ensuring integrity, transparency and an adequate level of disclosure.

Corporate governance practices

In the Directors' opinion, the Company implemented additional measures to comply with the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since its listing on the Stock Exchange on 22 November 2007. To the best knowledge of the Directors and save as disclosed herein, the Directors consider that the Company has applied the principles of the CG Code and to certain extent, of the recommended best practices thereof and are not aware of any non-compliance with the code provisions in the CG Code for the period from the date of listing on 22 November 2007 to 31 December 2007 (the "Review Period").

Securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct in respect of transactions in securities of the Company by Directors. The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the Model Code by the Directors during the Review Period.

Board of Directors

The Board is responsible for overseeing and directing overall strategy and management of the Company, supervising and monitoring the Group's major corporate matters and evaluating the performance of the Group. The management is responsible for day-to-day management of the Company under the leadership of the Chief Executive Officer with the support by the Executive Directors. The composition of the Board and the biographical details of the Directors are set out in the Report of the Directors and Directors and Senior Management sections of this annual report respectively. Before the listing of the Company, the Board held one meeting at which all Directors were present to discuss and approve the restructuring of the Group and all the relevant matters in relation to the listing of the Company.

To the best knowledge of the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among the board members. All of them are free to exercise their independent judgment. All the Directors had attended an intensive directors training organized by our external legal advisor before the IPO which covered four main topics including directors duties and liabilities, post listing regulations, continuing obligations of a listed company and corporate governance.

Each of the Executive Directors entered into a service contract with the Company for a term of three years commencing from 22 November 2007 and each of the Independent Non-executive Directors entered into a service contract with the Company for a term of one year commencing from 22 November 2007.

The Company has received the annual confirmation of independence from all the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considered them independent to the Group.

The Company has arranged appropriate director and officer liability insurance coverage, which is reviewed on an annual basis, for liabilities arising out of activities from being the Directors and senior management of the Group.

Corporate Governance Report

Chairman and Chief Executive Officer

The Company has two different persons for the positions of the Chairman of the Board and Chief Executive Officer. The Chairman of the Board, Mr. CHEAH Cheng Hye, chairs the board meetings and general meetings. He is also responsible for the overall business and investment strategies of the Group. The Chief Executive Officer of the Company, Mr. NGAN Wai Wah, is responsible for the overall management and daily operations of the Group, developing and implementing company policies and procedures, negotiating with distributors and customers on major contracts and formulating pricing strategies to respond to market changes.

Nomination of Directors

The Company does not have a nomination committee, which is the practice followed by some listed companies. However, the Board believes it has adequate measures to ensure new appointments will be made on merit and based on objective criteria. The Board is collectively responsible for appointing new Directors either to fill casual vacancies or as additional members. The structure, size and composition of the Board will be reviewed from time to time to ensure the Board has balanced skills and expertise to provide effective leadership to the Company.

Board Committees

The Board has established the following committees with defined terms of reference (available on the Company's website), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Listing Rules:

Remuneration Committee

The Company established the Remuneration Committee on 24 October 2007 with written terms of reference. The primary duties of the Remuneration Committee included determining the policy and structure for the remuneration of Executive Directors, evaluating the performance of Executive Directors, reviewing incentive schemes and Directors' service contracts and fixing the remuneration packages for all Directors and senior management. The Remuneration Committee has five members comprising Dr. CHEN Shih Ta Michael, Mr. CHEAH Cheng Hye, Mr. NGAN Wai Wah, Mr. LEE Siang Chin and Mr. Nobuo OYAMA, three of whom are Independent Non-executive Directors. The Remuneration Committee is chaired by Dr. CHEN Shih Ta Michael who is an Independent Non-executive Director.

During the Review Period, the Remuneration Committee held one meeting and all the Remuneration Committee members were present. In the first meeting of the Remuneration Committee, it reviewed the organization structure of the Company, existing human resources policies and processes, job descriptions of senior management, the remuneration packages of Executive Directors and senior management and industry benchmarking.

Audit Committee

The Company established the Audit Committee on 24 October 2007 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are considering of how the Board should apply financial reporting and internal control principles and maintaining an appropriate relationship with the Company's auditor. The Audit Committee comprises Mr. LEE Siang Chin, Dr. CHEN Shih Ta Michael and Mr. Nobuo OYAMA, all of whom are Independent Non-executive Directors. The Audit Committee is chaired by Mr. LEE Siang Chin.

During the Review Period, the Audit Committee discharged its duties by reviewing the financial matters, financial statements, and internal control of the Group, having a discussion with Executive Directors, the heads of each department and the auditor of the Company, and making recommendations to the Board.

Risk Management Committee

The Company established the Risk Management Committee on 24 October 2007 with written terms of reference. The primary duties of the Risk Management Committee are to establish and maintain effective policies and guidelines to ensure proper management of risks to which the Group and its clients are exposed and to take appropriate and timely action to manage such risks. The Risk Management Committee comprises Mr. Mark DICKENS J.P., Mr. CHEAH Cheng Hye, Mr. SO Louis Chun Ki, Mr. NGAN Wai Wah, Mr. LAW Ka Kin and Ms. WOO Lai Nga. The Risk Management Committee is chaired by Mr. Mark DICKENS, J.P.

During the Review Period, the Risk Management Committee has met three times. The following monitoring measures were approved and implemented:

- The fund management system software was enhanced to improve the monitoring of market risk.
- A middle office function was created to improve monitoring of dealing activities.
- The compliance policies and procedures were reviewed and strengthened.
- The business continuity plan was updated and tested.
- A valuation policy was adopted and a valuation committee was recommended to be established to review valuation of illiquid and/or hard-to-value fund investments.

Valuation Committee

The Company established the Valuation Committee on 31 January 2008 with written terms of reference. The primary duties of the Valuation Committee are ensuring that the investment instruments of funds under the Group's management are appropriately valued by persons independent of those who manage the funds and, in particular that these values are fair to fund investors. The Valuation Committee comprises Mr. NGAN Wai Wah, Mr. LAW Ka Kin and Mr. TSE Wai Ming. The Valuation Committee is chaired by Mr. NGAN Wai Wah.

Internal control

It is the responsibility of the Board to ensure that the Group maintains sound and effective system of internal controls. The key procedures to provide effective internal controls are set out in more details in the Company's prospectus but are briefly described as follows:

- The internal control system of the Group has an organizational structure with clear reporting lines and supervisory and reporting responsibilities assigned to qualified and experienced persons.
- Key duties and functions are appropriately segregated.
- The Group uses independent, reputable and credible custodian banks to safeguard clients' assets.
- Client identification and prevention of money laundering and terrorist financing procedures are conducted to verify the identity and source of funds.
- All subscription/redemption monies are made payable directly to/from the custodian banks.
- Detailed written compliance manual, policies and procedures are in place which all staff are provided with, and are required to review and follow.
- Staff who are licensed persons are required to attend continuous professional training.
- A business contingency plan is in place to provide continuation of critical business operations in the event of disaster, whether natural or man-made.

Corporate Governance Report

The Senior Manager of Internal Audit and Risk Control, oversees internal audit and risk control matters. The roles and functions of the Senior Manager of Internal Audit and Risk Control include:

- conducting audit reviews to assess level of adherence to company policies and procedures and follow up on issues identified;
- evaluating the adequacy, effectiveness and efficiency of internal controls and risk management procedures and providing recommendations to senior management;
- reviewing and updating procedure manuals and risk management procedures;
- performing risk analysis, monitoring and proposing risk control limits on portfolio investments; and
- providing regular risk reporting across the funds to both the Risk Management Committee, the Chief Investment Officer and senior fund managers.

Periodic reports are submitted to the Audit Committee on the internal control status of the Group's operations. The reports will specify any internal issues that may have been identified, details on how the issues have been dealt with and offer recommendations on how the procedures can be improved.

The Board, through the Audits Committee, assesses on an annual basis the effectiveness of the Group's internal control system which covers all material controls, including financial, operational, compliance and risk management functions.

Auditor's remuneration

The remuneration of the audit services rendered by the auditor of the Company was mutually agreed in view of the scope of services. The audit fee for 2007 was approximately HK$1.0 million. In addition, the auditor of the Company also provided professional services in respect of the Company's listing, professional advices to the Group on tax issues and other engagements in 2007 and the fees were approximately HK$10.6 million, HK$0.7 million and HK$0.2 million respectively.

Preparation of Financial Statements

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for the year ended 2007 (the "Financial Statements") and the auditor of the Company also set out its reporting responsibilities on the Financial Statements in its auditor's report of this annual report.

Shareholders' rights

Pursuant to the Articles of Association of the Company, the Board may whenever it thinks fit call an extraordinary general meeting. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of such of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The Company regards the Annual General Meeting an important event as it provides an opportunity for the Board to communicate with the shareholders. Active participation by the shareholders at the Annual General Meeting is highly welcomed.

The Corporate Communications Department of the Company responds to letters and telephone enquiries from shareholders and investors. Whenever a shareholder has any enquiries on matters relating to the Company, he or she may put such enquires in writing and address the same to the registered office of the Company or through an email to VPG@vp.com.hk. The website of the Company at http://www.valuepartnersgroup.com.hk also provides a channel to obtain information about the Company.

Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VALUE PARTNERS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Value Partners Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 86, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VALUE PARTNERS GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2008

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**6,372**	8,371
Intangible assets	8	**2,034**	1,789
Interest in joint ventures	10	**–**	3,357
Available-for-sale financial assets	11	**228,064**	120,858
Other assets		**1,746**	1,746
Total non-current assets		**238,216**	136,121
Current assets			
Financial assets at fair value through profit or loss	12	**9,076**	23,452
Fees receivable	13	**1,696,603**	1,103,613
Prepayments and other receivables		**18,325**	7,650
Cash and cash equivalents	14	**745,088**	272,244
Total current assets		**2,469,092**	1,406,959
Total assets		**2,707,308**	1,543,080
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital and share premium	15	**53,767**	53,767
Other reserves	16	**100,146**	75,584
Retained earnings			
– proposed dividends		**568,000**	548,490
– others		**491,901**	300,373
Total equity		**1,213,814**	978,214
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	17	**126**	126
Current liabilities			
Accrued bonus		**537,552**	313,636
Distribution fees payable	18	**151,667**	89,931
Other payables and accrued expenses		**45,287**	20,020
Current tax liabilities		**98,862**	141,153
Dividends payable		**660,000**	–
Total current liabilities		**1,493,368**	564,740
Total liabilities		**1,493,494**	564,866
Total equity and liabilities		**2,707,308**	1,543,080
Net current assets		**975,724**	842,219
Total assets less current liabilities		**1,213,940**	978,340

On behalf of the Board

NGAN Wai Wah
Director

LAW Ka Kin
Director

The notes on pages 40 to 86 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	6	**968,659**	–
Current assets			
Amounts due from a shareholder	31.3	**–**	–
Prepayments and other receivables		**198**	–
Cash and cash equivalents	14	**2,374**	–
Total current assets		**2,572**	–
Total assets		**971,231**	–
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital and share premium	15	**920,581**	–
Share-based compensation reserve		**574**	–
Retained earnings		**1,586**	–
Total equity		**922,741**	–
LIABILITIES			
Non-current liabilities			
Amounts due to a subsidiary	31.3	**48,490**	–
Total equity and liabilities		**971,231**	–
Net current assets		**2,572**	–
Total assets less current liabilities		**971,231**	–

On behalf of the Board

NGAN Wai Wah
Director

LAW Ka Kin
Director

The notes on pages 40 to 86 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue			
Turnover	19	**2,540,757**	1,489,618
Other revenue	19	**71,261**	28,507
Total revenue		**2,612,018**	1,518,125
Expenses			
Distribution fees		**199,862**	122,025
Compensation and benefit expenses	20	**614,833**	358,095
Operating lease rentals		**9,544**	6,153
Advisory fees		**67,139**	55,255
Other expenses	21	**85,379**	22,252
Total expenses		**976,757**	563,780
Other gains – net	22	**20,088**	80,599
Operating profit		**1,655,349**	1,034,944
Share of profit of an associate	9	**–**	3,514
Share of loss of joint ventures	10	**(203)**	(2,138)
Profit before tax		**1,655,146**	1,036,320
Tax expense	23	**(235,618)**	(180,135)
Profit for the year		**1,419,528**	856,185
Attributable to			
Equity holders of the Company		**1,419,528**	856,266
Minority interests		**–**	(81)
		1,419,528	856,185
Earnings per share (HK$ per share)			
– basic	25.1	**0.89**	0.54
– diluted	25.2	**0.89**	0.54
Dividends (HK$'000)			
– by the Company	26	**568,000**	–
– by Value Partners Limited	26	**660,000**	935,990
Total dividends		**1,228,000**	935,990

The notes on pages 40 to 86 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

		Attributable to equity holders of the Company					
	Note	Share capital and share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006		53,767	93,302	380,097	527,166	–	527,166
Fair value gains/(losses) on available-for-sale financial assets							
– the Group	11, 16	–	(18,061)	–	(18,061)	2	(18,059)
– an associate	16	–	343	–	343	–	343
Profit for the year		–	–	856,266	856,266	(81)	856,185
Dividends		–	–	(387,500)	(387,500)	–	(387,500)
Minority interests on business combination	30	–	–	–	–	693	693
Acquisition of additional interests in a subsidiary	30	–	–	–	–	(614)	(614)
At 31 December 2006		53,767	75,584	848,863	978,214	–	978,214
At 1 January 2007		**53,767**	**75,584**	**848,863**	**978,214**	**–**	**978,214**
Share-based compensation	16	**–**	**574**	**–**	**574**	**–**	**574**
Fair value gains on available-for-sale financial assets							
– the Group	16	**–**	**23,988**	**–**	**23,988**	**–**	**23,988**
Profit for the year		**–**	**–**	**1,419,528**	**1,419,528**	**–**	**1,419,528**
Dividends		**–**	**–**	**(1,208,490)**	**(1,208,490)**	**–**	**(1,208,490)**
At 31 December 2007		**53,767**	**100,146**	**1,059,901**	**1,213,814**	**–**	**1,213,814**

The notes on pages 40 to 86 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Net cash generated from operations	27	**1,278,378**	398,630
Interest received		**28,660**	10,944
Tax paid		**(277,909)**	(69,229)
Net cash generated from operating activities		**1,029,129**	340,345
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(2,309)**	(8,801)
Disposal of property, plant and equipment and intangible assets		**–**	82
Cash acquired from acquisition of a subsidiary, net of purchase consideration paid	30	**–**	6,976
Acquisition of additional interests in a subsidiary	30	**–**	(693)
Dividends received from an associate		**–**	5,299
Cash received from an associate		**–**	456
Changes in receivables from joint ventures		**(112)**	(4,170)
Disposal of joint ventures		**2,186**	–
Purchase of available-for-sale financial assets		**(86,599)**	(19,621)
Disposal of available-for-sale financial assets		**31,595**	114,624
Purchase of financial assets at fair value through profit or loss		**(28,245)**	(14,461)
Disposal of financial assets at fair value through profit or loss		**42,061**	29,981
Close of futures positions (classified as financial assets at fair value through profit or loss)		**(6,389)**	(94)
Dividends received from available-for-sale financial assets and financial assets at fair value through profit or loss		**40,017**	16,818
Net cash (used in)/generated from investing activities		**(7,795)**	126,396
Cash flows from financing activities			
Dividends paid		**(548,490)**	(387,500)
Net cash used in financing activities		**(548,490)**	(387,500)
Net increase in cash and cash equivalents		**472,844**	79,241
Cash and cash equivalents at beginning of the year		**272,244**	193,003
Cash and cash equivalents at end of the year		**745,088**	272,244

The notes on pages 40 to 86 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1 GENERAL INFORMATION

Value Partners Group Limited (the "Company") was incorporated in the Cayman Islands as Value Partners Capital Limited on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The name changed to Value Partners Co. Ltd. and subsequently to Value Partners Group Limited on 8 January 2007 and 23 January 2007 respectively pursuant to the respective sole shareholder's resolutions. The address of its registered office and its principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Level 14, Three Pacific Place, 1 Queen's Road East, Hong Kong respectively.

The Company acts as an investment holding company. The activities of its subsidiaries are disclosed in Note 6 below. The Company and its subsidiaries (together, the "Group") principally provides investment management services to investment funds and managed accounts. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

On 26 October 2007, the Company issued ordinary shares to the then shareholders of Value Partners Limited in exchange for all their interests in Value Partners Limited as disclosed in Note 15 below and thereafter became the immediate and ultimate holding company of the subsidiaries now comprising the Group as disclosed in Note 6 below in preparation for the listing of shares of the Company on the Main Board of the Hong Kong Stock Exchange. For the purpose of these consolidated financial statements, the share swap between the Company and Value Partners Limited is accounted for as a reverse acquisition where Value Partners Limited is regarded as the acquirer and the Company is regarded as the acquiree. In addition, the consolidated financial statements of the Company prepared following the reverse acquisition represent a continuation of the consolidated financial statements of Value Partners Limited.

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"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 below.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2007. Those that are relevant to the Group's operations are as follows:

- HKFRS 7 "Financial Instruments: Disclosures" and amendment to HKAS 1 "Presentation of Financial Statements – Capital Disclosures" introduce new disclosures relating to financial instruments. These standards do not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation.

- HK(IFRIC)-Int 8 "Scope of HKFRS 2" requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives" requires an entity to assess whether an embedded derivative financial instrument should be separated from the host contract and accounted for as a derivative financial instrument when the entity first becomes a party to the contract. This standard does not have any impact on the Group's financial statements.

- HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment" prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Standards which are not yet effective

Certain new standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them. Those that are relevant to the Group's operations are as follows:

- HKAS 1 (Revised) "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

- HKFRS 8 "Operating Segments" (effective from 1 January 2009) replaces HKAS 14 "Segment Reporting" and aligns segment reporting with the requirements of the US standard SFAS 131 "Disclosures about Segments of an Enterprise and Related Information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions and balances are eliminated.

Reverse acquisition

In a reverse acquisition, the acquirer is the entity whose equity interests have been acquired and the issuing entity is the acquiree. Although legally the issuing entity is the parent and the entity being acquired is the subsidiary, the legal subsidiary is regarded as the acquirer if it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

The cost of a reverse acquisition is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (the acquiree for accounting purposes), if any.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

Because the consolidated financial statements of the legal parent represent a continuation of the financial statements of the legal subsidiary:

(i) the assets and liabilities of the legal subsidiary are recognised and measured in the consolidated financial statements at their pre-acquisition carrying amounts;

(ii) the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the legal subsidiary immediately before the acquisition;

(iii) the amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of the legal subsidiary immediately before the acquisition the cost of the acquisition. However, the equity structure appearing in the consolidated financial statements (the number and type of equity instruments issued) reflects the equity structure of the legal parent, including the equity instruments issued by the legal parent to effect the acquisition; and

(iv) comparative information presented in the consolidated financial statements is that of the legal subsidiary.

In the Company's balance sheet, investments in subsidiaries are stated at cost less any provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying amounts of net assets of the subsidiary acquired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting and is initially recognised at cost.

The Group's share of its associate's post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

(d) Joint ventures

The Group's interest in jointly controlled entities is accounted for using the equity method of accounting and is initially recognised at cost.

The Group's share of its joint ventures' post-acquisition profit or loss is recognised in the consolidated income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the interest. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation differences on non-monetary financial assets are reported as part of the fair value gains or losses. Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gains or losses. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the revaluation reserve in equity.

(c) *Translation from functional currency to presentation currency*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and

(iii) any resulting exchange differences are recognised as a separate component of equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

Property, plant and equipment, comprising leasehold improvements, furniture and fixtures, office equipment and vehicles, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, as follows:

Leasehold improvements	Shorter of three years or lease term
Furniture and fixtures	Five years
Office equipment	Three years
Vehicles	Three years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the consolidated income statement.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of a subsidiary is included in intangible assets.

Separately recognised goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed. For the purpose of impairment testing, goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets (continued)

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years).

2.7 Impairment of non-financial assets and investments in subsidiaries, an associate and joint ventures

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.8 Financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Financial assets in this category are classified as current assets.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not classified as financial assets at fair value through profit or loss, loans and receivables and held-to-maturity financial assets. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the financial asset. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Financial assets at fair value through profit or loss and available-for-sale financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in the consolidated income statement in the period in which they arise. Changes in the fair value of securities classified as available-for-sale financial assets are recognised in the revaluation reserve in equity.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from available-for-sale financial assets.

The fair value of quoted financial assets is based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using external valuations or valuation techniques. These include the use of quoted bid prices provided by fund administrators and valuations performed by external valuation specialists, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses recognised in the consolidated income statement on equity securities classified as available-for-sale financial assets are not reversed through the consolidated income statement.

2.9 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The derivative financial instruments are designated as non-hedging instruments and are classified as current assets or liabilities. Changes in the fair value of any non-hedging derivative financial instruments are recognised immediately in the consolidated income statement.

2.10 Fees receivable

Fees receivable are initially recognised at fair value of the fee income receivable and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of fees receivable is established when there is objective evidence that the Group will not be able to collect all amounts due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and brokers and other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

2.13 Current and deferred tax

The current tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the jurisdictions where the Group and its associate and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, an associate and jointly controlled entities, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the provision of services have been resolved. Revenue is recognised as follows:

(a) Fees from investment management activities

Management fees are recognised on a time-proportion basis with reference to the net asset value of the investment funds and managed accounts.

Performance fees are recognised on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

(b) Fees from fund distribution activities

Front-end fees are recognised on a straight-line basis over the estimated holding periods of the investors in the investment funds. Any unrecognised amounts are treated as deferred income.

Back-end fees are recognised upon redemption by the investors in the investment funds.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.15 Distribution fees

Distribution fees represent rebates of management fee, performance fee and front-end fee income by the Group to the distributors for selling its products. Distribution fees are recognised when the corresponding management fees, performance fees and front-end fees are earned by the Group and the Group is obliged to pay the rebates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Compensation and benefits

(a) Bonus

The Group recognises a liability and an expense for bonus on a basis that takes into consideration the profit attributable to equity holders of the Company, after certain adjustments. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Pension obligations

The Group participates in a mandatory provident fund scheme in Hong Kong which is a defined contribution plan generally funded through payments to trustee-administered funds. The Group pays contributions to the mandatory provident fund scheme on a mandatory basis. The Group has no legal or constructive obligations to pay further contributions if the mandatory provident fund scheme does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The contributions are recognised as compensation and benefit expenses when they are due.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan and has other equity-settled, share-based compensation arrangements. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

(d) Other employee benefits

Short-term employee benefit costs are charged in the period to which the employee services relate.

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.18 Advisory fees

Advisory fees comprise fees paid and payable to the advisors for the provision of advisory services in relation to fund investment policies and strategies. Advisory fees are recognised when the advisory services are received by the Group.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

2.20 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements, where necessary, when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall financial risk management programme focuses on the analysis, evaluation and management of financial risks and seeks to minimise potential adverse effects on the Group's financial performance.

The Group manages its financial risks through the Finance Team and the Internal Audit and Risk Control Team who oversee the key financial risks and the risk management processes within the Group.

(a) Foreign exchange risk

The Group has transactions with counterparties in different locations and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar. Foreign exchange risk arises when future transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group has no immediate foreign exchange risk because the majority of the 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.

At 31 December 2007, if the Hong Kong dollar had strengthened or weakened by 0.5% (2006: 0.5%) against the United States dollar with all other variables held constant, profit after tax and equity would have been HK$8,334,000 (2006: HK$5,828,000) lower or higher, mainly as a result of net foreign exchange losses or gains on translation of United States dollar-denominated available-for-sale financial assets, fees receivable, cash and cash equivalents and distribution fees payable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Fair value and cash flow interest rate risk

As the Group has no significant interest-bearing liabilities, the Group's expenses and financing cash flows are substantially independent of changes in market interest rates.

The Group is exposed to fair value interest rate risk in respect of investments in fixed-rate debt securities which are classified as financial assets at fair value through profit or loss.

The Group is also exposed to cash flow interest rate risk in respect of bank deposits which are interest-bearing at variable rates. All bank deposits are short-term deposits with maturities less than one year.

At 31 December 2007, if interest rates had been 50 basis points (2006: 50 basis points) higher or lower with all other variables held constant, profit after tax and equity would have been HK$3,725,000 (2006: HK$1,052,000) higher or lower, as a result of the net effect of losses or gains on investments in debt securities and higher or lower interest income on the bank deposits.

(c) Price risk

The Group is exposed to securities price risk in respect of investments held by the Group which are classified as available-for-sale financial assets and financial assets at fair value through profit or loss. The Group's investments include investments in its own investment funds and other investments in listed and unlisted debt securities, equity securities and investment funds.

Investments in debt securities are covered in Note 3.1(b) above.

The table below summarises the impact of increases or decreases of the key index to which the Group's investments in equity securities and investment funds are exposed. Unlisted equity securities are excluded due to their illiquidity. For the purpose of measuring sensitivity of the Group's investments against markets, the Group uses the correlation between the price movements of the MSCI China Free Index and the Group's investments because the Group's investments mainly focus on the Greater China equities market and the MSCI China Free Index is a well-known index representing the universe of opportunities for investments in the Greater China equities market available to non-domestic investors.

The analysis is based on the assumption that the index had increased or decreased by the respective percentage with all other variables held constant and the Group's investments moved according to the historical correlation with the index.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Price risk (continued)

	Change		Profit after tax		Equity	
	2007	2006	**2007**	2006	**2007**	2006
			HK$'000	HK$'000	**HK$'000**	HK$'000
The Group						
MSCI China Free Index	**+/-10%**	+/-10%	**+/-415**	+/-137	**+/-10,103**	+/-5,904

Profit after tax would increase or decrease as a result of gains or losses on investments classified as financial assets at fair value through profit or loss. Other components of equity would increase or decrease as a result of gains or losses on investments classified as available-for-sale financial assets. Impacts on equity include impacts on profit after tax and other components of equity.

In addition to securities price risk in respect of investments held by the Group, the Group is exposed to price risk indirectly in respect of management fee and performance fee income which are determined with reference to the net asset value and performance of the investment funds and managed accounts respectively.

(d) Credit risk

Credit risk arises from cash and cash equivalents and related interest receivable as well as investments held by the Group which are classified as available-for-sale financial assets and financial assets at fair value through profit or loss. Credit risk also arises from credit exposures with respect to the investment funds and managed accounts on the outstanding fees receivable. As disclosed in Note 31.2 below, the Group has investments in the investment funds (classified as available-for-sale financial assets) under its management and from which it earns fees from investment management activities and fund distribution activities.

Credit risk is managed on a group basis. The Finance Team and the Internal Audit and Risk Control Team of the Group assess the credit quality of the counterparty, taking into account its financial position, past experience and other factors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Credit risk (continued)

The table below shows the balance of the 15 major counterparties:

	2007 HK$'000	2006 HK$'000
The Group		
With independent credit rating		
Cash and cash equivalents and related interest receivable		
AA-	**348,285**	76,978
A+	**–**	44,113
A	**242,651**	148,110
A-	**160,619**	–
	751,555	269,201
Without independent credit rating		
Available-for-sale financial assets and fees receivable		
Investment fund 1	**510,984**	347,662
Investment fund 2	**244,549**	134,181
Investment fund 3	**225,074**	–
Investment fund 4	**198,618**	145,443
Investment fund 5	**157,125**	82,466
Investment fund 6	**138,858**	109,406
Investment fund 7	**78,162**	–
Investment fund 8	**63,820**	50,898
Investment fund 9	**–**	83,002
Fees receivable		
Investment fund 10	**115,041**	45,754
Managed account 1	**50,698**	36,617
Managed account 2	**49,295**	44,686
Managed account 3	**–**	35,793
Managed account 4	**–**	28,899
	1,832,224	1,144,807
	2,583,779	1,414,008

The reference independent credit rating used is Standard & Poor's long-term local issuer credit rating. Management does not expect any losses from non-performance by these counterparties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and the ability to close out market positions. The Group manages liquidity risk by maintaining a sufficient amount of short-term bank deposits to ensure daily operational requirements are fulfilled.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Not later than one month HK$'000	Later than one month and not later than six months HK$'000	Later than six months and not later than one year HK$'000	No stated maturity HK$'000
The Group				
At 31 December 2007				
Accrued bonus	537,552	–	–	–
Distribution fees payable	151,667	–	–	–
Other payables and accrued expenses	24,837	20,450	–	–
Dividends payable	660,000	–	–	–
At 31 December 2006				
Accrued bonus	313,636	–	–	–
Distribution fees payable	89,931	–	–	–
Other payables and accrued expenses	20,020	–	–	–
The Company				
At 31 December 2007				
Amounts due to a subsidiary	–	–	–	48,490
At 31 December 2006				
Nil				

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce liabilities. The Group monitors capital on the basis of total equity as shown in the consolidated balance sheet. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

In addition, at 31 December 2007, Sensible Asset Management Limited, Value Partners Hong Kong Limited, Value Partners Limited and Value Partners Private Equity Limited, wholly-owned subsidiaries of the Group, are licensed to carry out regulated activities under the Hong Kong Securities and Futures Ordinance as follows:

Sensible Asset Management Limited (a)	Types 4 and 9
Value Partners Hong Kong Limited	Types 1, 4, 5 and 9
Value Partners Limited	Types 1, 4, 5 and 9
Value Partners Private Equity Limited (a)	Types 4 and 9

(a) The regulated entities are subject to specified licensing conditions.

The types of regulated activities are as follows:

Type 1	Dealing in securities
Type 4	Advising on securities
Type 5	Advising on futures contracts
Type 9	Asset management

As a result, they are subject to capital requirements and file financial returns with the Securities and Futures Commission as follows:

Sensible Asset Management Limited	Half-yearly
Value Partners Hong Kong Limited	Monthly
Value Partners Limited	Monthly
Value Partners Private Equity Limited	Half-yearly

The Finance Team of the Group monitors the paid-up share capital and liquid capital of the regulated entities within the Group for the fulfilment of capital requirements under the Hong Kong Securities and Futures Ordinance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Group is the current bid price. The fair value of financial instruments that are not traded in an active market is determined by using external valuations or valuation techniques. The Group uses a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. Quoted bid prices provided by fund administrators are used for unlisted investment funds. Other techniques, such as valuations performed by external valuation specialists, recent arm's length transactions or reference to other instruments that are substantially the same, as appropriate, are used to determine fair value for the remaining financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future that have a risk of causing a material adjustment to the carrying amounts of assets within the next financial period. The fair value of financial instruments that are not traded in an active market is determined by using external valuations or valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The resulting accounting estimates may not equal to the related actual results.

5 SEGMENT INFORMATION

Primary reporting format – business segments/
secondary reporting format – geographical segments

At 31 December 2007, the Group was organised into one main business segment which operated also in one main geographical area: investment management in the Greater China region.

No additional disclosure is included in relation to segment information, as the Group's activities were limited to one main business and geographical segment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

6 INVESTMENTS IN SUBSIDIARIES – THE COMPANY

	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**968,659**	–

At 31 December 2007, the Company had direct interests in the following subsidiaries:

Name	Place of incorporation	Principal activities and place of operation	Issued share capital	Interest held
Hongkong Fund Management Limited	Hong Kong	Inactive	1 ordinary share of HK$1	100%
Hongkong Investment Management Limited	Hong Kong	Inactive	1 ordinary share of HK$1	100%
Middle Star Capital Limited	Hong Kong	Inactive	1 ordinary share of HK$1	100%
Sensible Asset Management Limited	British Virgin Islands	Investment management in Hong Kong	2,000,000 ordinary shares of US$0.1 each	100%
Value Funds Limited	Hong Kong	Inactive	1 ordinary share of HK$1	100%
Value Partners (Cayman GP) Limited	Cayman Islands	Inactive	1 ordinary share of US$1	100%
Value Partners (Cayman GP) II Ltd	Cayman Islands	Managing member of two investment funds managed by Value Partners Limited	1 ordinary share of US$1	100%
Value Partners Hong Kong Limited	Hong Kong	Investment management in Hong Kong	5,000,000 ordinary shares of HK$1 each	100%
Value Partners Limited	British Virgin Islands	Investment management, investment holding and securities dealing in Hong Kong	11,409,459 Class A ordinary shares and 3,893,318 Class B ordinary shares of US$0.1 each	100%
Value Partners Private Equity Limited (formerly VP Private Equity Limited before 26 February 2007)	British Virgin Islands	Investment management and provision of research and investment advisory services in Hong Kong	7,000,000 ordinary shares of US$0.1 each	100%
Valuegate Holdings Limited	British Virgin Islands	Trademark holding in Hong Kong	2 ordinary shares of US$1 each	100%

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6 INVESTMENTS IN SUBSIDIARIES – THE COMPANY (continued)

On 26 October 2007, the Company issued ordinary shares to the then shareholders of Value Partners Limited in exchange for all their interests in Value Partners Limited as disclosed in Note 15 below.

On 29 October 2007, the Company acquired from Value Partners Limited the entire issued share capital of all the then subsidiaries of Value Partners Limited for a cash consideration of HK$48,078,000 and thereafter became the immediate and ultimate holding company of the subsidiaries now comprising the Group. The subsidiaries acquired from Value Partners Limited are under common control and are as follows:

- Hongkong Fund Management Limited
- Hongkong Investment Management Limited
- Middle Star Capital Limited
- Sensible Asset Management Limited
- Value Funds Limited
- Value Partners (Cayman GP) Limited
- Value Partners (Cayman GP) II Ltd
- Value Partners Hong Kong Limited
- Value Partners Private Equity Limited
- Valuegate Holdings Limited

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7 PROPERTY, PLANT AND EQUIPMENT – THE GROUP

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Vehicles HK$'000	Total HK$'000
At 1 January 2006					
Cost	2,307	951	1,240	1,100	5,598
Accumulated depreciation	(1,571)	(696)	(833)	(245)	(3,345)
Net book amount	736	255	407	855	2,253
Year ended 31 December 2006					
Opening net book amount	736	255	407	855	2,253
Acquisition of a subsidiary (Note 30)	–	–	23	–	23
Additions	5,229	1,518	1,581	–	8,328
Disposals	–	–	(5)	–	(5)
Depreciation (Note 21)	(1,267)	(150)	(444)	(367)	(2,228)
Closing net book amount	4,698	1,623	1,562	488	8,371
At 31 December 2006					
Cost	5,213	2,469	3,192	1,100	11,974
Accumulated depreciation	(515)	(846)	(1,630)	(612)	(3,603)
Net book amount	4,698	1,623	1,562	488	8,371
Year ended 31 December 2007					
Opening net book amount	4,698	1,623	1,562	488	8,371
Additions	401	389	771	–	1,561
Depreciation (Note 21)	(1,961)	(407)	(825)	(367)	(3,560)
Closing net book amount	3,138	1,605	1,508	121	6,372
At 31 December 2007					
Cost	5,614	2,858	3,761	1,100	13,333
Accumulated depreciation	(2,476)	(1,253)	(2,253)	(979)	(6,961)
Net book amount	3,138	1,605	1,508	121	6,372

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

8 INTANGIBLE ASSETS – THE GROUP

	Goodwill HK$'000	Computer software HK$'000	Total HK$'000
At 1 January 2006			
Cost	–	2,161	2,161
Accumulated amortisation	–	(829)	(829)
Net book amount	–	1,332	1,332
Year ended 31 December 2006			
Opening net book amount	–	1,332	1,332
Acquisition of a subsidiary (Note 30)	393	8	401
Additions	–	473	473
Disposals	–	(8)	(8)
Amortisation (Note 21)	–	(409)	(409)
Closing net book amount	393	1,396	1,789
At 31 December 2006			
Cost	393	2,634	3,027
Accumulated amortisation	–	(1,238)	(1,238)
Net book amount	393	1,396	1,789
Year ended 31 December 2007			
Opening net book amount	393	1,396	1,789
Additions	–	748	748
Amortisation (Note 21)	–	(503)	(503)
Closing net book amount	393	1,641	2,034
At 31 December 2007			
Cost	393	3,382	3,775
Accumulated amortisation	–	(1,741)	(1,741)
Net book amount	393	1,641	2,034

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9 INVESTMENT IN AN ASSOCIATE – THE GROUP

	2007 HK$'000	2006 HK$'000
Beginning of the year	–	4,212
Share of fair value gains on available-for-sale financial assets (Note 16)	–	343
Share of results		
– profit before tax	–	4,257
– tax expense	–	(743)
Dividends	–	(5,299)
Acquisition of additional interests as a subsidiary (Note 30)	–	(2,770)
End of the year	–	–

On 15 September 2006 and 15 December 2006, Value Partners Private Equity Limited, the Group's then 40%-owned unlisted associate incorporated in the British Virgin Islands and engaged in investment management and provision of research and investment advisory services, became a 90%-owned subsidiary and a wholly-owned subsidiary of the Group respectively following acquisitions of additional interests by the Group as disclosed in Note 30 below.

The Group's share of assets, liabilities and results of the associate are summarised below:

	2007 HK$'000	2006 HK$'000
Assets	–	–
Liabilities	–	–
Net assets	–	–
Revenues	–	6,182
Profit	–	3,514

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For the year ended 31 December 2007

10 INTEREST IN JOINT VENTURES – THE GROUP

	2007 HK$'000	2006 HK$'000
Beginning of the year	**3,357**	1,325
Share of results		
– loss before tax	**(203)**	(2,138)
Increase in receivables from joint ventures	**–**	2,199
Application of excess losses shared to receivables from joint ventures	**203**	1,971
Disposals	**(3,357)**	–
End of the year	**–**	3,357

The receivables from joint ventures are unsecured, non-interest bearing and have no fixed repayment terms.

Details of the joint venture of the Group which was directly held are as follows:

			Percentage of interest in ownership and profit sharing	
Name	**Place of incorporation**	**Principal activities**	**2007**	2006
Development Partners Limited	Hong Kong	Investment holding	–	60%

Details of the joint ventures of the Group which were indirectly held are as follows:

			Percentage of effective interest in ownership and profit sharing	
Name	**Place of incorporation**	**Principal activities**	**2007**	2006
Development Partners (Cayman) Limited	Cayman Islands	Investment management	–	50.6%
Development Partners (Hong Kong) Limited	Hong Kong	Provision of investment advisory services	–	60%

On 26 October 2007, the Group disposed of its interest in Development Partners Limited, the Group's then joint venture directly held by China Development Principles Group Limited, the Group's then wholly-owned subsidiary, and two subsidiaries of Development Partners Limited, Development Partners (Cayman) Limited and Development Partners (Hong Kong) Limited, through the sale of the entire issued share capital of China Development Principles Group Limited for an immediate cash receipt of US$2,500 and other considerations determined by reference to the following:

(a) the fees that Development Partners (Cayman) Limited receives from the investment fund under its management, after certain pre-agreed expenses;

(b) the management share special dividend that Development Partners (Cayman) Limited receives from the same investment fund mentioned above when it is liquidated at the end of its term, after agreed costs and management bonus; and

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10 INTEREST IN JOINT VENTURES – THE GROUP (continued)

(c) the carried interest or similar performance fee any fund manager controlled by the purchasers may receive from new investment funds that they may launch in the future and which is attributable to up to a certain amount of committed capital in such new investment funds.

No additional receipts from the sale are anticipated at the date of these consolidated financial statements.

The Group's share of assets, liabilities, results and commitments of the joint ventures are summarised below:

	2007 HK$'000	2006 HK$'000
Assets		
Non-current	**–**	222
Current	**–**	1,496
	–	1,718
Liabilities		
Current	**–**	3,689
Net liabilities	**–**	(1,971)
Income	**4,309**	2,431
Expenses	**(4,512)**	(4,569)
Loss before tax	**(203)**	(2,138)
Commitments	**–**	20

There were no contingent liabilities relating to the Group's interest in the joint ventures, and no contingent liabilities of the joint ventures themselves at 31 December 2007 (2006: Nil).

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For the year ended 31 December 2007

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP

	2007 **HK$'000**	2006 HK$'000
Beginning of the year	**120,858**	163,836
Acquisition of a subsidiary (Note 30)	**–**	2,130
Additions	**86,599**	19,621
Disposals	**(3,381)**	(46,670)
Revaluation gains/(losses) transferred to/(from) equity		
– equity holders of the Company (Note 16)	**23,988**	(18,061)
– minority interests	**–**	2
End of the year	**228,064**	120,858

There was no impairment provision on available-for-sale financial assets at 31 December 2007 (2006: Nil).

Available-for-sale financial assets include the following:

	2007 **HK$'000**	2006 HK$'000
Listed securities (by place of listing)		
Equity securities – Hong Kong	**1,882**	1,721
Investment funds – Hong Kong	**–**	6,030
Market value of listed securities	**1,882**	7,751
Unlisted securities (by place of incorporation/ establishment)		
Equity securities – British Virgin Islands	**–**	1
Equity securities – Singapore	**10,404**	4,430
Equity securities – United Kingdom	**–**	439
Investment funds – Cayman Islands	**171,708**	54,708
Investment funds – Luxembourg	**7,483**	4,913
Investment funds – United States of America	**36,587**	48,616
	226,182	113,107
Total available-for-sale financial assets	**228,064**	120,858

Available-for-sale financial assets are denominated in the following currencies:

	2007 **HK$'000**	2006 HK$'000
Hong Kong dollar	**10,470**	8,464
Singapore dollar	**10,404**	4,430
United States dollar	**207,190**	107,964
Total available-for-sale financial assets	**228,064**	120,858

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For the year ended 31 December 2007

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – THE GROUP

	2007 HK$'000	2006 HK$'000
Listed securities (by place of listing)		
Debt securities – Singapore	–	20,696
Equity securities – Hong Kong	–	2,756
Investment funds – Hong Kong	219	–
Investment funds – Singapore	8,857	–
Market value of listed securities/Total financial assets at fair value through profit or loss	9,076	23,452

13 FEES RECEIVABLE – THE GROUP

The carrying amounts of fees receivable approximate their fair value due to the short-term maturity. The maximum exposure to credit risk at the balance sheet date is the fair value of the fees receivable. The Group did not hold any collateral as security at 31 December 2007 (2006: Nil).

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

	2007 HK$'000	2006 HK$'000
Fees receivable that were past due but not impaired		
0 – 30 days	1,558,524	988,396
31 – 60 days	4,887	2,260
61 – 90 days	63,982	14,193
Over 90 days	13,798	10,422
	1,641,191	1,015,271
Fees receivable that were within credit period	55,412	88,342
Total fees receivable	1,696,603	1,103,613

Fees receivable are denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
Hong Kong dollar	79,713	76,008
Renminbi	5,957	3,175
United States dollar	1,610,933	1,024,430
Total fees receivable	1,696,603	1,103,613

Fees receivable from investment management activities are generally deducted from the net asset value of the investment funds and managed accounts and paid directly by the administrator or custodian of the investment funds and managed accounts at the end of the relevant valuation period or credit period, as appropriate.

There was no impairment provision on fees receivable at 31 December 2007 (2006: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

14 CASH AND CASH EQUIVALENTS

	2007 HK$'000	2006 HK$'000
The Group		
Cash at bank and in hand	**390,861**	212,745
Short-term bank deposits	**338,505**	59,499
Deposits with brokers	**15,722**	–
Total cash and cash equivalents	**745,088**	272,244
The Company		
Cash at bank and in hand	**2,374**	–
Total cash and cash equivalents	**2,374**	–

Cash and cash equivalents are denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
The Group		
Hong Kong dollar	**587,628**	10,233
Japanese yen	**305**	8,572
Malaysian ringgit	**1,227**	3
Singapore dollar	**2,107**	10,430
United States dollar	**153,794**	242,980
Other currencies	**27**	26
Total cash and cash equivalents	**745,088**	272,244
The Company		
Hong Kong dollar	**2,374**	–
Total cash and cash equivalents	**2,374**	–

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For the year ended 31 December 2007

15 SHARE CAPITAL AND SHARE PREMIUM

	Share capital HK$'000	Share premium HK$'000	Total HK$'000
The Group			
At 1 January 2006, and 31 December 2006 and 2007	11,855	41,912	53,767
The Company			
At 10 November 2006 (date of incorporation) and 31 December 2006	–	–	–
At 1 January 2007	–	–	–
Issue of shares	160,000	760,581	920,581
At 31 December 2007	160,000	760,581	920,581

Equity structure – the Company

	Number of shares
At 10 November 2006 (date of incorporation) and 31 December 2006	1
At 1 January 2007	1
Issue of shares	1,599,999,999
At 31 December 2007	1,600,000,000

At 31 December 2007, the total authorised number of ordinary shares was 5,000,000,000 shares (2006: 3,800,000 shares) with a par value of HK$0.1 (2006: HK$0.1) per share and all issued shares were fully paid (2006: Not paid up).

At the date of incorporation of the Company of 10 November 2006, the total authorised number of ordinary shares was 3,800,000 with a par value of HK$0.1 per share and one ordinary share with a par value of HK$0.1 was issued at par value.

On 24 October 2007, the authorised share capital was increased to 5,000,000,000 by the creation of 4,996,200,000 ordinary shares with a par value of HK$0.1 per share.

On 26 October 2007, 1,599,999,999 ordinary shares with a par value of HK$0.1 per share were issued for a total consideration of HK$920,581,000 to the then shareholders of Value Partners Limited, a wholly-owned subsidiary of the Group which was the then immediate holding company of all the other subsidiaries of the Group, in exchange for all their interests in Value Partners Limited. These shares rank pari passu with the existing shares.

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15 SHARE CAPITAL AND SHARE PREMIUM (continued)

On 22 November 2007, 381,600,000 ordinary shares with a par value of HK$0.1 per share were listed on the Hong Kong Stock Exchange through a global offering. The global offering included the offer and sale of shares by two of the then shareholders of the Company through a public offering in Hong Kong and an international offering at a consideration of HK$7.63 per share. The Company did not issue any new shares in the global offering and did not receive any proceeds from it. The selling shareholders received all of the net proceeds from the global offering.

On 30 November 2007, additional 30,400,000 ordinary shares with a par value of HK$0.1 per share were listed on the Hong Kong Stock Exchange through the exercise of the over-allocation option in full by the joint global coordinators on behalf of the international underwriters to cover over-allocations in the international offering. These shares were sold by the same shareholders of the Company mentioned above at a consideration of HK$7.63 per share. The Company did not receive any proceeds from the exercise of the over-allocation option. The selling shareholders received all of the net proceeds from it.

The ordinary shares are non-redeemable and are entitled to dividends. Each ordinary share carries one vote. In the case of winding up of the Company, ordinary shares carry the right to return the paid-up capital and any balance then remaining.

Share options

The Group operates a share option scheme for directors, employees and others whom the Board of Directors considers, in its sole discretion, have contributed or will contribute to the Group. The share option scheme is effective for a period of ten years from the date it was adopted, after which no new share option will be granted but the provisions of the scheme will remain in full force and effect in all other respects. The share options are subject to terms as the Board of Directors may determine. Such terms may include the exercise price of the share options, the minimum period for which the share options must be held before they can be exercised in whole or in part, the conditions that must be reached before the share options can be exercised and so on. The Group has no legal or constructive obligation to repurchase or settle the share options in cash. No share option was granted under the share option scheme during the year ended 31 December 2007 (2006: Nil).

Apart from the share option scheme, share options were also granted to a director of the Company for a cash consideration of HK$1 pursuant to an option agreement dated 29 October 2007. The exercise price of the granted share options is HK$7.63. The share options are exercisable starting six months after the date on which the shares of the Company first become listed on the Hong Kong Stock Exchange. The share options have a contractual option term of six months. The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

Notes to the Consolidated Financial Statements

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15 SHARE CAPITAL AND SHARE PREMIUM (continued)

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

	Average exercise price (HK$ per share)	Number of options
At 1 January 2006 and 31 December 2006	–	–
At 1 January 2007	–	–
Granted	7.63	525,000
At 31 December 2007	7.63	525,000

No share option was exercisable at 31 December 2007 (2006: Nil) or exercised during the year ended 31 December 2007 (2006: Nil).

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

Expiry date	Exercise price (HK$ per share)	Number of options 2007	2006
21 November 2008	7.63	**525,000**	–

The fair value of share options granted during the year ended 31 December 2007 determined using the Black-Scholes valuation model was HK$1.09 (2006: Nil) per option. The key inputs into the model for the year ended 31 December 2007 were share price of HK$7.63 (2006: Nil) at the grant date, the exercise price shown above, estimated volatility of 43.56% (2006: Nil), an estimated expected option life of 0.82 year (2006: Nil) and an annual risk-free interest rate of 3.05% (2006: Nil). The total expense recognised in the consolidated income statement for share options granted as share-based compensation is disclosed in Note 20 below.

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16 OTHER RESERVES – THE GROUP

	Share-based compensation reserve HK$'000	Revaluation reserve HK$'000	Total HK$'000
At 1 January 2006	–	93,302	93,302
Fair value gains/(losses) on available-for-sale financial assets			
– the Group (Note 11)	–	(18,061)	(18,061)
– an associate (Note 9)	–	343	343
At 31 December 2006	–	75,584	75,584
At 1 January 2007	–	75,584	75,584
Share-based compensation (Note 20)	574	–	574
Fair value gains on available-for-sale financial assets			
– the Group (Note 11)	–	23,988	23,988
At 31 December 2007	574	99,572	100,146

17 DEFERRED TAX – THE GROUP

There was no movement in deferred tax liabilities during the year ended 31 December 2007 (2006: Nil).

	Accelerated tax depreciation HK$'000
At 1 January 2006, 31 December 2006 and 2007	**126**

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. At 31 December 2007, the Group did not recognise deferred tax assets of HK$474,000 (2006: HK$70,000) in respect of losses amounting to HK$2,710,000 (2006: HK$399,000) that can be carried forward against future taxable income. These tax losses have no expiry date.

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18 DISTRIBUTION FEES PAYABLE – THE GROUP

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:

	2007 HK$'000	2006 HK$'000
0 – 30 days	**134,714**	73,123
31 – 60 days	**–**	165
61 – 90 days	**–**	156
Over 90 days	**16,953**	16,487
Total distribution fees payable	**151,667**	89,931

Distribution fees payable are denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
Japanese yen	**207**	2,403
United States dollar	**151,460**	87,528
Total distribution fees payable	**151,667**	89,931

19 REVENUE

Turnover consists of fees from investment management activities and fund distribution activities. Revenue recognised is as follows:

	2007 HK$'000	2006 HK$'000
Turnover		
Management fees	**436,587**	246,482
Performance fees	**2,075,621**	1,234,173
Front-end fees	**1,616**	5,669
Back-end fees	**26,933**	3,294
Total turnover	**2,540,757**	1,489,618
Other revenue		
Interest income on financial assets at fair value through profit or loss	**1,523**	–
Interest income on cash and cash equivalents	**26,786**	11,101
Dividend income on available-for-sale financial assets	**38,920**	15,803
Dividend income on financial assets at fair value through profit or loss	**1,097**	1,015
Others	**2,935**	588
Total other revenue	**71,261**	28,507
Total revenue	**2,612,018**	1,518,125

The investment income from listed and unlisted investments for the year ended 31 December 2007 amounted to HK$2,664,000 (2006: HK$1,015,000) and HK$38,876,000 (2006: HK$15,803,000) respectively.

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20 COMPENSATION AND BENEFIT EXPENSES

	2007 HK$'000	2006 HK$'000
Bonus	**549,815**	313,338
Salaries, wages and other benefits	**63,607**	44,178
Share-based compensation (Note 16)	**574**	–
Pension costs – mandatory provident fund scheme	**837**	579
Total compensation and benefit expenses	**614,833**	358,095

20.1 Pension costs – mandatory provident fund scheme

There were no forfeited contributions utilised during the year ended 31 December 2007 (2006: Nil) and at 31 December 2007 (2006: Nil) to reduce future contributions.

At 31 December 2007, contributions totalling HK$165,000 (2006: HK$113,000) were payable to the mandatory provident fund scheme.

20.2 Directors' emoluments

The remuneration of every director of the Company is as follows:

	Bonus HK$'000	Salaries and other benefits (a) HK$'000	Share-based compen-sation HK$'000	Pension costs HK$'000	Total HK$'000
Year ended 31 December 2007					
Executive directors					
Mr Cheah, Cheng Hye	234,357	19,223	–	12	253,592
Mr Choi, Nga Chung	41,185	1,234	–	12	42,431
Mr Ho, Man Kei	41,193	1,849	–	12	43,054
Ms Hung, Yeuk Yan Renee	41,147	1,373	–	12	42,532
Mr Law, Ka Kin	6,200	1,560	574	12	8,346
Mr Ngan, Wai Wah	43,459	2,847	–	12	46,318
Mr So, Louis Chun Ki	41,142	1,214	–	12	42,368
Independent non-executive directors					
Mr Chen, Shih Ta Michael	–	27	–	–	27
Mr Lee, Siang Chin	–	27	–	–	27
Mr Oyama, Nobuo	–	27	–	–	27
	448,683	29,381	574	84	478,722

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20 COMPENSATION AND BENEFIT EXPENSES (continued)

20.2 Directors' emoluments (continued)

	Bonus HK$'000	Salaries and other benefits (a) HK$'000	Share-based compen-sation HK$'000	Pension costs HK$'000	Total HK$'000
Year ended 31 December 2006					
Executive directors					
Mr Cheah, Cheng Hye	141,023	12,438	–	12	153,473
Mr Choi, Nga Chung	22,062	1,111	–	12	23,185
Mr Ho, Man Kei	22,062	1,523	–	12	23,597
Ms Hung, Yeuk Yan Renee	22,055	1,118	–	12	23,185
Mr Law, Ka Kin	7,033	1,130	–	12	8,175
Mr Ngan, Wai Wah	37,860	1,863	–	12	39,735
Mr So, Louis Chun Ki	22,056	1,020	–	12	23,088
Independent non-executive directors					
Mr Chen, Shih Ta Michael	–	–	–	–	–
Mr Lee, Siang Chin	–	–	–	–	–
Mr Oyama, Nobuo	–	–	–	–	–
	274,151	20,203	–	84	294,438

(a) Other benefits include rebates of management fees and performance fees by the Group in relation to the directors' investments in the investment funds under the Group's management. Rebates of management fees and performance fees for the year ended 31 December 2007 amounted to HK$14,332,000 (2006: HK$8,468,000).

None of the directors waived or agreed to waive any emoluments and none of the directors received or will receive any fees, inducement fees or compensation for loss of office as director during the year ended 31 December 2007 (2006: Nil).

20.3 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are also directors whose emoluments are reflected in the analysis presented above.

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21 OTHER EXPENSES

	2007 HK$'000	2006 HK$'000
Depreciation and amortisation (Notes 7 and 8)	**4,063**	2,637
Office expenses	**5,708**	2,981
Travelling expenses	**3,012**	2,006
IPO expenses	**56,814**	6,974
Legal and professional fees	**4,440**	2,067
Auditor's remuneration	**1,023**	205
Consultancy expenses	**600**	396
Marketing expenses	**3,649**	1,116
Entertainment expenses	**446**	449
Recruitment and training expenses	**1,071**	386
Registration and licensing fees	**599**	316
Insurance expenses	**1,994**	1,409
Others	**1,960**	1,310
Total other expenses	**85,379**	22,252

22 OTHER GAINS – NET

	2007 HK$'000	2006 HK$'000
Gains on disposal of property, plant and equipment and intangible assets	**–**	69
Losses on disposal of joint ventures	**(1,080)**	–
Gains on disposal of available-for-sale financial assets	**28,655**	67,954
Losses on disposal of available-for-sale financial assets	**(441)**	–
Gains on financial assets at fair value through profit or loss	**18,282**	10,437
Losses on financial assets at fair value through profit or loss	**(25,323)**	(4,209)
Net foreign exchange (losses)/gains	**(5)**	6,348
Total other gains – net	**20,088**	80,599

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

23 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 consolidated financial statements.

Hong Kong profits tax has been provided on the estimated assessable profit for the year ended 31 December 2007 at the rate of 17.5% (2006: 17.5%).

	2007 HK$'000	2006 HK$'000
Current tax – Hong Kong profits tax		
Current year	**259,973**	184,515
Over-provisions in prior years	**(24,355)**	(4,380)
Total tax expense	**235,618**	180,135

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2007 HK$'000	2006 HK$'000
Profit before tax	**1,655,146**	1,036,320
Tax calculated at a rate of 17.5%	**289,651**	181,356
Income not subject to tax	**(59,779)**	(7,911)
Expenses not deductible for tax purposes	**29,697**	11,115
Utilisation of previously unrecognised tax losses	**–**	(271)
Tax losses for which no deferred tax asset was recognised	**404**	226
Over-provisions in prior years	**(24,355)**	(4,380)
Tax expense	**235,618**	180,135

24 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the year ended 31 December 2007 was dealt with in the financial statements of the Company to the extent of HK$1,586,000 (2006: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

25 EARNINGS PER SHARE

25.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue adjusted for as if the shares issued by the Company in the share swap between the Company and Value Partners Limited as disclosed in Note 15 above have been outstanding throughout the year.

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**1,419,528**	856,266
Weighted average number of ordinary shares in issue (thousands)	**1,600,000**	1,600,000
Basic earnings per share (HK$ per share)	**0.89**	0.54

25.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is the share options. For share options, a calculation is made in order to determine the number of ordinary shares that could have been acquired at fair value (determined as the average closing market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of ordinary shares calculated as above is compared with the number of ordinary shares that would have been issued assuming the exercise of the share options.

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**1,419,528**	856,266
Weighted average number of ordinary shares in issue (thousands)	**1,600,000**	1,600,000
Adjustments for share options (thousands)	3	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,600,003**	1,600,000
Diluted earnings per share (HK$ per share)	**0.89**	0.54

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

26 DIVIDENDS

	Note	2007 HK$'000	2006 HK$'000
Dividends by the Company			
Proposed final dividend of HK$0.266 (2006: Nil) per ordinary share	(a)	**425,600**	–
Proposed special dividend of HK$0.089 (2006: Nil) per ordinary share	(a)	**142,400**	–
		568,000	–
Dividends by Value Partners Limited			
Nil (2006: First interim dividend to the then shareholders of US$3.255 per ordinary share)	(b)	**–**	387,500
Nil (2006: Second interim dividend to the then shareholders of US$4.607 per ordinary share)	(b)	**–**	548,490
Special dividend to the then shareholders of HK$43.129 (2006: Nil) per ordinary share	(c)	**660,000**	–
		660,000	935,990
Total dividends		**1,228,000**	935,990

(a) No dividend has been paid by the Company since its incorporation. The directors recommend the payment of a final dividend of HK$0.266 per ordinary share and a special dividend of HK$0.089 per ordinary share. The estimated total final dividend and total special dividend, based on the number of shares outstanding at 31 December 2007, are HK$425,600,000 and HK$142,400,000 respectively. Such dividends are to be approved by the shareholders at the Annual General Meeting of the Company on 15 May 2008 and have not been recognised as a liability at the balance sheet date.

(b) The dividends presented above included interim dividends declared by Value Partners Limited to its then shareholders before it became a wholly-owned subsidiary of the Group. The dividends paid by Value Partners Limited during the year ended 31 December 2007 were HK$548,490,000 (2006: HK$387,500,000).

(c) In addition, a special dividend of HK$660,000,000 was declared by Value Partners Limited in 2007 which is conditional upon the listing of shares of the Company on the Main Board of the Hong Kong Stock Exchange, the retained earnings of the Group at 31 December 2007 and the retained earnings of Value Partners Limited at 31 August 2007.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

27 NET CASH GENERATED FROM OPERATIONS

	2007 HK$'000	2006 HK$'000
Profit before tax	**1,655,146**	1,036,320
Adjustments for		
Interest income	**(28,309)**	(11,101)
Dividend income	**(40,017)**	(16,818)
Share-based compensation	**574**	–
Depreciation and amortisation	**4,063**	2,637
Other gains – net (excluding net foreign exchange gains/losses)	**(20,093)**	(74,251)
Share of profit of an associate	**–**	(3,514)
Share of loss of joint ventures	**203**	2,138
Changes in working capital		
Other assets	**–**	(1,500)
Fees receivable	**(592,990)**	(817,863)
Prepayments and other receivables	**(11,118)**	(4,124)
Accrued bonus	**223,916**	221,983
Distribution fees payable	**61,736**	51,085
Other payables and accrued expenses	**25,267**	13,638
Net cash generated from operations	**1,278,378**	398,630

Non-cash transactions

The principal non-cash transaction was the share swap between the Company and Value Partners Limited as disclosed in Note 15 above.

28 COMMITMENTS

28.1 Capital commitments

The Group had commitments in respect of purchase of interests in Development Partners Fund and Value Partners Strategic Equity Fund (classified as available-for-sale financial assets) which represent the portion of the committed capital not yet called for payment. Capital expenditure not yet incurred is as follows:

	2007 HK$'000	2006 HK$'000
Contracted but not provided for		
Available-for-sale financial assets	**13,848**	3,178

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

28 COMMITMENTS (continued)

28.2 Operating lease commitments

The Group leases various offices and office equipment under non-cancellable operating lease agreements. The lease terms are between two and five years. The majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2007 **HK$'000**	2006 HK$'000
Not later than one year	**9,055**	9,131
Later than one year and not later than five years	**6,350**	14,864
Total operating lease commitments	**15,405**	23,995

29 CONTINGENCIES

The Group has contingent assets in respect of performance fees and contingent liabilities in respect of the performance fee element of distribution fees arising in the ordinary course of business.

29.1 Contingent assets

Performance fees for each investment fund and managed account for each performance period are generally calculated annually with reference to a performance fee valuation day. Performance fees are only recognised when they are earned by the Group.

As a result, at 31 December 2007 and 2006, performance fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding year have not been recognised. These performance fees may be receivable in cash if a positive performance results on the performance fee valuation days, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

29.2 Contingent liabilities

The performance fee element of distribution fees is based on the performance fees earned by the Group. These distribution fees are recognised when the performance fees are earned by the Group and the Group is obliged to pay the corresponding distribution fees.

As a result, at 31 December 2007 and 2006, the performance fee element of distribution fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding year have not been recognised. These distribution fees may be payable in cash if the performance fees are subsequently earned on the performance fee valuation days.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

30 BUSINESS COMBINATIONS

On 15 September 2006, the Group acquired an additional 50% of the issued share capital of its then associate, Value Partners Private Equity Limited, for a cash consideration of HK$3,776,000. Later on 15 December 2006, the Group acquired a further 10% of the issued share capital of Value Partners Private Equity Limited for a cash consideration of HK$693,000. Upon completion of the acquisitions, Value Partners Private Equity Limited became a wholly-owned subsidiary of the Group. The acquired business contributed revenues of HK$173,000 and incurred a net loss of HK$814,000 for the period from 15 September 2006 to 31 December 2006. If the acquisitions had occurred on 1 January 2006, Group revenues for the year ended 31 December 2006 would have been HK$1,533,580,000 and profit before allocations would have been HK$861,456,000.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Acquisition of 50% of the issued share capital of Value Partners Private Equity Limited on 15 September 2006	
Purchase consideration – cash paid	3,776
Fair value of net assets acquired – shown as below	(3,462)
	314
Acquisition of 10% of the issued share capital of Value Partners Private Equity Limited on 15 December 2006	
Purchase consideration – cash paid	693
Carrying amounts of net assets acquired	(614)
	79
Goodwill (Note 8)	393

The goodwill is attributable to the synergies and cost savings expected to arise after the Group's acquisition of Value Partners Private Equity Limited.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

30 BUSINESS COMBINATIONS (continued)

The assets and liabilities as of 15 September 2006 arising from the acquisition of 50% of the issued share capital of Value Partners Private Equity Limited are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Cash and cash equivalents	10,752	10,752
Property, plant and equipment (Note 7)	23	23
Intangible assets – computer software (Note 8)	8	8
Available-for-sale financial assets (Note 11)	2,130	2,130
Receivables	1,599	1,599
Payables	(7,587)	(7,587)
Net assets	6,925	6,925
Interest already held (40%) (Note 9)	(2,770)	
Minority interests (10%)	(693)	
Net assets acquired	3,462	
Cash and cash equivalents in a subsidiary acquired		10,752
Purchase consideration settled in cash		(3,776)
Net cash inflow on acquisition		6,976

Other than the share swap between the Company and Value Partners Limited as disclosed in Note 15 above and the acquisitions of subsidiaries from Value Partners Limited by the Company as disclosed in Note 6 above, there was no acquisition of subsidiaries for the year ended 31 December 2007.

31 RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Apart from those disclosed in Notes 6, 7, 8, 9, 10, 11, 15, 16, 20.2, 20.3, 22, 26, 27, 28.1 and 30 above, the Group has also entered into the following significant related-party transactions which, in the opinion of the directors, were carried out in the ordinary and usual course of the Group's business.

31.1 Key management compensation

	2007 HK$'000	2006 HK$'000
Bonus, salaries and other short-term employee benefits	**516,389**	313,267
Share-based compensation	**574**	–
Pension costs – mandatory provident fund scheme	**96**	96
Total key management compensation	**517,059**	313,363

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

31 RELATED-PARTY TRANSACTIONS (continued)

31.2 Investments in own investment funds

The Group had investments in the following investment funds (classified as available-for-sale financial assets) under its management and from which the Group earns fees from investment management activities and fund distribution activities:

	2007		2006	
	Holding	**Fair value HK$'000**	Holding	Fair value HK$'000
Mutual funds/unit trusts				
Asia Value Formula Fund	**1,000,000**	**71,887**	–	–
Development Partners Fund (a)	**97,000**	**9,773**	59,000	4,568
Manulife Global Fund – China Value Fund (b)	**111,990**	**7,483**	111,424	4,913
Value Partners China Greenchip Fund Limited (c)	**200,000**	**8,588**	200,000	6,030
Value Partners China Hedge Fund Limited (d)	**74,024**	**13,580**	74,024	8,634
Value Partners Classic Fund (e)	**9,636**	**14,664**	9,636	10,352
Value Partners High-Dividend Stocks Fund	**40,025**	**14,545**	40,025	10,047
Value Partners Intelligent Funds – China Convergence Fund (f)	**19,744**	**17,075**	19,744	10,860
Value Partners Intelligent Funds – Chinese Mainland Focus Fund	**69,121**	**15,622**	69,121	9,975
Value Partners Strategic Equity Fund (g)	**1,000**	**8**	–	–
Value Partners Strategic Equity Fund (a)	**250,000**	**5,718**	–	–
Limited liability company/partnership				
Value Partners Asia Fund, LLC		**36,587**		17,404
Value Partners Limited Partnership		**–**		31,212
Total investments in own investment funds		**215,530**		113,995

(a) The shares held were non-voting shares.

(b) The shares held were Class A shares.

(c) The shares held were redeemable Class A shares (ordinary shares before 26 March 2007).

(d) The shares held were participating redeemable preference shares.

(e) The units held were "A" units.

(f) Formerly Value Partners Intelligent Funds – China ABH Shares Fund before 28 December 2007.

(g) The shares held were management shares.

31.3 Amounts due from a shareholder/due to a subsidiary

The amounts due from a shareholder are unsecured, non-interest bearing and have no fixed repayment terms.

The amounts due to a subsidiary are unsecured, non-interest bearing and are not repayable within 12 months after the balance sheet date.

Particulars of Subsidiaries

As at 31 December 2007, details of the Group's subsidiaries under the Listing Rules are as follows:

Name	Place of incorporation	Principal activities and place of operation	Issued share capital
Hongkong Fund Management Limited	Hong Kong	Inactive	1 ordinary share of HK$1
Hongkong Investment Management Limited	Hong Kong	Inactive	1 ordinary share of HK$1
Middle Star Capital Limited	Hong Kong	Inactive	1 ordinary share of HK$1
Sensible Asset Management Limited	British Virgin Islands	Investment management in Hong Kong	2,000,000 ordinary shares of US$0.1 each
Value Funds Limited	Hong Kong	Inactive	1 ordinary share of HK$1
Value Partners (Cayman GP) Limited	Cayman Islands	Inactive	1 ordinary share of US$1
Value Partners (Cayman GP) II Ltd	Cayman Islands	Managing member of two investment funds managed by Value Partners Limited	1 ordinary share of US$1
Value Partners Hong Kong Limited	Hong Kong	Investment management in Hong Kong	5,000,000 ordinary shares of HK$1 each
Value Partners Limited	British Virgin Islands	Investment management, investment holding and securities dealing in Hong Kong	11,409,459 Class A ordinary shares and 3,893,318 Class B ordinary shares of US$0.1 each
Value Partners Private Equity Limited (formerly VP Private Equity Limited before 26 February 2007)	British Virgin Islands	Investment management and provision of research and investment advisory services in Hong Kong	7,000,000 ordinary shares of US$0.1 each
Valuegate Holdings Limited	British Virgin Islands	Trademark holding in Hong Kong	2 ordinary shares of US$1 each
Value Partners Strategic Equity Fund (note)	Cayman Islands	Investment Fund	1,000 voting non-participating management shares of US$1 each

Note: Value Partners Strategic Equity Fund ("VPSEF") is our subsidiary for the purposes of Listing Rules. In accordance with Hong Kong Financial Reporting Standards, the interest in VPSEF is accounted for as an investment and is classified as available-for-sale financial assets rather than a subsidiary of the Group in view of the economic substance of the transaction and other considerations according to the accounting standards. Therefore, VPSEF's results are not accounted for by the Group in the consolidated financial statements and VPSEF also is not included in the list of subsidiaries in Note 6 to the consolidated financial statements.

Summary of Results, Assets and Liabilities

	Results of the Group for the year ended 31 December			
	2004	2005	2006	**2007**
	HK$ million	HK$ million	HK$ million	**HK$ million**
Turnover	366.6	485.0	1,489.6	**2,540.8**
Operating profit	196.3	284.5	1,034.9	**1,655.3**
Net profit	167.5	237.0	856.2	**1,419.5**
Earnings per share (HK cents)				
– Basic & Diluted	10	15	54	**89**

	Assets and liabilities of the Group at 31 December			
	2004	2005	2006	**2007**
	HK$ million	HK$ million	HK$ million	**HK$ million**
Total assets	403.6	686.8	1,543.1	**2,707.3**
Less: Total liabilities	88.8	159.7	564.9	**1,493.5**
Total net assets	314.8	527.1	978.2	**1,213.8**

Notes:

The above financial information was based on the principal accounting policies as described in the notes to the consolidated financial statements.

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