Value Partners
Investing through discipline

Annual Report 2009
二零零九年年報

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

Contents

Corporate Information

Board of Directors

Chairman and Chief Investment Officer

Mr. CHEAH Cheng Hye

Executive Directors

Ms. HUNG Yeuk Yan Renee
Mr. SO Chun Ki Louis
Mr. TSE Wai Ming, CFA & FCPA

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 & FCPA

Authorized Representatives

Mr. SO Chun Ki Louis
Mr. TSE Wai Ming, CFA & FCPA

Members of the Audit Committee

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

Members of the Executive Committee

Mr. CHAN Sheung Lai
Mr. CHOW Wai Chiu William
Ms. HUNG Yeuk Yan Renee
Mr. LAW Ka Kin
Mr. SO Chun Ki Louis
Mr. TSE Wai Ming, CFA & FCPA

Members of the Remuneration Committee

Dr. CHEN Shih Ta Michael *(Chairman)*
Mr. CHEAH Cheng Hye
Mr. LEE Siang Chin
Mr. OYAMA Nobuo
Mr. TSE Wai Ming, CFA & FCPA

Members of the Risk Management Committee

Ms. WOO Lai Nga, CFA & CPA *(Chairman)*
Mr. CHAN Sheung Lai
Mr. CHEAH Cheng Hye
Mr. LAW Ka Kin
Ms. LEE Vivienne
Mr. SO Chun Ki Louis
Mr. TSE Wai Ming, CFA & FCPA

Members of the Valuation Committee

Mr. TSE Wai Ming, CFA & FCPA *(Chairman)*
Mr. CHAN Sheung Lai
Mr. LAW Ka Kin

Registered Office

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

Principal Office

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41 Connaught Road Central
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

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

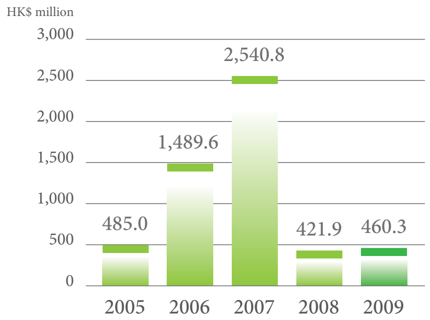
Website

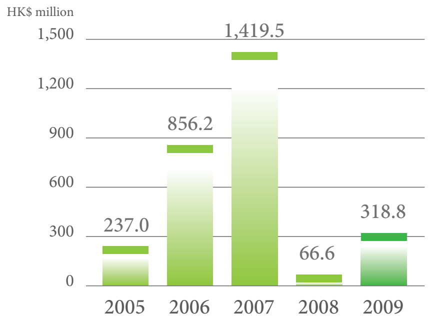
www.valuepartnersgroup.com.hk

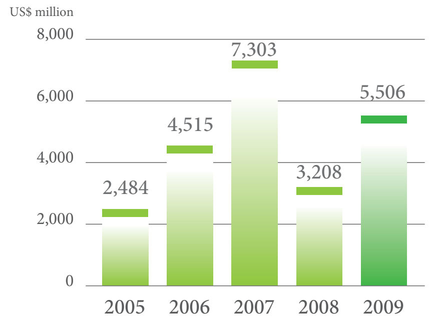
Stock Code

Stock Exchange of Hong Kong: 806

Financial Highlights







	Results for the year ended 31 December					
(In HK$ million)	**2009**	2008	% Change	2007	2006	2005
Revenue	**460.3**	421.9	+9.1%	2,540.8	1,489.6	485.0
Operating profit	**348.3**	92.5	+276.5%	1,655.3	1,034.9	284.5
Net profit	**318.8**	66.6	+378.7%	1,419.5	856.2	237.0
Earnings per share (HK cent) — Basic & Diluted	**19.9**	4.2	+373.8%	88.7	53.5	14.8

	Assets and liabilities at 31 December					
(In HK$ million)	**2009**	2008	% Change	2007	2006	2005
Total assets	**1,221.0**	769.1	+58.8%	2,707.3	1,543.1	686.8
Less: Total liabilities	**151.6**	27.0	+461.5%	1,493.5	564.9	159.7
Total net assets	**1,069.4**	742.1	+44.1%	1,213.8	978.2	527.1

	Assets under management ("AUM") at 31 December					
(In US$ million)	**2009**	2008	% Change	2007	2006	2005
AUM	**5,506**	3,208	+71.6%	7,303	4,515	2,484

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

Chairman's Statement

In 2009, we emerged from the global financial crisis with a remarkable recovery in the performance of our funds, a much better profit for our group and new management initiatives to strengthen the business. Value Partners Group's net profit for 2009 came to HK$318.8 million (earnings per share: HK19.9 cents), 378.7% higher than the HK$66.6 million recorded in 2008. We are pleased to propose a final dividend of HK8.0 cents per share.

The key factor for us, as always, was the performance of our funds under management. In 2009, our flagship Value Partners Classic Fund, for example, gained a net 82.9%[φ], one of its best-ever calendar-year performances. The fund's gain was well ahead of the overall market (for comparison, the Hang Seng and MSCI China indices rose 56.6% and 62.3%, respectively, in 2009.) In the 10 years ended 2009, the fund has returned an average of 23.7% per annum (net)[φ], compounded, compared to returns of 4.6% and 9.0% per annum recorded by the Hang Seng and MSCI China indices, respectively, over this period.

That's the key to the business: leadership in investment research and funds' performance. Our declared corporate objective is for Value Partners to be a "Temple of Value Investing" for the Asia-Pacific region and in 2009, further progress was achieved, including the opening of a new research office in Shanghai. As always, we concentrated on original, bottom-up research to obtain quality investment ideas, and in 2009, our Investment Team carried out more than 2,000 company visits (this total excludes phone interviews) across China and elsewhere in the Asia-Pacific region.

With growing recognition of our brand comes the credibility to enable Value Partners to launch new products. Thus, in 2009, we introduced our first exchange-traded fund (ETF), named the "Value China ETF," listed successfully on the Hong Kong Stock Exchange in December 2009 (stock code: 3046). This ETF is now managed by a 50:50 joint venture with our strategic partner, Ping An of China. We believe Value China ETF represents the first-ever application of the "fundamental indexing" concept to China-related stocks; the ETF follows an index, designed by Value Partners Index Services Limited[Δ] and maintained by FTSE Group, that filters out the numerous China-related stocks listed in Hong Kong, to pick out those offering high quality value.

We aim to expand our menu of innovative ETFs, carrying out this line of business under its own brand ("Sensible Asset Management") to differentiate it from our core "Value Partners" brand.

Outlook

The Greater China area has remained our focus, though we now have investments under management across the Asia-Pacific region. In our view, China's outlook is positive — but fragile. The Beijing government had responded to the global financial crisis with a massive fiscal stimulus program that must now be gradually withdrawn if China is to avoid a dangerous bubble. In 2010, investors need to worry over whether the government will mess up its exit strategy (our guess is that it won't, but we can't be sure). Another risk, simply, is that the global economy could suffer a "double dip," which would hurt China as well as other countries.

Our experience with China is that observers and the media tend to over-dramatize the situation, whether positively or negatively. Almost all the time, the eventual outcome is somewhere between the more extreme expectations or interpretations. Investors with overly sensational viewpoints have missed out on numerous bread-and-butter opportunities, and we intend to stay well-invested in the China story, though with heightened caution for the time being.

Chairman's Statement

Other matters

Mr. Jimmy Chan Sheung Lai joins Value Partners as a Managing Director from January 2010. He assumes a leadership role in the corporate and business affairs of Value Partners Group, following the departure of Mr. Franco Ngan Wai Wah, our Chief Executive Officer in the past several years. An accountant by training, Mr. Chan has more than 20 years of experience in business management, corporate finance and investment work. He was previously Chief Executive (Beijing and North China) of KaiLong REI Investment, which was involved in real-estate investment in China, with funds raised from overseas institutions. Before that, he was a partner of Deloitte Touche Tohmatsu, China.

Furthermore, Mr. William Chow Wai Chiu joins us as a Managing Director from February 2010. With more than 10 years experience in ETFs and portfolio management, he holds a leadership role in Value Partners Group's ETF activities, including the development and management of ETFs and the infrastructure. Mr. Chow was previously a Senior Portfolio Manager at Blackrock North Asia Ltd, participating in iShares — ETFs product development. He was also the lead portfolio manager of a number of ETFs established under iShares. Prior to joining iShares, he spent four years at State Street Global Advisors Asia Ltd (SSgA), where he was a portfolio manager for various institutional equity index, asset allocation and currency hedging strategies, as well as managing ETFs including the Tracker Fund of Hong Kong. Before SSgA, Mr. Chow worked for UBS AG.

In another development, we welcome Affiliated Managers Group Inc ("AMG") of the United States as a new strategic partner. AMG, which is listed in New York and holds strategic stakes in a diverse group of asset-management firms, took a 5.05% shareholding in Value Partners Group in November 2009 and has started working with us on joint product development and strategic distribution opportunities.

Separately, Value Partners has been named one of the three leading fund management firms in the region in the prestigious Thomson Reuters Extel Asia-Pacific Survey 2009. The survey, published in December 2009, analyses the industry in terms of depth of knowledge and quality of work. Value Partners' overall ranking as one of the top three in the category of "Best Overall Fund Management Firm — Asia" puts us ahead of many other firms larger than us.

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

CHEAH Cheng Hye
Chairman and Chief Investment Officer

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

Δ *Value Partners Index Services Limited is a wholly owned subsidiary of Value Partners Group Limited.*

Report of the Executive Committee

Robust results in 2009

During the year, the Group's business and financial performance was very encouraging. Our assets under management ("AUM") grew by 71.6% to US$5.5 billion as at 31 December 2009, from US$3.2 billion at the beginning of the year. Average asset-weighted return of our investment funds and portfolios was 71.5% for the year, compared favorably to 56.6% of the Hang Seng Index and 62.3% of the MSCI China Index. Net subscriptions totalled US$82 million. With the robust fund performance and growth in AUM, the two key drivers of our profitability, our net profit almost quadrupled compared with the previous year, surging 378.7% to HK$318.8 million from HK$66.6 million recorded in 2008.

Our value investing

In 2009, we emerged from the global financial crisis with a remarkable recovery in the performance of our funds. Indeed, our value investing principles through proprietary research again proved highly effective. It is inspiring that all our major funds clocked in impressive performance. Amongst our own branded funds, the flagship Value Partners Classic Fund gained a net return of 82.9% in 2009, one of its best-ever yearly performances. Value Partners High-Dividend Stocks Fund* gained a net 82.8%; China Convergence Fund# gained a net 87.1%. Overall, the average asset-weighted return of our investment funds and portfolios was 71.5%.

In line with our aim to deliver consistently superior returns, we further strengthened our research capabilities during the year. Our Investment Team, now consisting of 23 professionals, made more than 2,000 company visits during the year, exclusive of phone interviews. In September, a new research office was opened in Shanghai, augmenting our coverage of the mainland. These demonstrate our commitment, resources and effort we put into our original, bottom-up research to obtain productive investment ideas.

Moreover, our Senior Fund Managers, Ms. Renee Hung Yeuk Yan and Mr. Louis So Chun Ki, were promoted to the positions of Deputy Chief Investment Officer, and in this capacity, they are jointly responsible for the overall management of the Investment Team. Apart from this, the Group strengthened its investment management capabilities with the appointment of Mr. Fawaz Habel as Senior Fund Manager. Mr. Habel, who is a top-rated Asian fixed income investment expert, is responsible for the management of the new credit fund[Δ] and the fixed-income component of the Group's other funds.

During the year, the Group and its fund managers won several accolades. The Group was recognized as one of Asia's top three fund management companies according to Thomson Reuters Extel Asia Pacific Survey 2009, and as the second Largest Hedge Fund Manager in Asia by Alpha Magazine July/August 2009 edition. In addition, Mr. Eric Chow Yik Cheung, our Fund Manager, was ranked the "Leading Buy-side Individual — Asia" by the Thomson Reuters Extel Asia Pacific Survey 2009. Mr. Cheah Cheng Hye, our Chairman and Chief Investment Officer, was also recognized as one of the "25 most influential people in Asset Management in Asia" by AsianInvestor in May 2009.

Report of the Executive Committee

Product development

With regard to product development for our premium product suite[ø], we won two new institutional investment management and advisory mandates and launched several new investment funds during the year. Amongst these, in the first half of the year, we launched the new credit fund[Δ], which is an absolute-return fund with focus on high-yield bonds and credit related instruments mainly in the Asia-Pacific region. In the second half of the year, we started two new investment funds with our business partners, one with Manulife Asset Management in Hong Kong and the other one with Premium China Group in Australia.

In addition to new products, we also introduced a new daily dealing class of units for our flagship Value Partners Classic Fund in October 2009. As investors prefer products with greater liquidity following the global credit crisis, we expect this initiative will make the fund more attractive to existing and potential investors. We are also considering to change the dealing frequency of some of our other authorized funds to daily dealing.

Entry into ETF market

On our high-capacity product suite[ø], we reached an important milestone as we launched our first exchange-traded fund ("ETF") in collaboration with Ping An of China ("Ping An").

The Group collaborated with FTSE Group, the global index provider, and launched the FTSE Value-Stocks China Index in July 2009. The index captures the performance of a basket of 25 Chinese stocks listed on the Hong Kong Stock Exchange, which are selected based on a proprietary value-based screening methodology designed by the Group. From its launch in July to the end of the year, the FTSE Value-Stocks China Index recorded a return of 22.4%, outperforming the Hang Seng China Enterprise Index's return of 20.1%.

Following the creation of this index, the Group established a joint venture with Ping An in September to launch ETFs. This joint venture was established after Ping An had acquired a 50% stake in Sensible Asset Management Hong Kong Limited ("SAMHK") from the Group. Subsequent to this, SAMHK launched the Value China ETF (stock code: 3046) in December, which tracks the FTSE Value-Stocks China Index.

This new line of business is under our another brand, Sensible Asset Management, to differentiate it from our core Value Partners brand. We aim to expand our ETF menu by launching other innovatively structured ETFs in the future.

Collaboration with Affiliated Managers Group

In November, the Group and Affiliated Managers Group Inc ("AMG") agreed to work together on joint product development and strategic distribution opportunities. We believe this will help in developing and enhancing our distribution channels and therefore achieve wider access to the key and target market of us.

AMG is a US-based asset management company with equity investments in a diverse group of investment management firms. In November, AMG purchased a 5.05% stake in the Group and become a strategic shareholder of our Group. We are currently in discussion with AMG on certain potential distribution arrangements.

Report of the Executive Committee

Management team

During the year, the Group made certain changes and additions to the management team to strengthen our senior management and also streamline the Board of Directors.

An Executive Committee has been formed to assume responsibility for overseeing the Group's overall business and operations following the departure of Mr. Franco Ngan Wai Wah, the Group's former Chief Executive Officer. Mr. Ngan joined the Group in 2004 and helped navigate the Group through some of its most important challenges. We would like to take this opportunity to express our gratitude for his valuable contributions.

In order to streamline our Board of Directors, the number of Executive Directors was reduced from seven to four. Ms. Chau Yee Man, Mr. Norman Ho Man Kei and Mr. Eugene Law Ka Kin resigned from their roles as Executive Directors in November 2009. These moves have allowed Ms. Chau and Mr. Ho to focus exclusively on their roles as Senior Fund Managers, and Mr. Law to focus on his role in business and operations management. At the same time, Mr. Timothy Tse Wai Ming, the Group's Chief Financial Officer, was appointed as Executive Director.

In early 2010, the Group has appointed Mr. Jimmy Chan Sheung Lai and Mr. William Chow Wai Chiu as Managing Directors of Value Partners Limited. Mr. Chan has a leadership role in the corporate and business affairs of the Group while Mr. Chow has a leadership role in the Group's ETF activities.

Overall, we believe that the above changes and additions will further strengthen the management of the Group.

Thanks and appreciation

Finally, we would like to take this opportunity to express our heartfelt thanks and appreciation to our staff. Their commitment and diligence have been vital in this challenging time and we are fortunate enough to have a group of high quality staff. We would also like to thank our business partners and our shareholders. With their continued trust and support, we are confident that the Group will overcome any difficulties that may come ahead and emerge all the strongest.

Executive Committee

* *Performance of Value Partners High-Dividend Stocks Fund over past five years: 2009, +82.8%; 2008, -46.8%; 2007, +44.2%; 2006, +35.0%; 2005, +11.0%. Performance figures are calculated in US dollar terms on NAV-to-NAV basis and net of all fees.*

\# *Performance of China Convergence Fund over past five years: 2009, +87.1%; 2008, -45.2%; 2007, +56.6%; 2006, +86.9%; 2005, +3.9%. Performance figures are calculated in US dollar terms on NAV-to NAV basis with dividends reinvested and net of all fees.*

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

ø *Please refer to Financial Review for an introduction of our product development strategy.*

Financial Review

Introduction

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 geographical location by offering a board range of products including absolute return long-biased funds, long-short hedge funds, exchange-traded 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 2009, Value Partners Group had US$5.5 billion of assets under management ("AUM").

The Group's long-term product development strategy is to develop two complementary categories of investment products — a premium suite and a high-capacity suite, which we refer to our Bar-bell Strategy. Under this Bar-bell Strategy, the premium suite of products would derive more of its income from performance fees. Performance fees will rise along with fund performance. Products in this category may take longer to scale up. Our absolute return long-biased funds, long-short hedge funds and private equity funds would belong to this category of products.

On the other side of the Bar-bell, the high-capacity suite of products derives income primarily from management fees, which in turn is driven by the size of their AUM. A combination of fund performance and active marketing would be used to attract inflows of funds. These products would focus on mainstream stocks, which give them greater flexibility to scale up to take advantage of growth in demand. This means capacity is less of a concern with this category of funds. Products in this category would include exchange-traded funds and quantitative products under the Sensible Asset Management ("SAM") brand.

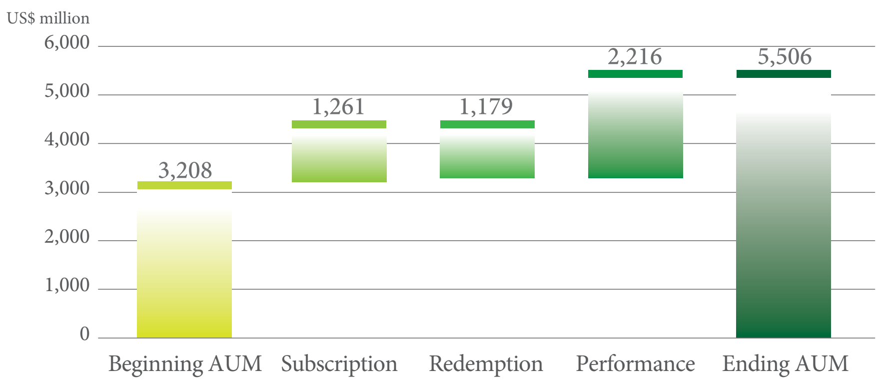
Assets Under Management

AUM and return

The Group's AUM stood at US$5,506 million as of 31 December 2009, compared with US$3,208 million a year earlier, representing a 71.6% increase. The growth was mainly driven by the strong performance of our funds, which accounted for a US$2,216 million increase in AUM. In terms of fund performance, Value Partners Classic Fund, our flagship fund, recorded a 82.9% gain compared to the Hang Seng Index and MSCI China Index with gains of 56.6% and 62.3% ended 2009, respectively. In aggregate, we managed to generate an asset-weighted average return of funds under management of 71.5%.

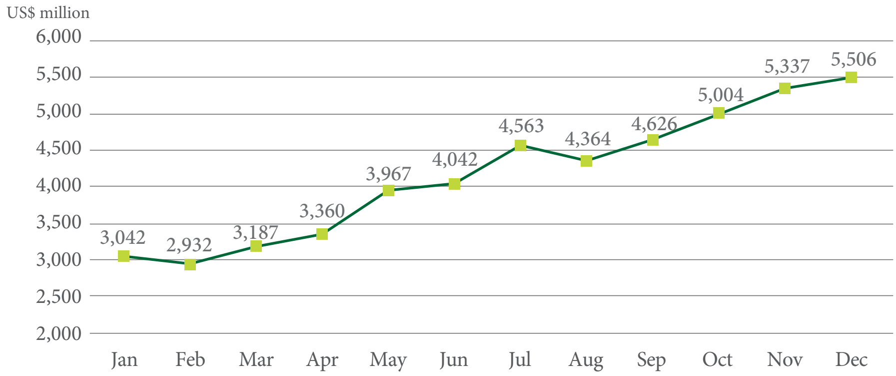
Average AUM decreased from US$5,117 million in 2008 to US$4,088 million in 2009, representing a 20.1% decline. Gross subscriptions slightly decreased from US$1,408 million in 2008 to US$1,261 million in 2009. Since the beginning of second half of the year, we saw gross subscriptions picked up. Net subscriptions for the period under review amounted to US$82 million, compared to the net redemptions of US$797 million a year earlier.

AUM change in the year 2009



Financial Review

Monthly AUM in the year 2009

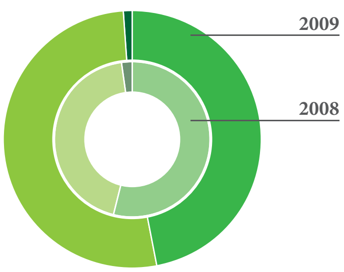


AUM by category

The charts below provide analysis of the Group's AUM by different classification, including brand, strategy and fund type as at 31 December 2009.

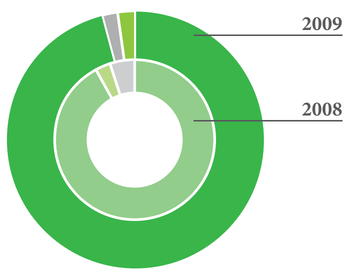
During the period under review, there was higher fund inflow adding into White Label Funds (such as mandatory provident fund product) than Own Branded Funds. As a result, White Label Funds increased from 44% out of the total AUM in 2008 to 52% at the end of the year. Absolute Return Long-biased Funds remain the majority of our funds by strategy. In terms of fund type, proportion of Non-authorized Funds decreased as a result of fund outflow from those funds targeting at United States and European clients.

Classification by brand



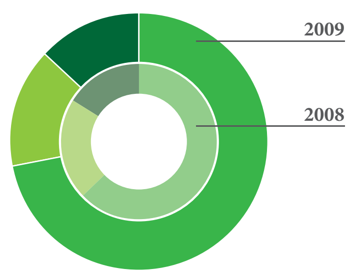
	2009	2008
Own Branded Funds	**47%**	54%
White Label Funds	**52%**	44%
Co-branded Funds	**1%**	2%

Classification by strategy



	2009	2008
Absolute Return Long-biased Funds	**96%**	92%
Long-short Hedge Funds	**2%**	3%
Others	**2%**	5%

Classification by type of funds



	2009	2008
Authorized Funds	**72%**	63%
Non-authorized Funds	**15%**	21%
Managed Accounts	**13%**	16%

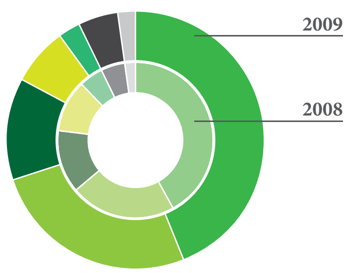
Financial Review

Client base

Institutional clients, the Group's primary group of fund investors, made up 87% of total AUM as at 31 December 2009, which was the same as at last year. In addition, retail investors accounted for 13% of the Group's AUM at the same period. Institutional clients include institutions, pension funds, endowments and foundations, high-net-worth individuals, funds of funds and family offices and trusts. Pension funds increased from 22% of the Group's AUM in 2008 to 26% of that in 2009 due to higher fund inflow adding into our mandatory provident fund product.

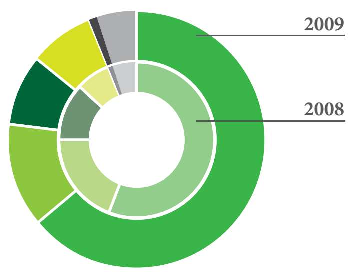
By geographical region, Hong Kong clients accounted for 64% of the Group's AUM. Fund outflow increased for United States and European clients during the period. Fund inflow for Australian clients increased at a good momentum.

Client analysis by type



	2009	2008
Institutions	**44%**	42%
Pension funds	**26%**	22%
Retails	**13%**	13%
Endowments and foundations	**7%**	11%
High-net-worth individuals	**5%**	5%
Funds of funds	**3%**	5%
Family offices and trusts	**2%**	2%

Client analysis by geographical region



	2009	2008
Hong Kong	**64%**	56%
United States	**13%**	19%
Europe	**9%**	12%
Australia	**8%**	7%
Japan	**1%**	1%
Others	**5%**	5%

Summary of results

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

(In HK$ million)	2009	2008	% Change
Total revenue	**460.3**	421.9	+9.1%
Gross management fees	**233.5**	331.4	-29.5%
Gross performance fees	**219.8**	69.4	+216.7%
Net profit	**318.8**	66.6	+378.7%
Earnings per share (HK cents)	**19.9**	4.2	+373.8%
Interim dividend per share (HK cents)	**Nil**	5.5	
Final dividend per share (HK cents)	**8.0**	Nil	

Financial Review

Revenue and fee margins

The Group's total revenue increased by 9.1% to HK$460.3 million in 2009 from HK$421.9 million in the previous financial year, as a result of an increase in performance fees despite of a decrease in management fees.

Gross performance fees rose 216.7% to HK$219.8 million, compared with HK$69.4 million in the previous year. Out of the total, an amount of HK$52.6 million was generated from a private equity fund which has been managed by the Group previously. The remaining amount was generated from a number of the Group's funds which have exceeded the high watermark or benchmark and were able to generate performance fees.

Gross management fees fell 29.5% to HK$233.5 million in 2009 from HK$331.4 million in 2008, while net management fees fell 27.0% to HK$199.0 million from HK$272.7 million over the same period. These declines were in line with the decrease in the Group's average AUM. The net management fee margin came to 63 basis points, compared with 68 basis points recorded in the previous year. This margin contraction was due to an increase in the AUM of funds that carry a lower margin, e.g. mandatory provident fund product.

Other income, comprising mainly dividend income and interest income, declined to HK$11.5 million in 2009 from HK$37.5 million in the previous year. Dividend income stood at HK$8.3 million and interest income came to HK$1.9 million. The decrease in dividend income was due to decrease in dividend from investee companies, while the drop in interest income was due to lower deposits interest rates.

Other gains and losses

Other gains and losses mainly represented by the change in the fair value of seed capital. The Group has changed its accounting treatment of seed capital which allows changes in the fair value of seed capital to be reflected in the profit and loss accounts with effect from 2008. In so doing, an unrealized gain of HK$114.2 million (compared with HK$116.1 million unrealized loss in 2008) was recorded in the profit and loss accounts for the year under review, reflecting the performance of respective investment funds managed by the Group.

Besides, the Group also recognized a gain on disposal of 50% interest in a subsidiary (Sensible Asset Management Hong Kong Limited ("SAMHK")) to Ping An for the purpose of setting up a joint venture for exchange-traded fund ("ETF") business. The gain amounted to approximately HK$7.7 million.

Share of loss of a joint venture amounted to HK$2.6 million which represented the preliminary expenses relating to the launch of our first ETF — Value China ETF.

Cost management

The Group's total expenses, fell 19.3% to HK$249.0 million, as compared with HK$308.7 million recorded the year before. Total expenses include distribution and advisory fees, fixed operating expenses, share-based compensation expenses and management bonuses.

Financial Review

Distribution and advisory fees, decreased by 31.4% to HK$41.9 million from HK$61.1 million a year earlier, which was in line with the decrease in management fee income. They are expenses paid to fund distributors and usually calculated as a share of management fees income.

The Group aims to keep its fixed and recurring expenses, such as fixed salaries, rent and other administrative and office expenses, well covered by its management fees income, which is considered as a relatively stable source of income. Internally, the Group measures this objective by using the fixed cost coverage ratio, an indicator which shows how many times fixed and recurring expenses are covered by management fees income. In 2009, the management maintained the Group's fixed cost coverage at 2.4 times through prudent, closely monitored cost management. Indeed, fixed operating expenses decreased by 11.4% to HK$98.7 million in 2009 from HK$111.4 million in 2008.

Apart from operating expenses, the Group recorded an expense of HK$7.5 million relating to stock options granted to employees. This item of expense did not impact cash flow and is recognized here to comply with Hong Kong Financial Reporting Standards ("HKFRS").

Management bonus amounted to HK$100.8 million for the year under review. This is consistent with the Group's compensation policy which distributes 25% of a net profit pool every year as a management bonus to employees. The net profit pool comprises the net profit before management bonus and taxation and after certain adjustments. This discretionary bonus promotes staff loyalty and commitment, while aligns the interests of employees with those of shareholders.

From 2010 onwards, the Group will slightly adjust the calculation of management bonus. The applicable rate to the net profit pool for the purpose of calculation of bonus will reduce from 25% to a range of 20% to 23% and the change in market value of seed capital investments will not be included in the net profit pool. Gains and losses on other investments will be included in the net profit pool at completion of disposal of investment.

Net profit and core earnings

Net profit increased by 378.7% to HK$318.8 million in 2009 from HK$66.6 million the year before.

Core earnings are used to measure the Group's core operating performance (exclude non-recurring and non-operating items). In 2009, core earnings were HK$202.6 million, representing a decrease of 15.4% from HK$239.5 million reported the year before.

Dividends

From 2009 onwards, the Group has begun practicing a more consistent and sustainable dividend distribution policy that takes into account the relatively more volatile nature of asset-management income streams. This policy states that dividends (if any) will be declared once a year at the end of each financial year to better align them with the Group's full-year performance.

For 2009, the Board of Directors recommended a final dividend of HK8.0 cents per share to shareholders.

Financial Review

Liquidity and financial resources

Fee income is the Group's main source of income. Other sources of income include interest income generated from bank deposits as well as dividend income from investments held. During the year, the Group's balance sheet and cash flow positions remained strong. As at 31 December 2009, the Group had a net cash balance of HK$517.1 million. For the year ended 31 December 2009, net cash inflows from operating activities amounted to HK$153.4 million.

The Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities during the period under review. The debt-to-equity ratio (interest bearing external borrowings divided by shareholders' equity) stood at zero while the current ratio (current assets divided by current liabilities) came to 4.9 times.

Capital structure

As at 31 December 2009, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK$1,069.4 million and 1.6 billion, respectively.

TSE Wai Ming, CFA & FCPA
Chief Financial Officer
Company Secretary

Biographies of Directors and Senior Management

Chairman

CHEAH Cheng Hye

Chairman and Chief Investment Officer

Mr. CHEAH Cheng Hye, aged 56, co-founded Value Partners Limited with business partner Mr. YEH V-Nee in February 1993. He has served as the Group's Chief Investment Officer (CIO) from the start.

Mr. CHEAH was voted as one of the "25 Most Influential People in Asset Management" by ***AsianInvestor, May 2009***. He was named as "Capital Markets Person" of the year by ***FinanceAsia*** in 2007 and was voted the "Most Astute Investor" in the ***Asset Benchmark Survey, October 2003***. Prior to founding Value Partners, Mr. CHEAH worked at Morgan Grenfell Group in Hong Kong, where he founded the firm's Hong Kong equities research department in 1989 and acted as its head, and also carried out proprietary trading at Morgan Grenfell. Prior to that, he was 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 Asia markets.

Executive Directors

HUNG Yeuk Yan Renee

Deputy Chief Investment Officer and Executive Director

Ms. HUNG Yeuk Yan Renee, aged 35, is the Deputy Chief Investment Officer of the Group. She is responsible for the overall management of the investment management team and holds a leadership role in the Group's investment process, including a high degree of responsibility for portfolio management. Ms. HUNG joined the Group in April 1998 as an analyst and was promoted to Fund Manager and Senior Fund Manager in 2004 and 2005, respectively. She was further promoted to Deputy Chief Investment Officer in March 2009. She graduated from the University of California in Los Angeles in U.S.A. in December 1997 with a degree in Applied Mathematics.

SO Chun Ki Louis

Deputy Chief Investment Officer and Executive Director

Mr. SO Chun Ki Louis, aged 34, is the Deputy Chief Investment Officer of the Group. He is responsible for the overall management of the investment management team and holds a leadership role in the Group's investment process, including a high degree of responsibility for portfolio management. Mr. SO joined the Group in May 1999 as an analyst and was promoted to Fund Manager and Senior Fund Manager in 2004 and 2005, respectively. He was further promoted to Deputy Chief Investment Officer in March 2009. He graduated from the University of Auckland in New Zealand with a degree in Commerce in April 1997 and from the University of New South Wales in Australia with a Master's degree in Commerce in October 1998.

Biographies of Directors and Senior Management

TSE Wai Ming, CFA & FCPA

Chief Financial Officer and Executive Director
Company Secretary

Mr. TSE Wai Ming, aged 34, is the Chief Financial Officer of the Group. He oversees the finance, company secretarial and human resources functions of the Group. He joined the Group in January 2007 as Finance Director and was promoted to Chief Financial Officer and Executive Director in January and November 2009, respectively. Prior to joining the Group, he spent more than eight years at Transaction Services Group of KPMG and Financial Services Group of PricewaterhouseCoopers. Mr. TSE graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration in December 1997. He became a CFA charterholder in September 2001 and a Fellow of the Hong Kong Institute of Certified Public Accountants in February 2009.

Independent Non-executive Directors

CHEN Shih Ta Michael

Independent Non-executive Director

Dr. CHEN Shih Ta Michael, aged 64, was appointed as an Independent Non-executive Director of the Company on 22 October 2007 and is the Chairman of the Company's Remuneration Committee and a member of its Audit Committee. Dr. CHEN is currently the 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 U.S.A. in June 1966, and received an MBA from the Harvard University in U.S.A. in June 1972 and a PhD in Economics from the Cornell University in U.S.A. in August 1973.

Biographies of Directors and Senior Management

LEE Siang Chin

Independent Non-executive Director

Mr. LEE Siang Chin, aged 61, was appointed as an Independent Non-executive Director of the Company on 22 October 2007 and is the Chairman of the Company's Audit Committee and a member of its Remuneration Committee. Mr. LEE is a Director of the Social Security Organisation of Malaysia and a member of its investment panel. 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 of 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 member of the Malaysian Institute of Certified Public Accountants in June 1975 and a Fellow of the Institute of Chartered Accountants in England and Wales in January 1979.

OYAMA Nobuo

Independent Non-executive Director

Mr. OYAMA Nobuo, aged 56, was appointed as an Independent Non-executive Director of the Company on 22 October 2007 and is a member of the Company's 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 worked for Nichimen and Sojitz.

Mr. OYAMA received a Bachelor's 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. He became a Chartered Member of the Security Analysts Association of Japan (CMA®) in August 2009.

Other Senior Management

CHAN Sheung Lai

Managing Director
Value Partners Limited

Mr. CHAN Sheung Lai, aged 47, joined the Group in January 2010 and is responsible for business and corporate management.

Mr. CHAN has 20 years of investment banking and corporate management experience. He was previously the Chief Executive (Beijing and Northern Region, China) of KaiLong REI Investment, a real estate investment and asset management firm in China. Before joining KaiLong REI, he was a partner of Deloitte Touche Tohmatsu and led its Corporate Finance Advisory Practice and Life Sciences & Healthcare Practice in China. Prior to joining Deloitte, he was Chief Financial Officer with a private Hong Kong group engaged in property development, investment and retailing. Mr. CHAN graduated with a Bachelor's degree in Social Sciences from the University of Hong Kong in 1984. He became a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accounts in 1988 and 1997, respectively.

Biographies of Directors and Senior Management

CHAU Yee Man, CFA & CPA

Senior Fund Manager
Value Partners Limited

Ms. CHAU Yee Man, aged 42, joined the Group in July 2005. She holds a leadership role in the Company's investment process, including a high degree of responsibility for portfolio management. Prior to joining the Company, she worked at Credit Agricole Asset Management, serving as a Senior Investment Manager, who was responsible for the Hong Kong and Greater China portfolios. Prior to that, Ms. CHAU worked for Sofaer Global Research Ltd and Deloitte Touche Tohmatsu. Ms. CHAU graduated from Macquarie University in Australia with a Master's degree in Applied Finance in November 2002. She became a member of the Hong Kong Institute of Certified Public Accountants in February 1995 and a CFA charterholder in September 1997.

CHOW Wai Chiu William

Managing Director
Value Partners Limited

Mr. CHOW Wai Chiu William, aged 34, joined the Group in February 2010 and has a leadership role in the firm's ETF (Exchange Traded Fund) business development and operations. Mr. CHOW has extensive experience in ETFs. He was previously the Senior Portfolio Manager at Blackrock North Asia Ltd, participating in iShares ETFs product development. He was also the Lead Portfolio Manager of a number ETFs established under iShares. Prior to joining iShares, he spent four years at State Street Global Advisors Asia Ltd ("SSgA"), as a Portfolio Manager and was responsible for various institutional equity index, asset allocation and currency hedging strategies, as well as managing ETFs such as the Tracker Fund of Hong Kong. Before joining SSgA, Mr. CHOW worked for UBS AG. Mr. CHOW holds a Master's degree in Science in Operational Research from the London School of Economics and Political Science (UK), and a Bachelor's degree in Engineering (Hons) in Civil Engineering from the University College London (UK).

HABEL Fawaz

Senior Fund Manager
Value Partners Limited

Mr. HABEL Fawaz, aged 40, joined the Group in April 2009. He holds a leadership role in the Company's investment process, including a high degree of responsibility for portfolio management, especially for fixed-income instruments. Between June and November 2008, Mr. HABEL was a Partner and a Portfolio Manager at R3 Capital Partners who managed equity and equity-linked trading in Asia and the Middle East. Prior to that, he was Senior Vice President of Global Principal Strategies of Lehman Brothers, and oversaw all equity-linked trading and investments across Europe, Asia and the Middle East. He worked for JP Morgan Chase from 1999 to 2007 and was in charge of its equity-linked trading for Asia-Pacific region, convertible bonds proprietary desk and market risk management in America. Mr. HABEL holds a Bachelor's degree in Engineering from the American University of Beirut and a PhD in Engineering from Columbia University in New York City in U.S.A..

Biographies of Directors and Senior Management

HO Man Kei, CFA

Senior Fund Manager
Value Partners Limited

Mr. HO Man Kei, aged 43, holds a leadership role in the Company's investment process, including a high degree of responsibility for portfolio management. He joined the Group in November 1995. Previously, he was an executive with Dao Heng Securities Limited and had started his career with Ernst & Young. Mr. HO is a graduate of the University of Hong Kong, where he received a Bachelor's degree in Social Science in December 1989, majoring in Management Studies. He became a CFA charterholder in October 1996.

LAW Ka Kin

Managing Director
Value Partners Limited

Mr. LAW Ka Kin, aged 49, is a Managing Director of Value Partners Limited. He joined the Group in December 2004 and has a leadership role in the business and operations of the Group. Prior to joining the Group, Mr. LAW worked at Celestial Asia Securities Holdings Limited, where he served as Chief Operating Officer from 1998 and as Executive Director from 2000. Prior to that, he worked as the head of research and a research analyst with several multinational companies for more than 10 years. Mr. LAW graduated from the City of London Polytechnic, UK with a Bachelor's degree majoring in Economics in July 1984.

TAM Raymond Hin Tat

Director, Head of Sales
Value Partners Limited

Mr. TAM Raymond Hin Tat, aged 35, joined the Group in April 2008. He is in charge of the sales and marketing and client services functions and is also involved in business development. He previously served as Vice President at BlackRock (formerly Merrill Lynch Investment Managers) since 2000. Prior to that, he worked at JF Asset Management, where he was responsible for direct sales and fund distribution. Mr. TAM graduated from the University of Western Ontario in Canada with a Bachelor's degree in Economics.

TENG Kooi See

Managing Director
Value Partners Investment Services Pte. Ltd. ("VPIS")

Ms. TENG Kooi See, aged 45, is a Managing Director of VPIS in Singapore. She is responsible for business development of VPIS. Ms. TENG joined the Group in January 2004 to oversee the investment services team and institutional business. She was promoted to Managing Director of VPIS in May 2008. Prior to joining the Group, she held corporate governance roles in Jardine Fleming Holdings Ltd, China Resources Enterprise Ltd and LASMO Plc.

Biographies of Directors and Senior Management

VALADAO Mark

Executive Director
Sensible Asset Management Limited ("SAM")

Mr. VALADAO Mark, aged 38, joined the Group in July 2007. He is responsible for the management, business development, and sales and marketing functions of SAM. Prior to that, he was with HSBC Investments (Hong Kong) where he was responsible for the business development of HSBC's Multi-manager unit in the Asia Pacific region. Before joining HSBC, he was a Senior Associate Portfolio Manager at Mellon Capital Management in San Francisco where he managed and developed global tactical asset allocation and currency strategies for global institutional clients. Mr. VALADAO graduated from the California Polytechnic State University in U.S.A. with a Bachelor's degree in Business Administration in March 1996.

WOO Lai Nga, CFA & CPA

Chief Compliance Officer
Value Partners Limited

Ms. WOO Lai Nga, aged 33, is the Chief Compliance Officer of the Group and oversees the compliance functions. She first joined the Group in October 2002 as Compliance Manager. She was promoted to Compliance Director in May 2004 and was further promoted to Chief Compliance Officer in January 2008. She also assists in overseeing the risk management, legal and internal audit teams of the Group. Prior to that, she was a senior associate of PricewaterhouseCoopers. Ms. WOO graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration in December 1998. 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" or the "Directors") of Value Partners Group Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2009.

Principal activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 14 to the consolidated financial statements.

Results

The results of the Group for the year are set out in the Consolidated Statement of Comprehensive Income on page 39.

Dividend

No interim dividend was paid during the year. The Directors recommend the payment of final dividend of HK8.0 cents per share for the year ended 31 December 2009 to the shareholders whose names are registered on the register of members of the Company on 27 April 2010.

Summary of results, assets and liabilities

Summary of results, assets and liabilities for the years of 2005 to 2009 are set out on page 3 of this report.

Share capital

Details of the movements during the year in the share capital of the Company are set out in Note 21 to the consolidated 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 42.

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 2009, the Company's distributable reserve was HK$1,022,777,000.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$35,000.

Report of the Directors

Board of Directors

During the year ended 31 December 2009 and up to the date of this report the board of directors comprised:

Executive Directors

Mr. CHEAH Cheng Hye (Chairman)
Ms. CHAU Yee Man *(resigned on 1 November 2009)*
Mr. HO Man Kei *(resigned on 1 November 2009)*
Ms. HUNG Yeuk Yan Renee
Mr. LAW Ka Kin *(resigned on 1 November 2009)*
Mr. NGAN Wai Wah *(resigned on 1 November 2009)*
Mr. SO Chun Ki Louis
Mr. TSE Wai Ming *(appointed on 1 November 2009)*

Non-executive Director

Mr. CHOI Nga Chung *(resigned on 22 January 2009)*

Independent Non-executive Directors

Dr. CHEN Shih Ta Michael
Mr. LEE Siang Chin
Mr. OYAMA Nobuo

In accordance with articles 86 and 87 of the Company's articles of association, Mr. SO Chun Ki Louis, Mr. TSE Wai Ming and Mr. LEE Siang Chin 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 2009, subject to the provisions of the Company's articles of association.

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 of Hong Kong Limited (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 20.

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 or the appointment date (for Mr. TSE Wai Ming). The service contract 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 party not less than three months' prior notice in writing (other than Mr. CHEAH Cheng Hye whose notice period is six months).

Each of the Independent Non-executive Directors has entered into a service contract with the Company for one year commencing on 22 November 2009 and either the Company or the Independent Non-executive Director may terminate the appointment by giving at least three months' notice in writing.

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, underlying shares and debentures

As at 31 December 2009, 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 Securities and Futures Ordinance (the "SFO")) which had notified to the Company and the 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 of the Company ("Shares")

Name of Director	Nature of interest	Number of Shares	Number of underlying Shares in which the Directors are interested under physically settled equity derivatives[3]	Approximate percentage of issued Shares
Mr. CHEAH Cheng Hye	Founder of trust/beneficial[1]	499,730,484	–	31.23%
	Beneficial	–	57,050,828	3.56%
Ms. HUNG Yeuk Yan Renee	Founder of trust[2]	35,313,583	–	2.20%
	Beneficial	–	12,036,140	0.75%
Mr. SO Chun Ki Louis	Beneficial	35,313,583	12,036,140	2.95%
Mr. TSE Wai Ming	Beneficial	–	850,000	0.05%
Dr. CHEN Shih Ta Michael	Beneficial	–	325,000	0.02%
Mr. LEE Siang Chin	Beneficial	–	325,000	0.02%
Mr. OYAMA Nobuo	Beneficial	–	325,000	0.02%

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 number of underlying Shares in which the Directors are interested under physically settled equity derivatives are detailed in "Share options" section below.

Report of the Directors

(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	74,000 non-voting shares	0.49% 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 (Note)	50,000 non-voting shares	0.33% of the total issued non-voting shares

Note: 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.

(c) Share options

The Company adopted a share option scheme on 24 October 2007 (and as amended on 15 May 2008) (the "Scheme"). Details of the grant of share options and a summary of the movements of the outstanding share options during the year ended 31 December 2009 were as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2009	Number of Share Options			As at 31/12/2009
					Granted	Exercised	Lapsed	
Directors								
Mr. CHEAH Cheng Hye	26/03/2008	26/03/2008-25/09/2014	5.50	1,600,000	–	–	–	1,600,000
	15/05/2008	15/05/2008-14/11/2014	5.50	55,450,828	–	–	–	55,450,828
Ms. HUNG Yeuk Yan Renee	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	–	–	–	4,036,140
	27/04/2009	27/10/2009-26/10/2015	2.436	–	1,200,000	–	–	1,200,000
		27/10/2010-26/10/2015	2.436	–	3,600,000	–	–	3,600,000
		27/10/2011-26/10/2015	2.436	–	3,200,000	–	–	3,200,000
Mr. SO Chun Ki Louis	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	–	–	–	4,036,140
	27/04/2009	27/10/2009-26/10/2015	2.436	–	1,200,000	–	–	1,200,000
		27/10/2010-26/10/2015	2.436	–	3,600,000	–	–	3,600,000
		27/10/2011-26/10/2015	2.436	–	3,200,000	–	–	3,200,000
Mr. TSE Wai Ming	26/03/2008	25/03/2009-25/09/2014	5.50	283,334	–	–	–	283,334
		25/03/2010-25/09/2014	5.50	283,334	–	–	–	283,334
		25/03/2011-25/09/2014	5.50	283,332	–	–	–	283,332

(c) Share options *(continued)*

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2009	Number of Share Options Granted	Exercised	Lapsed	As at 31/12/2009
Directors *(continued)*								
Dr. CHEN Shih Ta Michael	15/05/2008	22/11/2008-21/11/2010	7.56	325,000	–	–	–	325,000
Mr. LEE Siang Chin	15/05/2008	22/11/2008-21/11/2010	7.56	325,000	–	–	–	325,000
Mr. OYAMA Nobuo	15/05/2008	22/11/2008-21/11/2010	7.56	325,000	–	–	–	325,000
Employees	26/03/2008	26/03/2008-25/09/2014	5.50	30,485,026	–	–	(8,665,284)	21,819,742
		25/03/2009-25/09/2014	5.50	4,099,317	–	–	(694,334)	3,404,983
		25/03/2010-25/09/2014	5.50	4,099,317	–	–	(694,334)	3,404,983
		25/03/2011-25/09/2014	5.50	4,099,309	–	–	(694,332)	3,404,977
	15/05/2008	14/05/2009-31/12/2010	7.56	889,000	–	–	–	889,000
		14/05/2010-31/12/2010	7.56	889,000	–	–	–	889,000
		02/07/2010-31/12/2010	7.56	889,000	–	–	–	889,000
Total				112,398,077	16,000,000	–	(10,748,284)	117,649,793

Notes:

1. The closing prices of the shares immediately before the share options granted on 26 March 2008, 15 May 2008 and 27 April 2009 were HK$5.50, HK$7.56 and HK$2.20 respectively.

2. No share option was cancelled during the period under review.

3. The share options granted to Mr. CHEAH Cheng Hye was in excess of his individual limit under the Listing Rules. The grant of excess share options to Mr. CHEAH was approved in the annual general meeting of the Company held on 15 May 2008.

Save as disclosed above, at no time during the year as the Company or its subsidiaries a party to any arrangement that enabled the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

All the options forfeited before expiry of the Scheme will be treated as lapsed option which will not be added back to the number of shares available to be issued under the Scheme.

Report of the Directors

Substantial shareholders' interests

As at 31 December 2009, 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	556,781,312	34.79%
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	499,730,484	31.23%
Cheah Company Limited[(3)]	Corporate	499,730,484	31.23%
Hang Seng Bank Trustee International Limited[(3)(4)]	Trustee	535,044,067	33.44%
Hang Seng Bank Limited[(3)(4)]	Interest of controlled corporation	535,044,067	33.44%
HSBC Holdings plc[(3)(4)]	Interest of controlled corporation	535,044,067	33.44%
Value Holdings, LLC	Corporate	92,333,542	5.77%
Ping An Insurance (Group) Company of China, Ltd.[(5)]	Corporate	144,000,000	9.00%
Affiliated Managers Group, Inc.[(6)]	Interest of controlled corporation	80,828,000	5.05%

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 499,730,484 Shares held by CCML and 35,313,583 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 and the ultimate holding company is HSBC Holdings plc.

(5) These Shares are 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) These Shares are held by AKH Holdings LLC and the ultimate holding company is Affiliated Managers Group, Inc.

Report of the Directors

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.

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 (and as amended on 15 May 2008). 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 2009

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 a 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.

Disclosure of information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of the Directors are as follows:

The monthly salary of Mr. CHEAH Cheng Hye was revised from HK$487,500 to HK$511,900 with effect from 1 January 2010.

The monthly salary of Ms. HUNG Yeuk Yan Renee was revised from HK$106,500 to HK$118,000 with effect from 1 January 2010.

The monthly salary of Mr. SO Chun Ki Louis was revised from HK$106,500 to HK$118,000 with effect from 1 January 2010.

The monthly salary of Mr. TSE Wai Ming was revised from HK$92,000 to HK$105,000 with effect from 1 January 2010.

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.

Report of the Directors

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 7 to the consolidated 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.

Pension schemes

Pension costs for the year are set out in Note 7 to the consolidated 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 Group's five largest customers (in terms of AUM as of 31 December 2009) accounted for 47.1% of the Group's total fees income, and the Group's five largest suppliers accounted for 75.2% of the Group's distributions fees for the year ended 31 December 2009.

The Group's largest customer (in terms of AUM as at the end of year) accounted for approximately 9.1% of the Group's total fees income whereas our largest supplier accounted for approximately 31.9% 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 15 to the consolidated financial statements.

Post balance sheet event

There was no post balance sheet event for the year ended 31 December 2009.

Report of the Directors

Auditor

The consolidated financial statements for the year ended 31 December 2009 have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for reappointment.

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

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

Hong Kong, 11 March 2010

Corporate Governance Report

The Board of Directors of the Company (the "Board" or "Directors") is committed to maintaining high standard of corporate governance to ensure to adhere to the principles of integrity, transparency, adequate level of disclosure as well as effective risk control.

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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year of 2009. To the knowledge of the Directors and save as disclosed herein, the Directors consider that the Company has applied the principles of the CG Code and most of the recommended best practices thereof and are not aware of any non-compliance with the code provisions in the CG Code for the year ended 31 December 2009.

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 year.

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 Executive Committee with the support by other senior management. The composition of the Board and the biographical details of the Directors and senior management are set out in the Report of the Directors and also Biographies of Directors and Senior Management sections of this annual report respectively.

The Board held four meetings in 2009 to discuss the overall strategy as well as the financial performance and operation of the Group. The attendance record of each Director at the board meetings in 2009 is set out below:

	No. of board meetings attended/held
Executive Directors	
Mr. CHEAH Cheng Hye *(Chairman)*	4/4
Ms. CHAU Yee Man	3/3 (Note)
Mr. HO Man Kei	3/3 (Note)
Ms. HUNG Yeuk Yan Renee	4/4
Mr. LAW Ka Kin	3/3 (Note)
Mr. NGAN Wai Wah	3/3 (Note)
Mr. SO Chun Ki Louis	3/4
Mr. TSE Wai Ming	1/1 (Note)
Independent Non-executive Directors	
Dr. CHEN Shih Ta Michael	4/4
Mr. LEE Siang Chin	4/4
Mr. OYAMA Nobuo	4/4

Note: Ms. CHAU Yee Man, Mr. HO Man Kei, Mr. LAW Ka Kin and Mr. NGAN Wai Wah resigned as Executive Directors and Mr. TSE Wai Ming was appointed as Executive Director on 1 November 2009.

Corporate Governance Report

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 adviser which covered topics in directors' duties and liabilities, post listing regulations, continuing obligations of a listed company and corporate governance. Ongoing updates of any applicable laws and regulations were provided by the Company to the Directors in a reasonable time frame.

Each of the Executive Directors entered into a service contract with the Company for a term of three years from 22 November 2007 (for Mr. CHEAH, Ms. HUNG and Mr. SO) and 1 November 2009 (for Mr. TSE) and each of the Independent Non-executive Directors entered into a service contract with the Company for a term of one year from 22 November 2009. Under the Company's articles of association, one-third of the Directors, who have served longest on the Board, must retire, thus becoming eligible for re-election at each annual general meeting. As such, no Director has a term of appointment longer than three years.

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 since 2007, which is reviewed on an annual basis, for liabilities arising out of corporate activities from being the Directors and senior management of the Group.

Chairman and Executive Committee

The Company has two different parties for the positions of the Chairman of the Board and Chief Executive Officer. The Chairman of the Board, Mr. CHEAH Cheng Hye, chairs all the board meetings and general meetings. He is also responsible for the overall business and investment strategies of the Group. The Executive Committee, following the departure of Mr. NGAN Wai Wah, the former Chief Executive Officer of the Company, is responsible for the overall management and operations of the Group, developing and implementing the Company's policies and procedures, negotiating with distributors and customers on major contracts and formulating sales and marketing strategies to respond 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 against objective criteria. The Board is collectively responsible for nominating 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. In 2009, as part of efforts to streamline the Board structure, Mr. TSE Wai Ming, Chief Financial Officer, was appointed as Executive Director. At the same time, Ms. CHAU Yee Man, Mr. HO Man Kei and Mr. LAW Ka Kin resigned as Executive Directors, all with effect from 1 November 2009, in order to focus on their current roles as senior fund managers (in the case of Ms. CHAU and Mr. HO) and his business and operations management role of the Group (in the case of Mr. LAW).

Corporate Governance Report

Board committees

The Board has established the following committees with specific responsibilities as described in the respective terms of reference available on the Company's website:

1. 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 Dr. CHEN Shih Ta Michael, Mr. LEE Siang Chin and Mr. OYAMA Nobuo, all are Independent Non-executive Directors. The Audit Committee is chaired by Mr. LEE Siang Chin.

The Audit Committee held three meetings in 2009. The attendance record of each member at the Audit Committee meetings in 2009 is set out below:

	No. of Audit Committee meetings attended/held
Mr. LEE Siang Chin *(Chairman)*	3/3
Dr. CHEN Shih Ta Michael	3/3
Mr. OYAMA Nobuo	3/3

In the above Audit Committee meetings, the members reviewed, discussed and/or approved the issues related to:

- The Group's interim and annual results, preliminary announcements and reports and recommendations of their major opinions to the Board.
- The auditor's remuneration and its terms of engagement.
- The review of the revised accounting standards applicable to the Group.
- The review of the work performed by risk management, compliance and internal audit departments.

In order to further enhance independent reporting by the auditor, one of the section in the Audit Committee meeting were attended exclusively by Independent Non-executive Directors and the auditor without the presence of the management before the publication of the year-end results.

2. Executive Committee

The Company established the Executive Committee on 1 November 2009. The primary duties of the Executive Committee are to operate as a general management committee with overall delegated authority from the Board so as to ensure decisions can be taken quickly to enable the Company operate more efficiently and effectively. The Executive Committee comprises Mr. CHAN Sheung Lai (Note), Mr. CHOW Wai Chiu William (Note), Mr. LAW Ka Kin, Ms. HUNG Yeuk Yan Renee, Mr. SO Chun Ki Louis and Mr. TSE Wai Ming.

The Executive Committee held four meetings in 2009.

Note: Mr. CHAN Sheung Lai and Mr. CHOW Wai Chiu William were appointed as members of Executive Committee on 4 January 2010 and 19 February 2010 respectively.

3. Remuneration Committee

The Company established the Remuneration Committee on 24 October 2007 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee includes 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 comprises Mr. CHEAH Cheng Hye, Mr. TSE Wai Ming, Dr. CHEN Shih Ta Michael, Mr. LEE Siang Chin and Mr. OYAMA Nobuo, three of which are Independent Non-executive Directors. The Remuneration Committee is chaired by Dr. CHEN Shih Ta Michael.

The Remuneration Committee held three meetings in 2009. The attendance record of each member at the Remuneration Committee meetings in 2009 is set out below:

	No. of Remuneration Committee meetings attended/held
Dr. CHEN Shih Ta Michael *(Chairman)*	3/3
Mr. CHEAH Cheng Hye	3/3
Mr. LEE Siang Chin	3/3
Mr. NGAN Wai Wah	2/2 (Note)
Mr. OYAMA Nobuo	3/3
Mr. TSE Wai Ming	1/1 (Note)

Note: Mr. NGAN Wai Wah ceased as a member of Remuneration Committee and Mr. TSE Wai Ming was appointed as a member of Remuneration Committee on 1 November 2009.

In the above Remuneration Committee meetings, the members reviewed, discussed and/or approved the issues related to the remuneration packages and bonus allocation of all Executive Directors and senior management, the granting of share options to two Executive Directors, the service contract for a newly appointed Executive Director during the year, and the new service contracts for Independent Non-executive Directors.

4. Risk Management Committee

The Company established the Risk Management Committee on 24 October 2007. 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. CHEAH Cheng Hye, Mr. CHAN Sheung Lai (Note), Mr. LAW Ka Kin, Ms. Vivienne LEE, Mr. SO Chun Ki Louis, Mr. TSE Wai Ming (Note) and Ms. WOO Lai Nga. The Risk Management Committee is chaired by Ms. WOO Lai Nga.

The Risk Management Committee held four meetings in 2009. The members reviewed, discussed and/or approved measures related to certain enhancement of fund management system, assets kept under prime brokerage arrangement, monitoring on fixed income, and over-the-counter derivative instruments and exposure to external business partners.

Note: Mr. NGAN Wai Wah ceased as a member of Risk Management Committee and Mr. TSE Wai Ming and Mr. CHAN Sheung Lai were appointed as members of Risk Management Committee on 1 November 2009 and 4 January 2010 respectively.

5. Valuation Committee

The Company established the Valuation Committee on 31 January 2008. 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. CHAN Sheung Lai (Note), Mr. LAW Ka Kin and Mr. TSE Wai Ming. The Valuation Committee is chaired by Mr. TSE Wai Ming.

The Valuation Committee held five meetings in 2009. The members reviewed, discussed and/or approved the valuation of various securities, convertible bonds and funds invested by the Group.

Note: Mr. NGAN Wai Wah ceased as a member of Valuation Committee on 1 November 2009. Mr. CHAN Sheung Lai was appointed as a member of Valuation Committee on 4 January 2010.

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 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 employs 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 with which all staff are provided, and are required to review and follow.
- Staff who are licensed persons are required to attend continuous professional training.
- Core business activities are conducted through a custom designed system with sufficient audit trail maintained.
- A business contingency plan is in place to provide continuation of critical business operations in the event of disaster, whether natural or man-made.

The Head of Internal Audit oversees internal audit matters. The roles and functions of the Internal Audit Department 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 procedures and providing recommendations to senior management.
- Reviewing procedure manuals.

Corporate Governance Report

Periodic reports on the internal control status of the Group's operations prepared by the Internal Audit Department are submitted to the Audit Committee for review. 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 Audit 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 to be provided. The audit fee for the year ended 31 December 2009 was approximately HK$1.8 million. In addition, the auditor of the Company also provided tax services and other engagements to the Group in 2009 and the fees were approximately HK$0.3 million and HK$0.4 million respectively.

Preparation of Financial Statements

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for the year ended 31 December 2009 (the "Financial Statements") and the auditor of the Company also set out their 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 call an extraordinary general meeting whenever it thinks fit. 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 ("AGM") an important event as it provides an opportunity for the Board to communicate with the shareholders. Active participations by the shareholders at the AGM is highly welcomed. The Annual Report and the notice of AGM will be sent to the shareholders at least 20 clear business days prior to the date of AGM.

The Corporate Communications Department of the Company responds to emails, letters and telephone enquiries from the public, shareholders and investors. Whenever there is enquiry on matters in relation to the Company, he or she may put such enquiry in writing and address it to the principal office of the Company in Hong Kong or through an email to vpg@vp.com.hk. The Company also maintains a website at www.valuepartnersgroup.com.hk to keep shareholders and investors posted of the latest business developments, interim and annual results announcements, financial reports, public announcements, corporate governance practices and other relevant information of the Group.

Independent 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 39 to 83, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, 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 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 Hong Kong Institute of Certified Public Accountants. 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.

Independent 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 2009 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, 11 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Income			
Revenue	6	460,274	421,860
Other income	6	11,471	37,523
Total income		471,745	459,383
Expenses			
Distribution fees		37,248	49,205
Compensation and benefit expenses	7	168,711	199,115
Operating lease rentals		9,627	9,808
Advisory fees		4,659	11,923
Other expenses	8	28,723	38,665
Total expenses		248,968	308,716
Other gains/(losses) — net	9	125,571	(58,161)
Operating profit		348,348	92,506
Share of loss of a joint venture	17	(2,641)	—
Profit before tax		345,707	92,506
Tax expense	10	(26,903)	(25,908)
Profit for the year		318,804	66,598
Other comprehensive income — gains/(losses) recognized directly in equity			
Fair value gains/(losses) on available-for-sale financial assets	22	985	(12,935)
Adjustment on an available-for-sale financial asset	22	—	3,420
Other comprehensive income for the year		985	(9,515)
Total comprehensive income for the year		319,789	57,083
Profit attributable to			
Equity holders of the Company		318,804	66,598
Total comprehensive income attributable to			
Equity holders of the Company		319,789	57,083
Earnings per share for profit attributable to the equity holders of the Company (HK cents per share)			
— basic	12.1	19.9	4.2
— diluted	12.2	19.9	4.2
Dividends (HK$'000)	13	128,000	88,000

The notes on pages 44 to 83 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	15	8,944	4,165
Intangible assets	16	1,567	1,635
Interest in a joint venture	17	8,984	—
Investments	18	462,882	146,757
Deferred tax assets	23	617	259
Other assets		1,891	1,746
		484,885	154,562
Current assets			
Investments	18	7,166	7,596
Fees receivable	19	201,371	33,359
Prepayments and other receivables		10,540	11,439
Cash and cash equivalents	20	517,071	562,165
		736,148	614,559
Current liabilities			
Accrued bonus		100,795	7,982
Distribution fees payable	24	13,255	9,706
Other payables and accrued expenses		17,423	8,676
Current tax liabilities		20,146	670
		151,619	27,034
Net current assets		584,529	587,525
Total assets less current liabilities		1,069,414	742,087
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital and share premium	21	53,767	53,767
Other reserves	22	139,631	131,108
Retained earnings			
— proposed dividends	13	128,000	—
— others		748,016	557,212
Total equity		1,069,414	742,087

On behalf of the Board

SO Chun Ki Louis
Director

TSE Wai Ming
Director

The notes on pages 44 to 83 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	14	**969,517**	963,764
Interest in a joint venture	17	**8,984**	—
		978,501	963,764
Current assets			
Dividends receivable	29.6	**100,000**	—
Prepayments and other receivables		**78**	112
Cash and cash equivalents	20	**156,958**	68,722
		257,036	68,834
Current liabilities			
Other payables and accrued expenses		**4,123**	295
Current tax liabilities		**269**	—
		4,392	295
Net current assets		**252,644**	68,539
Total assets less current liabilities		**1,231,145**	1,032,303
Non-current liabilities			
Amounts due to a subsidiary	29.4	**48,368**	48,740
Net assets		**1,182,777**	983,563
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital and share premium	21	**920,581**	920,581
Share-based compensation reserve	22	**135,302**	127,764
Retained earnings/(accumulated losses)	22	**126,894**	(64,782)
Total equity		**1,182,777**	983,563

On behalf of the Board

SO Chun Ki Louis
Director

TSE Wai Ming
Director

The notes on pages 44 to 83 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

		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
At 1 January 2008		53,767	100,146	1,059,901	1,213,814
Comprehensive income					
Profit for the year		—	—	66,598	66,598
Other comprehensive income					
Fair value losses on available-for-sale financial assets	22	—	(12,935)	—	(12,935)
Adjustment on an available-for-sale financial asset	22	—	3,420	—	3,420
Total other comprehensive income		—	(9,515)	—	(9,515)
Total comprehensive income		—	(9,515)	66,598	57,083
Transactions with owners					
Share-based compensation	21, 22	—	127,190	—	127,190
Other adjustment	22	—	(86,713)	86,713	—
Dividends		—	—	(656,000)	(656,000)
Total transactions with owners		—	40,477	(569,287)	(528,810)
At 31 December 2008		53,767	131,108	557,212	742,087
At 1 January 2009		**53,767**	**131,108**	**557,212**	**742,087**
Comprehensive income					
Profit for the year		**—**	**—**	**318,804**	**318,804**
Other comprehensive income					
Fair value gains on available-for-sale financial assets	22	**—**	**985**	**—**	**985**
Total comprehensive income		**—**	**985**	**318,804**	**319,789**
Transactions with owners					
Share-based compensation	21, 22	**—**	**7,538**	**—**	**7,538**
Total transactions with owners		**—**	**7,538**	**—**	**7,538**
At 31 December 2009		**53,767**	**139,631**	**876,016**	**1,069,414**

The notes on pages 44 to 83 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Net cash generated from operations	26.1	**157,870**	1,213,887
Cash gift	29.5	**—**	54,600
Interest received		**3,277**	18,816
Tax paid		**(7,785)**	(124,485)
Net cash generated from operating activities		**153,362**	1,162,818
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(8,661)**	(2,271)
Disposal of property, plant and equipment and intangible assets		**—**	32
Acquisition of subsidiaries		**—**	(440)
Disposal of subsidiaries	26.2	**(15)**	250
Purchase of investments		**(204,730)**	(52,922)
Disposal of investments		**4,202**	2,261
Return of capital from investments		**1,097**	—
Closing of derivative financial instruments		**1,480**	3,340
Advance to a related party	29.3	**—**	(1,163)
Dividends received from investments		**8,171**	21,172
Net cash used in investing activities		**(198,456)**	(29,741)
Cash flows from financing activities			
Dividends paid		**—**	(1,316,000)
Net cash used in financing activities		**—**	(1,316,000)
Net decrease in cash and cash equivalents		**(45,094)**	(182,923)
Cash and cash equivalents at beginning of the year		**562,165**	745,088
Cash and cash equivalents at end of the year		**517,071**	562,165

The notes on pages 44 to 83 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

1 General information

Value Partners Group Limited (the "Company") was incorporated in the Cayman Islands 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 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 9th Floor, Nexxus Building, 41 Connaught Road Central, Hong Kong, respectively.

The Company acts as an investment holding company. The activities of its principal subsidiaries are disclosed in Note 14 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 11 March 2010.

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 years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their 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.

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as of 1 January 2009:

- HKAS 1 (Revised) "Presentation of Financial Statements" (effective 1 January 2009). The revised standard requires items of income and expenses (that is, "non-owner changes in equity") to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is in conformity with the revised standard. As the change in accounting standard only impacts presentation aspects, there is no impact on profit for the year and earnings per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) New and amended standards adopted by the Group (continued)

- HKFRS 2 (Amendment) "Share-based Payment" (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has adopted HKFRS 2 (Amendment) from 1 January 2009. The amendment does not have any impact on the Group's financial statements.

- HKFRS 7 "Financial Instruments — Disclosures" (Amendment) (effective 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting standard only results in additional disclosures, there is no impact on profit for the year and earnings per share.

- HKFRS 8 "Operating Segments" (effective 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 adoption of this standard does not require additional disclosure in relation to segment information as the Group's activities were limited to one main business and geographical segment. In addition, the adoption of this standard does not result in any material impairment to the goodwill balance, which is allocated to groups of cash-generating units based on segment level, as no additional operating segments were identified by management.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 and the Group has not early adopted them:

- HKAS 1 (Amendment) "Presentation of Financial Statements". The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply HKAS 1 (Amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- HKAS 38 (Amendment) "Intangible Assets". The Group will apply HKAS 38 (Amendment) from the date HKFRS 3 (Revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.

- HKFRS 2 (Amendment) "Group Cash-settled and Share-based Payment Transactions". In addition to incorporating HK(IFRIC 8) "Scope of HKFRS 2", and HK(IFRIC) 11 "HKFRS 2 — Group and Treasury Share Transactions", the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

- HKFRS 3 (Revised) "Business Combinations" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- HKFRS 9 "Financial Instruments Part 1: Classification and Measurement" (effective from 1 January 2013). HKFRS 9 was issued in November 2009 and replaces those parts of HKAS 39 relating to the classification and measurement of financial assets. The standard requires an entity to classify its financial assets into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The directors anticipate that the application of the standard will have no material impact on how the results and financial position of the Group are prepared.

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. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at their fair values 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, balances and unrealised gains and losses on transactions between group companies are eliminated.

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

(b) Associates

Associates are entities over which the Group has significant influence but not control.

The Group has invested in certain investment funds that it manages. As an investment manager, the Group may put seed capital in investment funds that it manages in order to facilitate their launch. The purpose of seed capital is to ensure that the investment funds can have a reasonable starting fund size to operate and to build track record. The Group may subsequently vary the holding of these seed capital investments depending on the market conditions and various other factors.

Before 2008, the Group classified the investments in own investment funds as available-for-sale financial assets. In 2008, the Group has applied the scope exclusion within HKAS 28 "Investments in Associates" for mutual funds, unit trusts and similar entities and such investments are now classified as financial assets at fair value through profit or loss. The reclassification has been applied prospectively and the effect in 2008 was to increase retained earnings and decrease other reserves by HK$86,713,000 and to increase financial assets at fair value through profit or loss (non-current) and decrease available-for-sale financial assets (non-current) by HK$205,758,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(c) Joint ventures

The Group's interest in joint ventures is accounted for using the equity method of accounting and is initially recognized at cost.

The Group's share of its joint ventures' post-acquisition profit or loss is recognized in the consolidated statement of comprehensive income. 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

In the Company's balance sheet the interest in joint ventures is stated at cost less provision for impairment losses. The results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board.

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognized 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;

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

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

(ii) income and expenses for each statement of comprehensive income 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) all resulting exchange differences are recognized as a separate component of equity.

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 recognized 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-recognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income 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 recognized in the consolidated statement of comprehensive income.

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.

Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. 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.

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 recognized 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 recognized as intangible assets. Computer software development costs recognized as assets are amortised over their estimated useful lives (not exceeding five years).

2.7 Impairment of non-financial assets and investments in subsidiaries 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 recognized 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). Non-financial 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, loans and receivables 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 and those being designated in accordance with the scope exclusion within HKAS 28. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading.

Held for trading financial assets are included in current assets. Financial assets at fair value through profit or loss being designated in accordance with the scope exclusion within HKAS 28 are included in non-current assets unless management intends to dispose of the financial assets within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise mainly fees receivable, other receivables and cash and cash equivalents.

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets *(continued)*

(c) 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 investments within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the financial assets. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. Financial assets are de-recognized 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. Loans and receivables are carried at amortised cost using the effective interest method.

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

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive income 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 recognized in the consolidated statement of comprehensive income on equity securities classified as available-for-sale financial assets are not reversed through the consolidated statement of comprehensive income.

2.9 Derivative financial instruments

Derivative financial instruments are initially recognized 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 recognized immediately in the consolidated statement of comprehensive income.

2.10 Fees receivable

Fees receivable are initially recognized 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 2009

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 substantively enacted at the balance sheet date in the jurisdictions where the Group and its 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 substantively 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 recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, 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.

2.14 Income 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 recognizes 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 recognized as follows:

(a) *Fees from investment management activities*

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

Performance fees are recognized 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.14 Income recognition *(continued)*

(b) *Fees from fund distribution activities*

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

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

(c) *Interest income*

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

(d) *Dividend income*

Dividend income is recognized 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 recognized 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.

2.16 Compensation and benefits

(a) *Bonus*

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

(b) *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 recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the share options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of share options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

2 Summary of significant accounting policies *(continued)*

2.16 Compensation and benefits *(continued)*

(b) Share-based compensation (continued)

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(c) 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 recognized as compensation and benefit expenses when they are due.

(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 recognized 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.

2.17 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 statement of comprehensive income 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 recognized when the advisory services are received by the Group.

2.19 Dividend distribution

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

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 recognized 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 recognized 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 recognized 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 recognized 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 recognized.

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, 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 recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group does not have significant 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 currently linked to the Hong Kong dollar.

As the directors believe that the Group has no significant foreign exchange risk exposure, no foreign exchange sensitivity analysis is disclosed.

Refer to Notes 18, 19, 20 and 24 below for additional disclosures on foreign exchange risk.

(b) 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 cash flow interest rate risk in respect of bank deposits and deposits with brokers which are interest-bearing at variable rates. All deposits are short-term deposits with maturities less than one year.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Interest rate risk (continued)*

At 31 December 2009, if interest rates had been 50 basis points (2008: 50 basis points) (these represent a reasonable possible shift in the interest rates, having regard to the historical volatility of the interest rates) higher or lower with all other variables held constant, profit after tax would have been HK$1,109,000 (2008: HK$781,000) higher or lower, as a result of 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. The majority of the Group's investments are investments in its own investment funds as seed capital and the rest are other investments in listed and unlisted equity securities and investment funds.

The table below summarises the impact of increases or decreases in the markets in which the Group's investments operate. 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 Index and the Group's investments because the Group's investments mainly focus on the Greater China equities market and the directors consider that the MSCI China 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 stated percentages (these represent a reasonable possible shift in the index, having regard to the historical volatility of the index) with all other variables held constant and the Group's investments moved according to the historical correlation with the index.

	Change		Profit after tax	
	2009	2008	**2009 HK$'000**	2008 HK$'000
The Group				
MSCI China Index	**+/-30%**	+/-30%	**+/-70,829**	+/-21,645

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.

Refer to Note 18 below for additional disclosures on price risk.

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.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(d) *Credit risk*

Credit risk arises from cash and cash equivalents and related interest receivable. Credit risk also arises from credit exposures with respect to the investment funds and managed accounts on the outstanding fees receivable. The Group earns fees on investment management activities and fund distribution activities from the investment funds and managed accounts.

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

The table below summarises the credit rating of cash and cash equivalents and related interest receivable placed with banks.

	2009 HK$'000	2008 HK$'000
The Group		
AA-	**191,558**	105,493
A+	**78,474**	—
A	**—**	69,369
A-	**247,131**	387,328
	517,163	562,190
The Company		
AA-	**29,419**	2,749
A-	**127,573**	65,973
	156,992	68,722

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

At 31 December 2009, fees receivable from the 5 major investment funds and managed accounts amounted to HK$139,290,000 (2008: HK$17,093,000), which accounted for 69% (2008: 51%) of the total outstanding balance. Refer to Note 19 below for additional disclosures on credit risk.

(e) *Liquidity risk*

The Group manages liquidity risk by maintaining a sufficient amount of liquid assets to ensure daily operational requirements are fulfilled. At 31 December 2009, the Group and the Company held liquid assets of HK$517,071,000 (2008: HK$562,165,000) and HK$156,958,000 (2008: HK$68,722,000) respectively, being cash and cash equivalents, that are expected to readily generate cash inflows for managing liquidity risk.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(e) Liquidity risk (continued)

At 31 December 2009, other than other payables and accrued expenses of HK$1,181,000 (2008: HK$1,211,000) which have no stated maturity, all of the Group's non derivative financial liabilities have contractual maturities not later than three months.

At 31 December 2009, other than amounts due to a subsidiary of HK$48,368,000 (2008: HK$48,740,000) which have no stated maturity, all of the Company's non derivative financial liabilities have contractual maturities not later than three months.

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 2009, Sensible Asset Management Limited, Value Partners Hong Kong Limited, Value Partners Limited and Value Partners Private Equity Limited, wholly-owned subsidiaries of the Group, and Sensible Asset Management Hong Kong Limited, a joint venture 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
Sensible Asset Management Hong Kong 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
Sensible Asset Management Hong Kong Limited	Half-yearly

The Finance team 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.

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3 Financial risk management *(continued)*

3.3 Fair value estimation

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009 by level of the fair value measurement hierarchy.

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Investments	80,921	387,393	1,734	470,048

The fair value of financial instruments traded in active markets is based on quoted market prices for identical instruments at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial instruments held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, either directly (as prices) or indirectly (derived from prices), the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted bid prices (or net asset value) provided by fund administrators 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, for the remaining financial instruments.

The Group's investments in investment funds are analysed into the fair value measurement hierarchy in accordance with the above. At 31 December 2009, the majority of the Group's investments in investment funds are included in level 2.

The following table presents the changes in level 3 instruments for the year ended 31 December 2009.

	Investments HK$'000
Opening balance	2,950
Return of capital from investments	(1,097)
Losses recognized in profit or loss	(119)
Closing balance	1,734

4 Critical accounting estimates and judgements

Fair value estimation of financial instruments

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.

Fair value estimation of share options

The Group determines the fair value of its share options using the Black-Scholes valuation model which requires input of subjective assumptions as disclosed in Note 21 below. Any change in the subjective input assumptions may materially affect the fair value of an option.

5 Segment information

The Board reviews the Group's internal financial reporting and other information and also obtains other relevant external information in order to assess performance and allocate resources and operating segment is identified with reference to these.

The Board considers that the business of the Group is organised in one operating segment as provision of investment management services in the Greater China and the Asia Pacific region. Additional disclosure in relation to segment information is not presented as the Board assesses the performance of the only operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total net segment income is equivalent to total comprehensive income for the year as shown in the consolidated statement of comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated balance sheet.

Details of interest income, depreciation and amortisation in relation to the operating segment are disclosed in Notes 6 and 8 below respectively.

The Company is domiciled in the Cayman Islands with the Group's major operations in the Greater China and the Asia Pacific region. Total turnover and revenue as disclosed in Note 6 below represented the revenue from external customers arising from investment management services in the Greater China and the Asia Pacific region. The Board considers that substantially all the assets of the Group are located in Hong Kong.

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For the year ended 31 December 2009

6 Income

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

	2009 HK$'000	2008 HK$'000
Revenue		
Management fees	**233,461**	331,449
Performance fees	**219,751**	69,358
Front-end fees	**5,001**	2,605
Back-end fees	**2,061**	18,448
Total revenue	**460,274**	421,860
Other income		
Interest income on cash and cash equivalents	**1,888**	19,602
Dividend income on financial assets at fair value through profit or loss	**644**	629
Dividend income on available-for-sale financial assets	**7,642**	17,123
Others	**1,297**	169
Total other income	**11,471**	37,523
Total income	**471,745**	459,383

Dividend income from listed and unlisted investments for the year ended 31 December 2009 amounted to HK$542,000 (2008: HK$670,000) and HK$7,744,000 (2008: HK$17,082,000) respectively.

7 Compensation and benefit expenses

	2009 HK$'000	2008 HK$'000
Bonus	**100,795**	7,982
Salaries, wages and other benefits	**59,467**	62,376
Share-based compensation (Note 22)	**7,538**	127,190
Termination benefits	**—**	513
Pension costs — mandatory provident fund scheme	**911**	1,054
Total compensation and benefit expenses	**168,711**	199,115

7.1 Pension costs — mandatory provident fund scheme

There were no forfeited contributions utilized during the year ended 31 December 2009 (2008: Nil) and at 31 December 2009 (2008: Nil) to reduce future contributions.

At 31 December 2009, no contributions were payable to the mandatory provident fund scheme (2008: Nil).

7 Compensation and benefit expenses *(continued)*

7.2 Directors' emoluments

The remuneration of each of the directors of the Company is as follows:

	Bonus HK$'000	Salaries and other benefits (a) HK$'000	Share-based compensation HK$'000	Pension costs HK$'000	Total HK$'000
Year ended 31 December 2009					
Executive directors					
Ms Chau, Yee Man (d)	—	1,065	—	10	1,075
Mr Cheah, Cheng Hye	38,452	8,460	—	12	46,924
Mr Ho, Man Kei (d)	—	1,065	—	10	1,075
Ms Hung, Yeuk Yan Renee	8,327	2,076	1,987	12	12,402
Mr Law, Ka Kin (d)	—	1,400	—	10	1,410
Mr Ngan, Wai Wah (d)	—	1,680	—	10	1,690
Mr So, Chun Ki Louis	8,327	2,162	1,987	12	12,488
Mr Tse, Wai Ming (c)	1,792	184	168	2	2,146
Non-executive director					
Mr Choi, Nga Chung (b)	—	—	—	—	—
Independent non-executive directors					
Dr Chen, Shih Ta Michael	—	250	—	—	250
Mr Lee, Siang Chin	—	250	—	—	250
Mr Oyama, Nobuo	—	250	—	—	250
	56,898	18,842	4,142	78	79,960
Year ended 31 December 2008					
Executive directors					
Ms Chau, Yee Man	611	1,071	1,177	12	2,871
Mr Cheah, Cheng Hye	3,311	6,044	96,062	12	105,429
Mr Choi, Nga Chung (b)	—	1,158	3,390	11	4,559
Mr Ho, Man Kei	611	1,153	3,390	12	5,166
Ms Hung, Yeuk Yan Renee	611	1,094	2,373	12	4,090
Mr Law, Ka Kin	210	1,680	1,411	12	3,313
Mr Ngan, Wai Wah	695	1,732	5,094	12	7,533
Mr So, Chun Ki Louis	611	1,067	2,373	12	4,063
Non-executive director					
Mr Choi, Nga Chung (b)	—	7	—	—	7
Independent non-executive directors					
Dr Chen, Shih Ta Michael	—	250	211	—	461
Mr Lee, Siang Chin	—	250	211	—	461
Mr Oyama, Nobuo	—	250	211	—	461
	6,660	15,756	115,903	95	138,414

7 Compensation and benefit expenses *(continued)*

7.2 Directors' emoluments *(continued)*

(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 2009 amounted to HK$4,292,000 (2008: HK$1,333,000).

(b) Mr Choi Nga Chung re-designated from an executive director of the Company to a non-executive director of the Company with effect from 14 November 2008. Mr Choi Nga Chung subsequently resigned as a non-executive director of the Company with effect from 22 January 2009.

(c) Mr Tse Wai Ming became an executive director of the Company with effect from 1 November 2009.

(d) Ms Chau Yee Man, Mr Ho Man Kei, Mr Law Ka Kin and Mr Ngan Wai Wah resigned as executive directors of the Company with effect from 1 November 2009.

The table above discloses the total remuneration received by the directors from the Group for the year, excluding remuneration that the director received as an employee of the Group before appointment as a director and that received after resignation as director but where remaining as an employee of the Group. No apportionment had been applied to bonus and share-based compensation which were earned by the individuals as employees of the Group.

The table below summarises the emoluments waived by the directors.

	2009 HK$'000	2008 HK$'000
Ms Chau, Yee Man	—	211
Mr Cheah, Cheng Hye	—	973
Mr Ho, Man Kei	—	211
Ms Hung, Yeuk Yan Renee	—	211
Mr Ngan, Wai Wah	—	334
Mr So, Chun Ki Louis	—	211

None of the directors received or will receive any fees, inducement fees or compensation for loss of office as director for the year ended 31 December 2009 (2008: Nil).

7.3 Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2008: five) directors whose emoluments are reflected in the analysis presented above. Details of the remuneration of the remaining two (2008: Nil) highest paid employees, who have resigned as executive directors of the Company during the year, are as follows:

	2009 HK$'000	2008 HK$'000
Bonus	**16,653**	—
Salaries, wages and other benefits	**2,638**	—
Share-based compensation	**1,032**	—
Pension costs — mandatory provident fund scheme	**24**	—
	20,347	—

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For the year ended 31 December 2009

7 Compensation and benefit expenses *(continued)*

7.3 Five highest paid individuals *(continued)*

Emoluments of individuals were within the following bands:

	Number of individuals	
	2009	2008
HK$5,000,001 to HK$10,000,000	1	—
HK$10,000,001 to HK$15,000,000	1	—

8 Other expenses

	2009 HK$'000	2008 HK$'000
Research expenses	5,536	5,105
Depreciation and amortisation (Notes 15 and 16)	4,280	4,844
Office expenses	3,241	3,552
Insurance expenses	3,020	2,776
Auditor's remuneration	2,908	2,942
Legal and professional fees	2,308	5,233
Travelling expenses	2,217	3,991
Registration and licensing fees	1,511	1,478
Marketing expenses	1,162	2,375
Recruitment and training expenses	725	1,688
Entertainment expenses	477	616
IPO expenses	—	968
Others	1,338	3,097
Total other expenses	28,723	38,665

9 Other gains/(losses) — net

	2009 HK$'000	2008 HK$'000
Gains on disposal of subsidiaries (Note 26.2)	7,699	—
Losses on disposal of subsidiaries	(68)	(190)
Gains on disposal of property, plant and equipment	330	—
Gains on financial assets at fair value through profit or loss	120,324	4,853
Losses on financial assets at fair value through profit or loss	(1,878)	(123,180)
Gains on available-for-sale financial assets	—	1,154
Losses on available-for-sale financial assets	(1,683)	—
Net foreign exchange gains	847	4,602
Cash gift (Note 29.5)	—	54,600
Total other gains/(losses) — net	125,571	(58,161)

Notes to the Consolidated Financial Statements

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10 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 2009 at the rate of 16.5% (2008: 16.5%).

	2009 HK$'000	2008 HK$'000
Current tax		
Hong Kong profits tax	35,888	28,212
Overseas tax	217	51
Adjustments in respect of prior years	(8,844)	(1,970)
Total current tax	27,261	26,293
Deferred tax		
Origination and reversal of temporary differences	(358)	(367)
Impact of change in Hong Kong tax rate	—	(18)
Total deferred tax	(358)	(385)
Total tax expense	26,903	25,908

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2009 HK$'000	2008 HK$'000
Profit before tax	345,707	92,506
Tax calculated at domestic tax rates applicable to profits in the respective countries of 16.5% (2008: 16.5%)	57,042	15,263
Tax effects of:		
Share of a joint venture's results	436	—
Non-taxable income and gains on investment	(25,761)	(13,192)
Non-deductible expenses and losses on investment	4,030	25,825
Remeasurement of deferred tax — change in Hong Kong tax rate	—	(18)
Adjustments in respect of prior years	(8,844)	(1,970)
Tax expense	26,903	25,908

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

11 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for the year ended 31 December 2009 was dealt with in the financial statements of the Company to the extent of HK$191,676,000 (2008: HK$589,631,000).

12 Earnings per share

12.1 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.

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**318,804**	66,598
Weighted average number of ordinary shares in issue (thousands)	**1,600,000**	1,600,000
Basic earnings per share (HK cent per share)	**19.9**	4.2

12.2 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.

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**318,804**	66,598
Weighted average number of ordinary shares in issue (thousands)	**1,600,000**	1,600,000
Adjustments for share options (thousands)	**2,078**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,602,078**	1,600,000
Diluted earnings per share (HK cent per share)	**19.9**	4.2

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

13 Dividends

	2009 HK$'000	2008 HK$'000
Proposed final dividend of HK8.0 cents (2008: Nil) per ordinary share	128,000	—
Interim dividend of Nil (2008: HK5.5 cents) per ordinary share	—	88,000
	128,000	88,000

The directors recommend payment of a final dividend of HK8.0 cents per ordinary share. The estimated total final dividends, based on the number of shares outstanding at 31 December 2009, are HK$128,000,000. Such dividends are to be approved by the shareholders at the annual general meeting of the Company on 27 April 2010 and have not been recognized as a liability at the balance sheet date.

14 Investments in subsidiaries — the Company

	2009 HK$'000	2008 HK$'000
Unlisted shares	969,517	963,764

At 31 December 2009, the Company had direct interests in the following principal subsidiaries:

Name	Place of incorporation	Principal activities and place of operation	Issued share capital	Interest held
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	Investment holding	1 ordinary share of HK$1	100%
Value Partners (Cayman GP) II Ltd	Cayman Islands	Managing member of three investment funds managed by Value Partners Hong Kong Limited and Value Partners Limited	1 ordinary share of US$1	100%
Value Partners Consulting Limited	Hong Kong	Consulting services in Hong Kong	1 ordinary share of HK$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 Index Services Limited (formerly Sunny Country Enterprises Limited)	Hong Kong	Indexing services in Hong Kong	1 ordinary share of HK$1	100%
Value Partners Investment Services Pte. Ltd.	Singapore	Sales and marketing activities in Singapore	150,000 ordinary shares of S$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	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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15 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 2008					
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
Year ended 31 December 2008					
Opening net book amount	3,138	1,605	1,508	121	6,372
Additions	1,048	77	933	—	2,058
Disposals	—	—	(27)	—	(27)
Other adjustment	—	—	53	—	53
Depreciation (Note 8)	(2,713)	(460)	(997)	(121)	(4,291)
Closing net book amount	1,473	1,222	1,470	—	4,165
At 31 December 2008					
Cost	6,662	2,935	4,720	1,100	15,417
Accumulated depreciation	(5,189)	(1,713)	(3,250)	(1,100)	(11,252)
Net book amount	1,473	1,222	1,470	—	4,165
Year ended 31 December 2009					
Opening net book amount	1,473	1,222	1,470	—	4,165
Additions	6,109	666	354	1,406	8,535
Depreciation (Note 8)	(2,190)	(499)	(911)	(156)	(3,756)
Closing net book amount	5,392	1,389	913	1,250	8,944
At 31 December 2009					
Cost	6,486	3,601	5,074	1,406	16,567
Accumulated depreciation	(1,094)	(2,212)	(4,161)	(156)	(7,623)
Net book amount	5,392	1,389	913	1,250	8,944

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16 Intangible assets — the Group

	Goodwill HK$'000	Computer software HK$'000	Total HK$'000
At 1 January 2008			
Cost	393	3,382	3,775
Accumulated amortisation	—	(1,741)	(1,741)
Net book amount	393	1,641	2,034
Year ended 31 December 2008			
Opening net book amount	393	1,641	2,034
Additions	—	213	213
Disposals	—	(5)	(5)
Other adjustment	—	(54)	(54)
Amortisation (Note 8)	—	(553)	(553)
Closing net book amount	393	1,242	1,635
At 31 December 2008			
Cost	393	3,536	3,929
Accumulated amortisation	—	(2,294)	(2,294)
Net book amount	393	1,242	1,635
Year ended 31 December 2009			
Opening net book amount	393	1,242	1,635
Additions	—	456	456
Amortisation (Note 8)	—	(524)	(524)
Closing net book amount	393	1,174	1,567
At 31 December 2009			
Cost	393	3,992	4,385
Accumulated amortisation	—	(2,818)	(2,818)
Net book amount	393	1,174	1,567

17 Interest in a joint venture

On 1 September 2009, the Company sold 50% of its interest in one of its subsidiaries, Sensible Asset Management Hong Kong Limited, to China Ping An Insurance Overseas (Holdings) Limited, reducing its beneficiary interest and voting right in Sensible Asset Management Hong Kong Limited from 100% to 50%. As a result of the disposal, the interest in Sensible Asset Management Hong Kong Limited becomes a joint venture. Refer to Note 26.2 below for additional disclosures on the disposal of subsidiaries.

	2009 HK$'000	2008 HK$'000
The Group		
Beginning of the year	—	—
Deemed acquisition of a joint venture (Note 26.2)	11,625	—
Share of results — loss after tax	(2,641)	—
End of the year	8,984	—
The Company		
Unlisted shares, at cost	11,625	—
Impairment losses	(2,641)	—
	8,984	—

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

Name	Place of incorporation	Principal activities	Interest held 2009	Interest held 2008
Sensible Asset Management Hong Kong Limited	Hong Kong	Investment management in Hong Kong	50%	—

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

	2009 HK$'000	2008 HK$'000
Assets — current assets	9,636	—
Liabilities — current liabilities	(652)	—
Net assets	8,984	—
Income	53	—
Expenses	(2,694)	—
Loss after tax	(2,641)	—

There are no commitments and contingent liabilities relating to the Group's interest in the joint venture, and no commitments and contingent liabilities of the joint venture itself.

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18 Investments — the Group

Investments include the following:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Listed securities (by place of listing)						
Investment funds — Hong Kong	74,079	100	—	—	74,079	100
Investment funds — Singapore	6,842	3,383	—	—	6,842	3,383
Market value of listed securities	80,921	3,483	—	—	80,921	3,483
Unlisted securities (by place of incorporation/establishment)						
Equity securities — Singapore	—	—	2,631	4,703	2,631	4,703
Investment funds — Cayman Islands	334,265	115,486	12,237	9,417	346,502	124,903
Investment funds — Luxembourg	6,367	3,869	—	—	6,367	3,869
Investment funds — United States of America	33,627	17,395	—	—	33,627	17,395
	374,259	136,750	14,868	14,120	389,127	150,870
Total investments	455,180	140,233	14,868	14,120	470,048	154,353
Representing:						
Non-current	448,014	136,750	14,868	10,007	462,882	146,757
Current	7,166	3,483	—	4,113	7,166	7,596
Total investments	455,180	140,233	14,868	14,120	470,048	154,353

The movement of available-for-sale financial assets is as follows:

	2009 HK$'000	2008 HK$'000
Beginning of the year	14,120	228,064
Other adjustment (Note 2.2(b))	—	(205,758)
Additions	3,875	5,856
Disposals	(4,112)	(1,107)
Revaluation gains/(losses) transferred to/(from) equity	985	(12,935)
End of the year	14,868	14,120

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

18 Investments — the Group *(continued)*

There was no impairment provision on available-for-sale financial assets at 31 December 2009 (2008: Nil).

Investments are denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
Hong Kong dollar	88,845	7,139
Singapore dollar	2,631	4,703
United States dollar	378,572	142,511
Total investments	**470,048**	154,353

19 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 2009 (2008: 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:

	2009 HK$'000	2008 HK$'000
Fees receivable that were past due but not impaired		
1 — 30 days	133,867	27,601
31 — 60 days	58	955
61 — 90 days	—	656
Over 90 days	—	64
	133,925	29,276
Fees receivable that were within credit period	67,446	4,083
Total fees receivable	**201,371**	33,359

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

19 Fees receivable — the Group *(continued)*

Fees receivable are denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
Hong Kong dollar	**9,809**	4,821
United States dollar	**191,562**	28,538
Total fees receivable	**201,371**	33,359

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 2009 (2008: Nil).

20 Cash and cash equivalents

	2009 HK$'000	2008 HK$'000
The Group		
Cash at bank and in hand	**260,673**	175,331
Short-term bank deposits	**247,123**	385,835
Deposits with brokers	**9,275**	999
Total cash and cash equivalents	**517,071**	562,165
The Company		
Cash at bank and in hand	**29,419**	2,749
Short-term bank deposits	**127,539**	65,973
Total cash and cash equivalents	**156,958**	68,722

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

20 Cash and cash equivalents *(continued)*

Cash and cash equivalents are denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
The Group		
Renminbi	**246**	12
Hong Kong dollar	**396,124**	301,048
Japanese yen	**132**	891
Singapore dollar	**10,065**	5,061
United States dollar	**110,504**	255,153
Total cash and cash equivalents	**517,071**	562,165
The Company		
Hong Kong dollar	**156,880**	2,672
United States dollar	**78**	66,050
Total cash and cash equivalents	**156,958**	68,722

21 Share capital and share premium

	Share capital HK$'000	Share premium HK$'000	Total HK$'000
The Group			
At 1 January 2008, and 31 December 2008 and 2009	11,855	41,912	53,767
The Company			
At 1 January 2008, and 31 December 2008 and 2009	160,000	760,581	920,581

Equity structure — the Company

	Number of shares
At 1 January 2008, and 31 December 2008 and 2009	1,600,000,000

At 31 December 2009, the total authorized number of ordinary shares was 5,000,000,000 shares (2008: 5,000,000,000 shares) with a par value of HK$0.1 (2008: HK$0.1) per share and all issued shares were fully paid.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

21 Share capital and share premium *(continued)*

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 options 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. The Group has no legal or constructive obligation to repurchase or settle the share options in cash. 16,000,000 options were granted under the share option scheme during the year ended 31 December 2009 (2008: 120,000,000 options).

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

	Average exercise price (HK$ per share)	Number of options ('000)
At 1 January 2008	7.63	525
Granted	5.56	120,000
Forfeited	5.50	(7,602)
Expired	7.63	(525)
At 31 December 2008	5.57	112,398
At 1 January 2009	5.57	112,398
Granted	2.44	16,000
Forfeited	5.50	(10,748)
At 31 December 2009	5.15	117,650

Out of the 117,650,000 (2008: 112,398,000) outstanding share options, 110,924,000 (2008: 96,583,000) options were exercisable at 31 December 2009 with weighted average exercise price of HK$5.47 (2008: HK$5.52) per share. No share option was exercised during the year ended 31 December 2009 (2008: Nil).

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

		Number of options ('000)	
Expiry date	**Exercise price (HK$ per share)**	**2009**	**2008**
21 November 2010	7.56	**975**	975
31 December 2010	7.56	**2,667**	2,667
25 September 2014	5.50	**42,557**	53,305
14 November 2014	5.50	**55,451**	55,451
26 October 2015	2.44	**16,000**	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

21 Share capital and share premium *(continued)*

The weighted average fair value of options granted during the year ended 31 December 2009 determined using the Black-Scholes valuation model was HK$0.65 (2008: HK$1.12) per option. The significant inputs into the model were weighted average share price of HK$2.44 (2008: HK$5.56) at the grant date, exercise price shown above, estimated volatility of 48.1% (2008: 28.7%), estimated dividend yield of 2.5% (2008: 6.5%) based on historical dividend of HK5.5 cents per share for the financial year 2008 (2008: HK35.5 cents per share for the financial year 2007), expected option life of 4.00 (2008: 3.34) years, and annual risk-free interest rate of 1.30% (2008: 1.88%). Refer to Note 7 above for the total expense recognized in the consolidated statement of comprehensive income for share options granted to directors and employees. The volatility was measured based on statistical analysis of the weekly share prices of relevant market comparables over 182 weeks prior to the grant date of the share option.

The measurement dates of the share options were 27 April 2009, 15 May 2008 and 26 March 2008, being the dates of grant of the share options. Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest or lapse.

Employee forfeiture rate is considered in determining the amount of share option expenses.

22 Other reserves — the Group/Share-based compensation reserve and retained earnings/(accumulated losses) — the Company

The Group

	Share-based compensation reserve HK$'000	Revaluation reserve HK$'000	Total HK$'000
At 1 January 2008	574	99,572	100,146
Share-based compensation (Note 7)	127,190	—	127,190
Fair value losses on available-for-sale financial assets (Note 18)	—	(12,935)	(12,935)
Adjustment on an available-for-sale financial asset (a)	—	3,420	3,420
Other adjustment (Note 2.2(b))	—	(86,713)	(86,713)
At 31 December 2008	127,764	3,344	131,108
At 1 January 2009	127,764	3,344	131,108
Share-based compensation (Note 7)	7,538	—	7,538
Fair value gains on available-for-sale financial assets (Note 18)	—	985	985
At 31 December 2009	135,302	4,329	139,631

(a) An available-for-sale financial asset where the Group had interests, was liquidated in February 2009 and accordingly the accumulated fair value adjustments recognized in equity have been included in the consolidated statement of comprehensive income.

22 Other reserves — the Group/Share-based compensation reserve and retained earnings/(accumulated losses) — the Company *(continued)*

The Company

	Share-based compensation reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000
At 1 January 2008	574	1,587
Share-based compensation (Note 7)	127,190	—
Profit for the year	—	589,631
Dividends	—	(656,000)
At 31 December 2008	127,764	(64,782)
At 1 January 2009	127,764	(64,782)
Share-based compensation (Note 7)	7,538	—
Profit for the year	—	191,676
At 31 December 2009	135,302	126,894

23 Deferred tax — the Group

The movement of deferred tax assets/(liabilities) is as follows:

	Accelerated tax depreciation HK$'000
At 1 January 2008	(126)
Credited to consolidated statement of comprehensive income	385
At 31 December 2008	259
At 1 January 2009	259
Credited to consolidated statement of comprehensive income	358
At 31 December 2009	617

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2009, the Group did not have any tax losses that can be carried forward against future taxable profits (2008: Nil).

24 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:

	2009 HK$'000	2008 HK$'000
1 — 30 days	13,153	5,440
Over 90 days	102	4,266
Total distribution fees payable	13,255	9,706

Distribution fees payable are denominated in the following currencies:

	2009 HK$'000	2008 HK$'000
Japanese yen	68	55
United States dollar	13,187	9,651
Total distribution fees payable	13,255	9,706

25 Financial instruments by category

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Category of financial assets				
Loans and receivables				
Fees receivable	201,371	33,359	—	—
Dividends receivable	—	—	100,000	—
Other receivables	3,354	3,437	34	70
Cash and cash equivalents	517,071	562,165	156,958	68,722
	721,796	598,961	256,992	68,792
Financial assets at fair value through profit or loss				
Investments (Note 18)	455,180	140,233	—	—
Available-for-sale financial assets				
Investments (Note 18)	14,868	14,120	—	—
Total	1,191,844	753,314	256,992	68,792
Category of financial liabilities				
Other financial liabilities at amortised cost				
Accrued bonus	100,795	7,982	—	—
Distribution fees payable	13,255	9,706	—	—
Amounts due to a subsidiary	—	—	48,368	48,740
Other payables and accrued expenses	17,423	8,676	4,123	295
Total	131,473	26,364	52,491	49,035

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

26 Notes to consolidated cash flow statement

26.1 Net cash generated from operations

	2009 HK$'000	2008 HK$'000
Profit before tax	**345,707**	92,506
Adjustments for		
Interest income	**(1,888)**	(19,602)
Dividend income	**(8,286)**	(17,752)
Share-based compensation	**7,538**	127,190
Depreciation and amortisation	**4,280**	4,844
Other (gains)/losses — net (excluding net foreign exchange gains)	**(124,724)**	62,763
Share of loss of a joint venture	**2,641**	—
Changes in working capital		
Other assets	**(145)**	—
Fees receivable	**(168,012)**	1,663,244
Prepayments and other receivables	**(489)**	8,836
Accrued bonus	**92,813**	(529,570)
Distribution fees payable	**3,549**	(141,961)
Other payables and accrued expenses	**4,886**	(36,611)
Net cash generated from operations	**157,870**	1,213,887

26.2 Disposal of subsidiaries

On 1 September 2009, the Company sold 50% of its interest in one of its subsidiaries, Sensible Asset Management Hong Kong Limited, to China Ping An Insurance Overseas (Holdings) Limited pursuant to an Agreement dated 12 August 2009 for an immediate cash payment of US$3,000,000 ("Entry Price"). The gain on disposal of the subsidiary amounted to HK$7,699,000. A dividend guarantee and a put option were given by the Company to China Ping An Insurance Overseas (Holdings) Limited under the same Agreement. The exercise price of the put option is determined at the lower of the Entry Price or two times the net asset value per share based on the enlarged share capital of Sensible Asset Management Hong Kong Limited on the third anniversary of the date of the Agreement.

The assets and liabilities as of 1 September 2009 in relation to the disposal of a subsidiary are as follows:

	Carrying amount HK$'000
Cash and cash equivalents	23,265
Other payables and accrued expenses	(15)
Net assets disposed of	23,250
Consideration settled in cash	23,250
Cash and cash equivalents in a subsidiary disposed of	(23,265)
Cash outflow arising on disposal of a subsidiary	(15)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

27 Commitments

27.1 Capital commitments

The Group had commitments in respect of purchases of interests in Value Partners Strategic Equity Fund which represent the portion of the committed capital not yet called for payment. Capital commitments not yet called are as follows:

	2009 HK$'000	2008 HK$'000
Contracted but not provided for	—	13,563

The director of Value Partners Strategic Equity Fund had issued a letter, dated 15 April 2009, to the investors and had decided not to make any further capital call upon the investors thereafter and any uncalled committed capital shall cease to be callable accordingly. During the year, no committed capital had been called.

27.2 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:

	2009 HK$'000	2008 HK$'000
Not later than one year	6,670	5,280
Later than one year and not later than five years	21,572	1,830
Total operating lease commitments	28,242	7,110

28 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.

28.1 Contingent assets

Performance fees for non-private equity fund products for each performance period are generally calculated annually with reference to a performance fee valuation day. Performance fees for private equity fund products are generally calculated at the end of the period over which the performance is measured (performance fee valuation day) and this is generally the end of the life of the private equity fund or upon each successful divestment of an investment of the private equity fund. Performance fees are only recognized when they are earned by the Group.

As a result, at 31 December 2009 and 2008, performance fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding year have not been recognized. These performance fees may be receivable in cash if a positive performance results (for non-private equity fund products) or a performance threshold is exceeded (for private equity fund products) on the performance fee valuation days, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

28 Contingencies *(continued)*

28.2 Contingent liabilities

The performance fee element of distribution fees is based on the performance fees earned by the Group. These distribution fees are recognized 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 2009 and 2008, 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 recognized. These distribution fees may be payable in cash if the performance fees are subsequently earned on the performance fee valuation days.

29 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 elsewhere in the financial statements, 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.

29.1 Key management compensation

Key management includes executive directors and senior fund managers of the Group. The compensation to key management for employee services is as follows:

	2009 **HK$'000**	2008 HK$'000
Bonus, salaries and other short-term employee benefits	**95,192**	21,659
Share-based compensation	**5,174**	115,270
Pension costs — mandatory provident fund scheme	**94**	95
Total key management compensation	**100,460**	137,024

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

29 Related-party transactions *(continued)*

29.2 Investments in own investment funds

The Group had investments in the following investment funds under its management and from which the Group earns fees from investment management activities and fund distribution activities:

	2009		2008	
	Holding	Fair value HK$'000	Holding	Fair value HK$'000
Mutual funds/unit trusts				
Asia Value Formula Fund	1,000,000	62,155	1,000,000	33,247
Manulife Global Fund — China Value Fund (a)	115,520	6,367	113,596	3,869
Value China ETF	2,000,000	73,900	—	—
Value Partners Cash Management Fund	1,000,000	77,429	—	—
Value Partners China Greenchip Fund Limited (b)	200,000	7,924	200,000	3,656
Value Partners Classic Fund (c)	9,636	13,927	9,636	7,613
Value Partners Credit Fund (d)	59,076	53,912	—	—
Value Partners Greater China Property Hedge Fund (e)	30,000	38,460	30,000	21,822
Value Partners Hedge Fund Limited (e), (f)	74,024	15,451	74,024	10,608
Value Partners High-Dividend Stocks Fund	40,025	14,092	40,025	7,708
Value Partners Intelligent Funds — China Convergence Fund	19,744	17,448	19,744	9,323
Value Partners Intelligent Funds — Chinese Mainland Focus Fund	69,121	15,985	69,121	8,592
Value Partners Strategic Equity Fund (g)	250,000	1,724	250,000	2,940
Value Partners Taiwan Fund	200,000	15,748	200,000	9,967
Limited liability company				
Value Partners Asia Fund, LLC		33,627		17,395
Total investments in own investment funds		448,149		136,740

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

29 Related-party transactions *(continued)*

29.2 Investments in own investment funds *(continued)*

(a) The shares held were Class A shares.
(b) The shares held were redeemable Class A shares.
(c) The units held were "A" units.
(d) Formerly Value Partners Bond Fund before 15 January 2010.
(e) The shares held were participating redeemable preference shares.
(f) Formerly Value Partners China Hedge Fund Limited before 1 October 2008.
(g) The shares held were non-voting shares.

29.3 Investments in an investment fund managed by a related company and receivable from a related company

At 31 December 2009, the Group had investments in Malabar India Fund, LP amounted to HK$12,237,000 (2008: HK$5,297,000) which is managed by Malabar Investment LLC in which the Group had an interest of 8.75% (2008: 8.75%). The Group also had a receivable of HK$1,163,000 (2008: HK$1,163,000) from Malabar Investment LLC at 31 December 2009.

29.4 Amounts due to a subsidiary

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

29.5 Cash gift

In 2008, the Board of Directors was informed by an existing shareholder and two previous shareholders of the Company that they would like to make a cash gift of US$7,000,000 to the management and employees of the Group as a token of appreciation for their efforts and as a reward of their performance over the years. After due considerations, management proposed and the gift was made to the Group to demonstrate management's support and commitment to the Group and so that the benefit of the gift would be shared by all the shareholders and employees of the Group.

29.6 Dividends receivable

The amount is an interim dividend for the year ended 31 December 2009 declared by Value Partners Limited to Value Partners Group Limited. The amount is unsecured, non-interest bearing and is payable on or before 30 June 2010.

Particulars of Subsidiaries

As at 31 December 2009, 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	Dormant	1 ordinary share of HK$1
Hongkong Investment Management Limited	Hong Kong	Dormant	1 ordinary share of HK$1
Middle Star Capital Limited	Hong Kong	Dormant	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	Investment holding	1 ordinary share of HK$1
Value Partners (Cayman GP) II Ltd	Cayman Islands	Managing member of three investment funds managed by Value Partners Hong Kong Limited and Value Partners Limited	1 ordinary share of US$1
Value Partners Consulting Limited	Hong Kong	Consulting services in Hong Kong	1 ordinary share of HK$1
Value Partners Hong Kong Limited	Hong Kong	Investment management in Hong Kong	5,000,000 ordinary shares of HK$1 each
Value Partners Index Services Limited (formerly Sunny Country Enterprises Limited)	Hong Kong	Indexing services in Hong Kong	1 ordinary share of HK$1
Value Partners Investment Services Pte. Ltd.	Singapore	Sales and marketing activities in Singapore	150,000 ordinary shares of S$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	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 the Group's 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 investment at fair value through profit & loss accounts 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 14 to the consolidated financial statements.

Corporate recognitions
公司獎項

Best Overall Fund Management Firm - Asia
Value Partners was recognized as one of the top three fund management companies
最傑出整體表現基金管理公司 — 亞洲區
惠理獲選為最傑出資產管理機構首三名之一

~ Thomson Reuters Extel Asia Pacific Survey 2009
2009年Thomson Reuters Extel 亞太區調查

Leading Buyside Individual - Asia
Mr. Eric Chow, Value Partners fund manager, was ranked No. 1 out of 25 individuals named
最傑出個人買方表現獎 — 亞洲區
惠理的基金經理周翊祥先生於廿五位個人買方表現調查中名列第一名

~ Thomson Reuters Extel Asia Pacific Survey 2009
2009年Thomson Reuters Extel 亞太區調查

Mr. Cheah Cheng Hye, Chairman and CIO of Value Partners, was recognized as one of The 25 Most Influential people in Asset Management in Asia
惠理集團主席兼首席投資總監謝清海先生獲表彰為亞洲區資產管理行業廿五位最具影響力人物之一

~ AsianInvestor, May 2009

2nd Largest Hedge Fund Manager in Asia in 2007, 2008 & 2009
二零零七年、二零零八年及二零零九年度
亞洲區第二大對沖基金經理

~ Alpha Magazine

2007 Achievement Awards Capital Markets Person of the year:
Mr. Cheah Cheng Hye
二零零七年成就獎項
謝清海先生

~ FinanceAsia

Best of the Best Country Awards 2006
Hong Kong Most Improved Institutional Fund House
二零零六年度香港最佳資產管理公司
– 最佳資產總值增長基金公司

~ Asia Asset Management Journal

Hong Kong Business Awards – Enterprise Award 2005
香港商業獎 – 二零零五年度傑出企業獎

~ DHL / South China Morning Post
南華早報

2004 Fund Management Team of the Year
二零零四年度最佳基金管理團隊

~ Global Money Management, London
(an Institutional Investor publication;
Institutional Investor 附屬刊物)

www.valuepartnersgroup.com.hk

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