Value Partners
Investing through discipline

Interim Report 2009
二零零九年中期報告

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

Corporate recognitions
公司獎項

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
二零零七年及二零零八年度亞洲區第二大對沖基金經理

~ Alpha Magazine, Jul / Aug 2007 & Jul /Aug 2008 editions

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)

Contents

Corporate Information

Board of Directors

Chairman and Chief Investment Officer

Mr. CHEAH Cheng Hye

Executive Directors

Ms. CHAU Yee Man, CFA & CPA
Mr. HO Man Kei, CFA
Ms. HUNG Yeuk Yan Renee
Mr. LAW Ka Kin
Mr. NGAN Wai Wah, CFA
Mr. SO Chun Ki Louis

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. LAW Ka Kin
Mr. NGAN Wai Wah, CFA

Members of the Audit Committee

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

Members of the Remuneration Committee

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

Members of the Risk Management Committee

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

Members of the Valuation Committee

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

Registered Office

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

Principal Place of Business in Hong Kong

9th Floor, Nexxus Building
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 Bankers

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

Website

www.valuepartnersgroup.com.hk

Stock Code

806

Chairman's Statement

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

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

- Strong fund performance. Taking our flagship Value Partners Classic Fund[φ] as an example, net asset value per unit increased by 37.5% during the first six months of 2009, and indeed this and other funds under our management stood out as being among the leading performers in the market during this period. Going forward, the outlook for performance gains is optimistic. In particular, China's economy is on track for 8% growth this year, and possibly higher next year, a situation significantly better than many people thought possible just a few months ago. Consequently, the Greater China region is a prime candidate for attracting the world's excess liquidity, as money flows to those places with strong prospects, rather than to those places with troubled economies.
- Renewed growth in fund size. The Group's total assets under management, which declined to US$3.2 billion at the end of last year, has rebounded to US$4.0 billion, and we see potential for further expansion as investors return to markets in our region.
- New management initiatives. These are detailed in the accompanying report from the Chief Executive Officer. Briefly, they include new arrangements in product offerings and structures, and strengthening ties with clients and partners, adding significantly to the scope of our business.

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

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

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

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

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

Cheah Cheng Hye
Chairman and Chief Investment Officer

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

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

Report of the Chief Executive Officer

Encouraging signs of recovery

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

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

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

New investment mandates and fund products

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

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

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

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

Launch of new indexing services

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

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

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

Plan in motion to expand aggressively into ETFs

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

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

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

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

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

Promising business performance

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

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

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

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

NGAN Wai Wah, CFA
CEO and Executive Director

Financial Review

Introduction

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

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

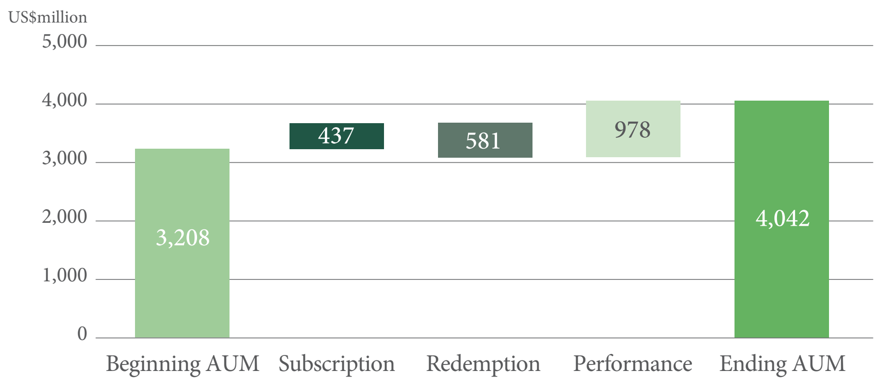
Assets Under Management

AUM and fund returns

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

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

AUM Change in the first half of 2009



* *Value Partners Classic Fund — A Unit*

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

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

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

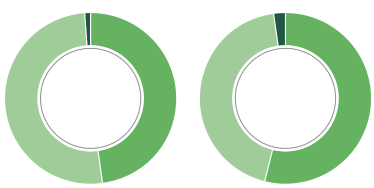
AUM by category

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

- By brand, the Group's Own Branded Funds accounted for 48% of total AUM (down from 54% as of 31 December 2008); White Label Funds for 51% (up from 44%) and Co-branded Funds for 1% (down from 2%). Major pension products are included under the White Label Funds category.
- By strategy, Absolute Return Long-biased Funds accounted for 97% of total AUM (up from 92% as of 31 December 2008); Long-short Hedge Funds for 2% (down from 3%); Private Equity Funds and Quantitative Funds, 1% (down from 5%).
- By fund type, funds authorized for sale in Hong Kong constituted 71% of total AUM (up from 63% as at 31 December 2008), with Non-authorized Funds accounting for 14% (down from 17%); Managed Accounts, 14% (down from 16%); and Private Equity Funds, 1% (down from 4%).

Classification by brand

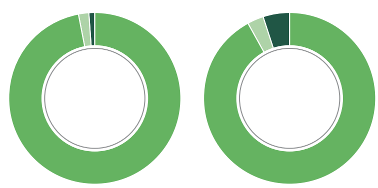
30 June 2009 **31 December 2008**



	30 Jun 2009	31 Dec 2008
Own Branded Funds	**48%**	54%
White Label Funds	**51%**	44%
Co-branded Funds	**1%**	2%

Classification by strategy

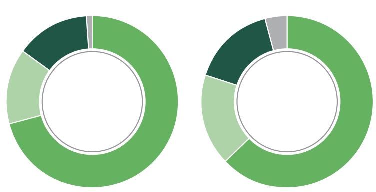
30 June 2009 **31 December 2008**



	30 Jun 2009	31 Dec 2008
Absolute Return Long-biased Funds	**97%**	92%
Long-short Hedge Funds	**2%**	3%
Private Equity Funds and Quantitative Funds	**1%**	5%

Classification by type of funds

30 June 2009 **31 December 2008**



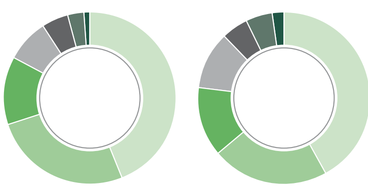
	30 Jun 2009	31 Dec 2008
Authorized Funds	**71%**	63%
Non-authorized Funds	**14%**	17%
Managed Acounts	**14%**	16%
Private Equity Funds	**1%**	4%

Client base

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

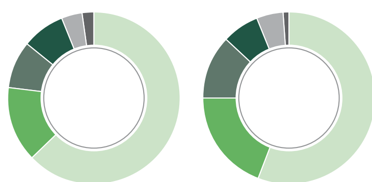
In geographical terms, the Group recorded a decline in AUM from clients based in the United States and Europe, as the impact of the financial crisis was greater in these regions. By contrast, there was an increase in AUM from clients based in Hong Kong. Our Hong Kong clients accounted for 63% of the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

Client analysis by type



	30 Jun 2009	31 Dec 2008
Institutions	**44%**	42%
Pension funds	**26%**	22%
Retails	**13%**	13%
Endowments and foundations	**8%**	11%
High-net-worth Individuals	**5%**	5%
Funds of Funds	**3%**	5%
Family office and trusts	**1%**	2%

Client analysis by geographical region



	30 Jun 2009	31 Dec 2008
Hong Kong	**63%**	56%
United States	**14%**	19%
Europe	**9%**	12%
Australia	**8%**	7%
Others	**4%**	5%
Japan	**2%**	1%

Summary of results

Despite the challenging operating conditions, the Group continued to generate a net profit. The key financial figures for the reporting period are as follows:

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

* *Restated due to the change in accounting treatment of seed capital to allow changes in the fair value of seed capital to be reflected in the profit and loss accounts with effect from 2008.*

Revenue and fee margins

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

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

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

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

Other gains and losses

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

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

Cost management

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

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

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

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

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

Net profit and core earnings

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

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

Dividends

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

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

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

Liquidity and financial resources

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

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

Capital structure

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

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

Independent Review Report

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF VALUE PARTNERS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 14 to 33, which comprises the condensed consolidated balance sheet of Value Partners Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2009

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

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

The notes on pages 20 to 33 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Note	Six months ended 30 June 2009 HK$'000 Unaudited	2008 HK$'000 Unaudited (Restated)
Profit attributable to			
Equity holders of the Company		116,075	35,440
Total comprehensive income attributable to			
Equity holders of the Company		116,018	24,256
Earnings per share for profit attributable to the equity holders of the Company (HK cent per share)			
— basic		7.3	2.2
— diluted		7.2	2.2
Dividends (HK$'000)	8	—	88,000

The notes on pages 20 to 33 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2009

	Note	30 June 2009 HK$'000 Unaudited	31 December 2008 HK$'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	9	8,183	4,165
Intangible assets	10	1,376	1,635
Investments	11	204,551	146,757
Deferred tax assets		259	259
Other assets		1,746	1,746
Total non-current assets		216,115	154,562
Current assets			
Investments	11	4,219	7,596
Fees receivable	12	38,727	33,359
Prepayments and other receivables	19	45,551	11,439
Cash and cash equivalents	13	622,695	562,165
Total current assets		711,192	614,559
Total assets		927,307	769,121

The notes on pages 20 to 33 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2009

	Note	30 June 2009 HK$'000 Unaudited	31 December 2008 HK$'000 Audited
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital and share premium	14	53,767	53,767
Other reserves		134,620	131,108
Retained earnings			
— others		673,287	557,212
Total equity		861,674	742,087
LIABILITIES			
Current liabilities			
Accrued bonus		36,032	7,982
Distribution fees payable	15	6,497	9,706
Other payables and accrued expenses		12,881	8,676
Current tax liabilities		10,223	670
Total liabilities		65,633	27,034
Total equity and liabilities		927,307	769,121
Net current assets		645,559	587,525
Total assets less current liabilities		861,674	742,087

The notes on pages 20 to 33 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Share capital and share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Unaudited				
At 1 January 2008	53,767	100,146	1,059,901	1,213,814
Profit for the period, as restated (Note 3)	—	—	35,440	35,440
Other comprehensive income, as restated (Note 3):				
— Fair value losses on available-for-sale financial assets	—	(11,184)	—	(11,184)
Total comprehensive income for the period, as restated (Note 3)	—	(11,184)	35,440	24,256
Other adjustments (Note 3)	—	(86,713)	86,713	—
Share-based compensation	—	124,036	—	124,036
Dividends	—	—	(568,000)	(568,000)
At 30 June 2008	53,767	126,285	614,054	794,106

	Share capital and share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Unaudited				
At 1 January 2009	53,767	131,108	557,212	742,087
Profit for the period	—	—	116,075	116,075
Other comprehensive income:				
— Fair value losses on available-for-sale financial assets	—	(57)	—	(57)
Total comprehensive income for the period	—	(57)	116,075	116,018
Share-based compensation	—	3,569	—	3,569
At 30 June 2009	53,767	134,620	673,287	861,674

The notes on pages 20 to 33 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	Six months ended 30 June 2009 HK$'000 Unaudited	2008 HK$'000 Unaudited
Cash flows from operating activities		
Net cash generated from operations	54,146	1,182,407
Interest received	2,804	14,910
Tax paid	(940)	(537)
Net cash generated from operating activities	56,010	1,196,780
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(6,269)	(1,676)
Purchase of investments	—	(47,626)
Disposal of investments	4,196	1,919
Dividends received from investments	6,593	16,732
Net cash generated from/(used in) investing activities	4,520	(30,651)
Cash flows from financing activities		
Dividends paid	—	(1,228,000)
Net cash used in financing activities	—	(1,228,000)
Net increase/(decrease) in cash and cash equivalents	60,530	(61,871)
Cash and cash equivalents at beginning of the period	562,165	745,088
Cash and cash equivalents at end of the period	622,695	683,217

The notes on pages 20 to 33 are an integral part of this condensed consolidated interim financial information.

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 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").

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 20 August 2009.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

3 Accounting policies

Consistent with the accounting policies as disclosed in the annual financial statements for the year ended 31 December 2008, the Group has applied the scope exclusion within HKAS 28 "Investments in Associates" for mutual funds, unit trusts and similar entities for the six months ended 30 June 2009 and 2008. Investments in own investment funds in the amount of HK$205,758,000 classified as available-for-sale financial assets for the six months ended 30 June 2008 have been reclassified as financial assets at fair value through profit or loss and the effects are to increase retained earnings and decrease other reserves at 1 January 2008 by HK$86,713,000. Other gains/losses — net in the condensed consolidated statement of comprehensive income was decreased by HK$53,050,000 and other comprehensive income was increased by the same amount for the six months ended 30 June 2008. The basic and diluted earnings per share for profit attributable to the equity holders of the Company for the six months ended 30 June 2008 was decreased by HK 3.3 cents per share.

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

3 Accounting policies *(continued)*

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

- HKAS 1 (Revised) "Presentation of Financial Statements". The revised standard will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

  The Group has elected to present one performance statement: a statement of comprehensive income. The condensed interim financial information has been prepared under the revised disclosure requirements.

- HKFRS 2 (Amendment) "Share-based Payment". The amended standard 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. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features 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. This amendment does not have any significant impact on the Group's financial statements, as the Group has already adopted similar accounting treatment as required by the amendment.

- HKFRS 7 "Financial Instruments: Disclosures". The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. It also requires entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. The Group will make additional relevant disclosures in its financial statements for the year ending 31 December 2009.

- HKFRS 8 "Operating Segments" 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.

3 Accounting policies *(continued)*

- There are a number of amendments made to the following standards which are relevant to the Group's operations are not discussed in details as the adoption of these amendments does not have any significant impact on the Group's financial statements:

  - HKAS 1 "Presentation of Financial Statements"
  - HKAS 19 "Employee Benefits"
  - HKAS 28 "Investments in Associates"
  - HKAS 32 (Amendment) "Financial Instruments: Presentation" and HKAS 1 (Amendment) "Presentation of Financial Statements" "Puttable Financial Instruments and Obligations Arising on Liquidation"
  - HKAS 36 "Impairment of Assets"
  - HKAS 38 "Intangible Assets"
  - HKAS 39 "Financial Instruments: Recognition and Measurement"

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

- HKFRS 3 (Revised) "Business Combinations" and consequential amendments to HKAS 27 "Consolidated and Separate Financial Statements", HKAS 28 "Investments in Associates" and HKAS 31 "Interests in Joint Ventures"

- The Hong Kong Institute of Certified Public Accountants' improvements to HKFRS published in May 2009

  - HKAS 1 (Amendment) "Presentation of Financial Statements" (effective 1 January 2010).
  - HKAS 7 (Amendment) "Statement of Cash Flows" (effective 1 January 2010).
  - HKAS 36 (Amendment) "Impairment of Assets" (effective 1 January 2010).
  - HKAS 38 (Amendment) "Intangible Assets" (effective 1 July 2009).
  - HKAS 39 (Amendment) "Financial Instruments: Recognition and Measurement" (effective 1 January 2010).
  - HKFRS 2 (Amendment) "Share-based Payments" (effective 1 July 2009).
  - HKFRS 8 (Amendment) "Operating Segments" (effective 1 January 2010).

4 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 service 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 this condensed consolidated interim financial information.

4 Segment information *(continued)*

The total net segment income is equivalent to total comprehensive income for the period as shown in the condensed 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 condensed consolidated balance sheet.

Details of interest income, depreciation and amortisation in relation to the operating segment are disclosed respectively in Notes 5, 9 and 10 below.

The Company is domiciled in the Cayman Islands with the Group's major operations in Greater China and the Asia Pacific region. Total turnover and revenue as disclosed in Note 5 below represented the revenue from external customers arising from investment 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.

5 Income

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

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

6 Other gains/(losses) — net

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

7 Tax expense

Under current tax laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Group. As a result, no provision for income taxes has been made in the condensed consolidated interim financial information.

Hong Kong profits tax has been provided on the estimated assessable profit for the six months ended 30 June 2009 at the rate of 16.5% (2008: 16.5%).

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

8 Dividends

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

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

No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2009. An interim dividend of HK 5.5 cents per ordinary share was proposed by the Board of Directors for the six months ended 30 June 2008, amounting to HK$88,000,000.

9 Property, plant and equipment

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	Unaudited	Unaudited
Opening net book amount	4,165	6,372
Additions	6,267	1,046
Depreciation	(2,249)	(2,257)
Closing net book amount	8,183	5,161

10 Intangible assets

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	Unaudited	Unaudited
Opening net book amount	1,635	2,034
Additions	2	630
Amortisation	(261)	(292)
Closing net book amount	1,376	2,372

11 Investments

Investments include the following:

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

12 Fees receivable

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

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

13 Cash and cash equivalents

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

14 Share capital and share premium

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

Equity structure

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

Share options

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

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

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

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

14 Share capital and share premium *(continued)*

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

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

15 Distribution fees payable

The ageing analysis of distribution fees payable is as follows:

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

16 Commitments

16.1 Capital commitments

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

	30 June 2009 HK$'000 Unaudited	31 December 2008 HK$'000 Audited
Contracted but not provided for	—	13,563

16.2 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:

	30 June 2009 HK$'000 Unaudited	31 December 2008 HK$'000 Audited
Not later than one year	2,722	5,280
Later than one year and not later than five years	25,183	1,830
	27,905	7,110

17 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.

17.1 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 recognised when they are earned by the Group.

17 Contingencies *(continued)*

17.1 Contingent assets *(continued)*

As a result, at 30 June 2009 and 31 December 2008, any uncrystallised performance fee has not been recognised. 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.

17.2 Contingent liabilities

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

As a result, at 30 June 2009 and 31 December 2008, any uncrystallised performance fee element of distribution fee has not been recognised. These distribution fees may be payable in cash if the performance fees are subsequently earned on the performance fee valuation days.

18 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.

The Group has 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.

18.1 Key management compensation

	Six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	Unaudited	Unaudited
Bonus, salaries and other short-term employee benefits	**8,064**	7,968
Share-based compensation	**1,682**	116,487
Pension costs — mandatory provident fund scheme	**42**	48
Total key management compensation	**9,788**	124,503

18 Related-party transactions *(continued)*

18.2 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:

	30 June 2009 Unaudited		31 December 2008 Audited	
	Holding	Fair value HK$'000	Holding	Fair value HK$'000
Mutual funds/unit trusts				
Asia Value Formula Fund	1,000,000	47,818	1,000,000	33,247
Manulife Global Fund — China Value Fund (a)	113,596	5,140	113,596	3,869
Value Partners China Greenchip Fund Limited (b)	200,000	5,814	200,000	3,656
Value Partners Classic Fund (c)	9,636	10,686	9,636	7,613
Value Partners Greater China Property Hedge Fund (d)	30,000	34,426	30,000	21,822
Value Partners Greater China Property Hedge Fund (e)	100	1	100	1
Value Partners Greater China Property Hedge Master Fund (e)	100	1	100	1
Value Partners Hedge Fund Limited (d), (f)	74,024	13,029	74,024	10,608
Value Partners High-Dividend Stocks Fund	40,025	11,037	40,025	7,708
Value Partners Intelligent Funds — China Convergence Fund	19,744	13,647	19,744	9,323
Value Partners Intelligent Funds — Chinese Mainland Focus Fund	69,121	12,342	69,121	8,592
Value Partners Strategic Equity Fund (e)	1,000	8	1,000	8
Value Partners Strategic Equity Fund (g)	250,000	2,499	250,000	2,940
Value Partners Taiwan Fund	200,000	12,292	200,000	9,967
Limited liability company				
Value Partners Asia Fund, LLC		25,861		17,395
Total investments in own investment funds		194,601		136,750

(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) The shares held were participating redeemable preference shares.
(e) The shares held were management shares.
(f) Formerly Value Partners China Hedge Fund Limited before 1 October 2008.
(g) The shares held were non-voting shares.

19 Events after the balance sheet date

Included in prepayments and other receivables at 30 June 2009 is an amount of HK$34,100,000 which represents subscription monies as seed capital placed with the administrator for the subscription of Value Partners Bond Fund, an investment fund under the Group's management. This investment fund was launched on 3 July 2009.

On 12 August 2009, the Company entered into an agreement to sell 1,000,000 voting participating preference shares, representing 50% interest, of Sensible Asset Management Hong Kong Limited, a wholly-owned subsidiary of the Group, to China Ping An Insurance Overseas (Holdings) Limited for a total cash consideration of US$3,000,000. The completion of such transaction is subject to the conditions as stated in the agreement.

20 Cyclicality

Performance fee valuation days of investment funds and managed accounts under management are mostly concentrated in December of each financial year. Therefore, the recognition of performance fees for the Group may be subject to cyclical fluctuation.

Directors' interests in shares, underlying shares and debentures

As at 30 June 2009, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which had 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 Rules Governing the Listing of Securities on the Stock Exchange (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)	570,468,484	—	35.65%
	Beneficial	—	57,050,828	3.56%
Ms. CHAU Yee Man	Beneficial	619,391	5,228,943	0.36%
Mr. HO Man Kei	Beneficial	57,655,209	5,765,923	3.96%
Ms. HUNG Yeuk Yan Renee	Founder of trust(2)	40,358,583	—	2.52%
	Beneficial	—	12,036,140	0.75%
Mr. LAW Ka Kin	Beneficial	—	2,400,000	0.18%
Mr. NGAN Wai Wah	Beneficial	30,690,691	8,665,284	2.46%
Mr. SO Chun Ki Louis	Beneficial	40,358,583	12,036,140	3.27%
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.

(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
Mr. HO Man Kei	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Ms. HUNG Yeuk Yan Renee	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Mr. NGAN Wai Wah	Value Partners Strategic Equity Fund	Beneficial	51,000 non-voting shares	0.34% 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 ("the Scheme"). Details of the grant of share options and a summary of the movements of the outstanding share options during the six months ended 30 June 2009 were as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2009	Number of Share Options Granted	Exercised	Lapsed	As at 30/06/2009
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. CHAU Yee Man	26/03/2008	25/03/2009-25/09/2014	5.50	1,742,981	—	—	—	1,742,981
		25/03/2010-25/09/2014	5.50	1,742,981	—	—	—	1,742,981
		25/03/2011-25/09/2014	5.50	1,742,981	—	—	—	1,742,981
Mr. HO Man Kei	26/03/2008	26/03/2008-25/09/2014	5.50	5,765,923	—	—	—	5,765,923
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. LAW Ka Kin	26/03/2008	26/03/2008-25/09/2014	5.50	2,400,000	—	—	—	2,400,000
Mr. NGAN Wai Wah	26/03/2008	26/03/2008-25/09/2014	5.50	8,665,284	—	—	—	8,665,284
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
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	13,653,819	—	—	—	13,653,819
		25/03/2009-25/09/2014	5.50	2,639,670	—	—	—	2,639,670
		25/03/2010-25/09/2014	5.50	2,639,670	—	—	—	2,639,670
		25/03/2011-25/09/2014	5.50	2,639,660	—	—	—	2,639,660
	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**	**—**	**—**	**128,398,077**

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 were 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 period under review 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.

Share Option Expenses

According to HKFRS 2, the fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted and the assumptions listed below. In addition, employee forfeiture rate is also considered in determining the amount of share option expenses.

Where the employees 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.

In 2008, we granted share options to our employees and an expense of HK$2,556,374 was recognised in the first half of 2009.

Share options were also granted on 27 April 2009. The fair value of share options granted as determined using Black-Scholes option-pricing model was in a range of HK$0.60 to HK$0.68 per option. The key inputs into the model were share price of HK$2.20 at the grant date, the exercise price of HK$2.436 per share, an estimated volatility of 48.08% based on relevant market comparables, an estimated dividend yield of 2.50% based on historical dividend of HK5.5 cents per share, an estimated annualized forfeiture rate of 20%, an estimated expected option life from 3.5 to 4.5 years and an annual risk-free interest rate in a range of 1.10% to 1.50%.

Since the Black-Scholes option pricing model requires input of highly subjective assumptions, any change in the subjective input assumptions may materially affect the estimation of the fair value of an option.

Substantial Shareholders' Interests

As at 30 June 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	627,519,312	39.21%
Mr. YEH V-Nee	Beneficial	292,523,324	18.28%
Ms. LIANG Mira[(2)]	Spouse	292,523,324	18.28%
Cheah Capital Management Limited[(3)]	Beneficial	570,468,484	35.65%
Cheah Company Limited[(3)]	Corporate	570,468,484	35.65%
Hang Seng Bank Trustee International Limited[(3) (4)]	Trustee	610,827,067	38.17%
Hang Seng Bank Limited[(3) (4)]	Interest of controlled corporation	610,827,067	38.17%
The Hongkong and Shanghai Banking Corporation Limited[(3) (4)]	Interest of controlled corporation	610,827,067	38.17%
HSBC Asia Holdings BV[(3) (4)]	Interest of controlled corporation	610,827,067	38.17%
HSBC Asia Holdings (UK) Limited[(3) (4)]	Interest of controlled corporation	610,827,067	38.17%
HSBC Holdings BV[(3) (4)]	Interest of controlled corporation	610,827,067	38.17%
HSBC Finance (Netherlands)[(3) (4)]	Interest of controlled corporation	610,827,067	38.17%
HSBC Holdings plc[(3) (4)]	Interest of controlled corporation	610,827,067	38.17%
Value Holdings, LLC	Corporate	92,333,542	5.77%
Ping An Insurance (Group) Company of China, Ltd.[(5)]	Corporate	144,000,000	9.00%

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

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

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

Save as aforesaid and as disclosed in the "Directors' Interests in Shares, Underlying Shares and Debentures" and "Substantial Shareholders' Interests" sections of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 30 June 2009 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.

Dividend

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

Foreign Exchange

The Group has no significant foreign currency exposure because the majority of receipts and payments as well as assets and liabilities are denominated in the Hong Kong dollar (the Company's functional and presentation currency) and the United States dollar, which is linked to the Hong Kong dollar.

Human Resources

As at 30 June 2009, the Group employed a total of 75 staff (30 June 2008: 97). Remuneration packages are offered to employees based on market factors and business and individual's performance. In addition, share options and discretionary bonuses are granted to recognize staff 's contribution and to retain valuable human capital.

Purchase, Sale or Redemption of the Company's Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

Audit Committee

In compliance with the Listing Rules, the Company has an audit committee comprises three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Group for the six months ended 30 June 2009.

Independent Review of Interim Results

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

Corporate Governance

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2009.

Publication of Interim Results and Interim Report on the Stock Exchange

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.valuepartnersgroup.com.hk). The interim report will be despatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

Our Appreciation

Finally, we would like to express our gratitude to the Shareholders, business partners, distributors and customers for their unfaltering support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

By order of the board of
Value Partners Group Limited
NGAN Wai Wah, CFA
CEO & Executive Director

Hong Kong, 20 August 2009

www.valuepartnersgroup.com.hk

Value Partners Group Limited 惠理集團有限公司

9th Floor, Nexxus Building, 41 Connaught Road Central, Hong Kong
香港中環干諾道中四十一號盈置大廈九樓
Tel 電話: (852) 2880 9263   Fax 傳真: (852) 2564 8487