

Interim Report 2010
二零一零年中期報告

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 recognition

公司獎項



2010 – Asia Hedge Fund 25
Value Partners was ranked No.1 in 2010 Asia Hedge Fund 25
2010年亞洲對沖基金25
惠理榮獲2010年亞洲對沖基金25強第一名

~ Institutional Investor, July 2010
Institutional Investor, 2010年7月號



2010 – Hedge Fund 100
Value Partners was ranked as Asia's largest hedge fund manager, and 79th worldwide
2010年對沖基金100
惠理集團為亞洲最大之對沖基金公司，
在全球對沖基金公司中排名79

~ Institutional Investor, May 2010
Institutional Investor, 2010年5月號

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 named individuals
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



The 3rd consecutive year to be ranked as the 2nd Largest Hedge Fund Manager in Asia
連續三年獲評選為亞洲第二大對沖基金經理

~ Alpha Magazine, July/August 2009
Alpha Magazine, 2009年7/8月號



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
AsianInvestor, 2009年5月號



2007 Achievement Awards - Capital Markets Person of the Year:
Mr. Cheah Cheng Hye
2007年成就獎項 – Capital Markets Person of the Year:
謝清海先生

~ FinanceAsia



Best of the Best Country Awards 2006
Hong Kong Most Improved Institutional Fund House
2006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 – 2005年度傑出企業獎

~ DHL / South China Morning Post
南華早報

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Corporate Information

Board of Directors

Chairman and Co-Chief Investment Officer

Mr. CHEAH Cheng Hye

Executive Directors

Mr. CHAN Sheung Lai (appointed on 1 July 2010)
(*Chief Executive Officer*)

Ms. HUNG Yeuk Yan Renee
(*Deputy Chief Investment Officer*)

Mr. SO Chun Ki Louis
(*Co-Chief Investment Officer*)

Mr. TSE Wai Ming, CFA & FCPA
(*Deputy Chief Executive Officer & Chief Financial Officer*)

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 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

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

Registered Office

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Office

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 Banker

The Hongkong and Shanghai Banking Corporation Limited

Website

www.valuepartnersgroup.com.hk

Stock Code

Stock Exchange of Hong Kong: 806

Financial Highlights

Value Partners Group Limited is an independent asset management group, with a value-oriented investment management approach and a focus on the Greater China and Asia-Pacific capital markets. Under our Value Partners and Sensible Asset Management brands, we manage absolute return long-biased funds, long-short hedge funds, credit fund, private equity fund, exchange traded funds (ETFs) and quantitative funds.

Financial summary

(In HK\$ million)	Results for the period ended 30 June		
	2010	2009	% Change
Total revenue	207.0	162.8	+27.1%
Gross management fees	149.0	98.2	+51.7%
Gross performance fees	53.8	61.0	-11.8%
Net profit	91.6	116.1	-21.1%
Basic earnings per share (HK cents)	5.7	7.3	-21.9%
Diluted earnings per share (HK cents)	5.7	7.2	-20.8%
Interim dividend per share (HK cents)	Nil	Nil	

	30 June 2010	31 December 2009	% Change
Assets under management (US\$ million)	5,654	5,506	+2.7%

Report of the Chief Executive Officer

Recovery remains on track

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

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

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

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

Building our AUM

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

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

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

Report of the Chief Executive Officer

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

Growing our Value ETFs

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

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

Awards and distinctions

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

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

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

Internal development reflects our strength

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

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

Report of the Chief Executive Officer

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

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

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

Financial summary

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

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

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

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

Looking forward

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

Report of the Chief Executive Officer

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

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

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

Thanks and appreciation

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

CHAN Sheung Lai

Chief Executive Officer & Executive Director

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

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

Financial Review

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

Assets Under Management

AUM and return

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

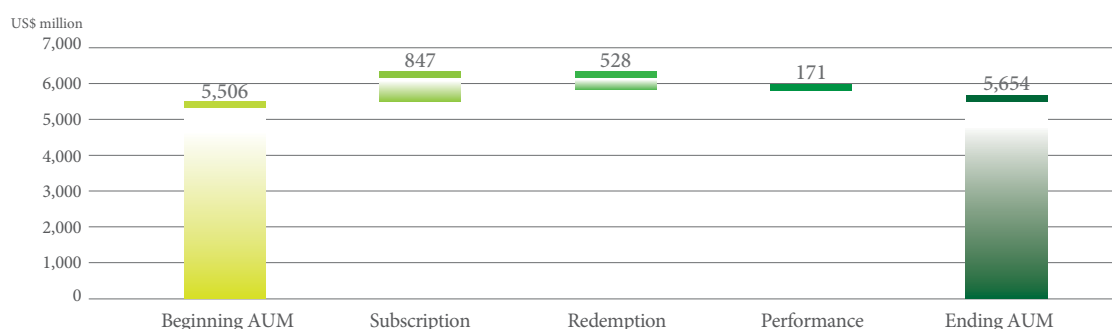
Gross subscriptions for the period under review amounted to US\$847 million, compared to US\$437 million and US\$824 million in the first and second half last year, respectively, reflecting the continuing steady positive trend of funds inflow and recovery starting from the second half of 2009. Gross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

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

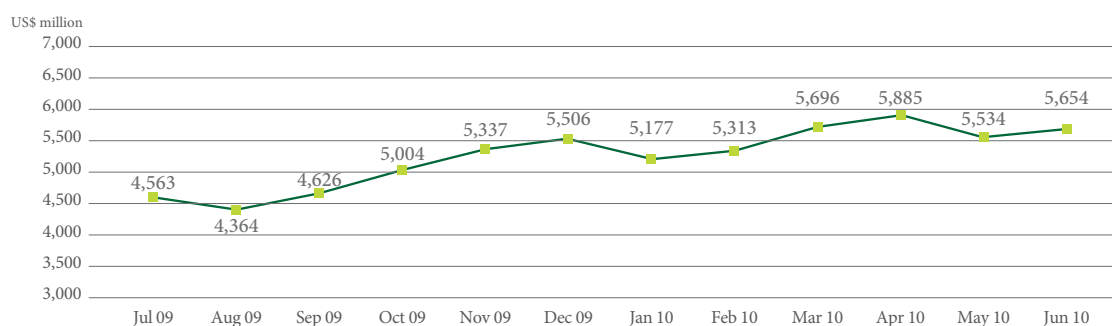
(In US\$ million)	1H 2010	2H 2009	1H 2009
Subscriptions	847	824	437
Redemptions	528	598	581
Net subscriptions/(redemptions)	319	226	(144)

Financial Review

AUM change in the first half of 2010



Monthly AUM in the past twelve months

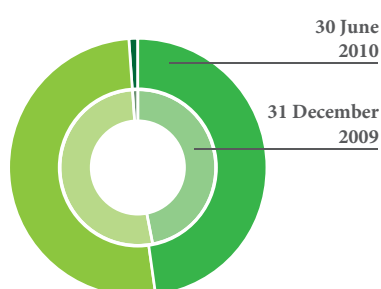


AUM by category

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

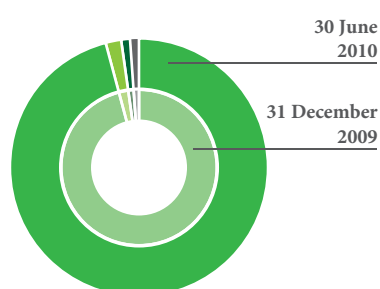
During the period under review, our product mix by brand remained stable, and White Label Funds accounted for 51% of the total AUM. Absolute Return Long-biased Funds represented the majority of our funds by strategy. In terms of fund type, the proportion remained stable, and authorized funds accounted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

Classification by brand



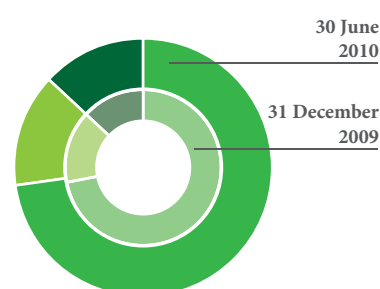
	30 June 2010	31 December 2009
Own Branded Funds	48%	47%
White Label Funds	51%	52%
Co-branded Funds	1%	1%

Classification by strategy



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

Classification by type of funds



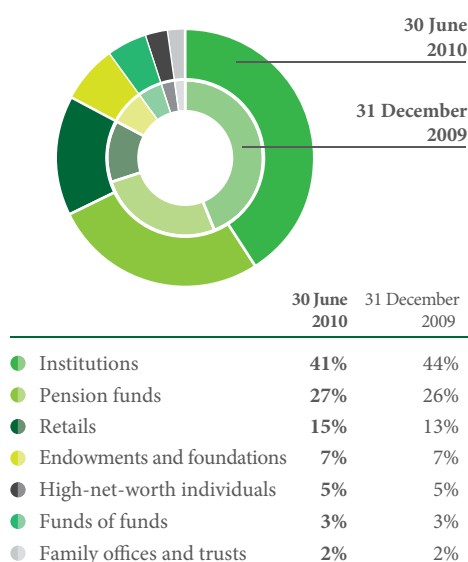
	30 June 2010	31 December 2009
Authorized Funds	73%	72%
Non-authorized Funds	14%	15%
Managed Accounts	13%	13%

Financial Review

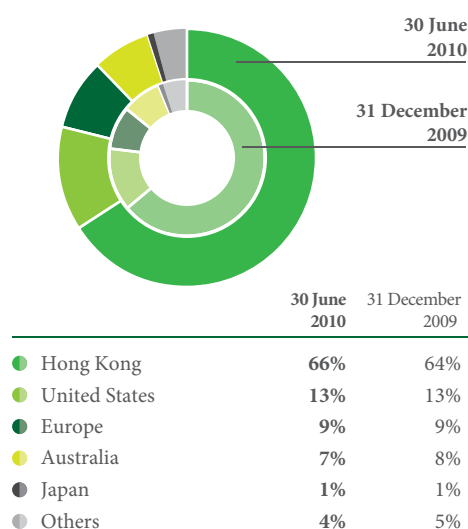
Client base

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

Client analysis by type



Client analysis by geographical region



Summary of results

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

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

Financial Review

Revenue and fee margins

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

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

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

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

Other gains and losses

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

Cost management

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

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

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

Financial Review

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

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

Net profit and core earnings

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

Dividends

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

Liquidity and financial resources

Fee income is the Group’s main source of income. Other sources of income include interest income generated from bank deposits, as well as dividend income from investments held. During the period, the Group’s balance sheet and cash flow positions remained strong. As at 30 June 2010, the Group had a net cash balance of HK\$542.9 million. For the six months ended 30 June 2010, net cash inflows from operating activities amounted to HK\$138.2 million. The Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities during the period under review. The debt-to-equity ratio (interest bearing external borrowings divided by shareholders’ equity) stood at zero, while the current ratio (current assets divided by current liabilities) came to 7.4 times.

Capital structure

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

TSE Wai Ming, CFA & FCPA

Deputy CEO & Chief Financial Officer

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 27, which comprises the condensed consolidated balance sheet of Value Partners Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2010 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 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, 24 August 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Note	Six months ended 30 June	
		2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
Income			
Revenue	5	207,013	162,825
Other income	5	4,502	9,408
Total income		211,515	172,233
Expenses			
Distribution fees		26,073	13,999
Share-based compensation		3,025	3,569
Other compensation and benefit expenses		59,036	63,953
Operating lease rentals		3,623	5,997
Advisory fees		2,527	2,209
Other expenses		14,516	14,439
Total expenses		108,800	104,166
Other gains — net	6	5,605	58,501
Operating profit		108,320	126,568
Share of loss of a joint venture		(450)	—
Profit before tax		107,870	126,568
Tax expense	7	(16,262)	(10,493)
Profit for the period		91,608	116,075
Other comprehensive income — gains/(losses) recognised directly in equity			
Fair value gains/(losses) on available-for-sale financial assets		181	(57)
Other comprehensive income for the period		181	(57)
Total comprehensive income for the period		91,789	116,018
Profit attributable to Equity holders of the Company		91,608	116,075
Total comprehensive income attributable to Equity holders of the Company		91,789	116,018
Earnings per share for profit attributable to the equity holders of the Company (HK cents per share)			
— basic		5.7	7.3
— diluted		5.7	7.2

The notes on pages 18 to 27 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2010

	Note	30 June 2010 HK\$'000 Unaudited	31 December 2009 HK\$'000 Audited
Non-current assets			
Property, plant and equipment	9	7,594	8,944
Intangible assets	10	1,498	1,567
Interest in a joint venture		8,534	8,984
Investments	11	462,634	462,882
Deferred tax assets		—	617
Other assets		1,847	1,891
		482,107	484,885
Current assets			
Investments	11	7,921	7,166
Fees receivable	12	91,476	201,371
Prepayments and other receivables		9,790	10,540
Cash and cash equivalents	13	542,925	517,071
		652,112	736,148
Current liabilities			
Accrued bonus		26,723	100,795
Distribution fees payable	15	13,991	13,255
Other payables and accrued expenses		15,808	17,423
Current tax liabilities		31,868	20,146
		88,390	151,619
Net current assets		563,722	584,529
Total assets less current liabilities		1,045,829	1,069,414
Non-current liabilities			
Deferred tax liabilities		154	—
Net assets		1,045,675	1,069,414
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Issued equity	14	63,354	53,767
Other reserves		142,837	139,631
Retained earnings			
— proposed dividends	8	—	128,000
— others		839,484	748,016
Total equity		1,045,675	1,069,414

The notes on pages 18 to 27 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 2010

	Issued equity 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
Comprehensive income				
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	—	(57)	116,075	116,018
Transactions with owners				
Share-based compensation	—	3,569	—	3,569
Total transactions with owners	—	3,569	—	3,569
At 30 June 2009	53,767	134,620	673,287	861,674
Unaudited				
At 1 January 2010	53,767	139,631	876,016	1,069,414
Comprehensive income				
Profit for the period	—	—	91,608	91,608
Other comprehensive income				
Fair value gains on available-for-sale financial assets	—	181	—	181
Total comprehensive income	—	181	91,608	91,789
Transaction with owners				
Shares issued upon exercise of share options	9,587	—	—	9,587
Share-based compensation	—	3,025	—	3,025
Dividends	—	—	(128,140)	(128,140)
Total transactions with owners	9,587	3,025	(128,140)	(115,528)
At 30 June 2010	63,354	142,837	839,484	1,045,675

The notes on pages 18 to 27 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
Cash flows from operating activities		
Net cash generated from operations	141,446	54,146
Interest received	480	2,804
Tax paid	(3,769)	(940)
Net cash generated from operating activities	138,157	56,010
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(356)	(6,269)
Purchase of investments	(3,876)	—
Disposal of investments	8,063	4,196
Closing of derivative financial instruments	(1,182)	—
Dividends received from investments	3,601	6,593
Net cash generated from investing activities	6,250	4,520
Cash flows from financing activities		
Proceeds from shares issued upon exercise of share options	9,587	—
Dividends paid	(128,140)	—
Net cash used in financing activities	(118,553)	—
Net increase in cash and cash equivalents	25,854	60,530
Cash and cash equivalents at beginning of the period	517,071	562,165
Cash and cash equivalents at end of the period	542,925	622,695

The notes on pages 18 to 27 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

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”).

These condensed consolidated interim financial information are 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 24 August 2010.

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 2010 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKFRS”).

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following amendment to standard is mandatory for the first time for the financial year beginning 1 January 2010.

- HKAS 1 (Amendment) “Presentation of Financial Statements”. The amendment is part of the HKICPA’s annual improvements project published in May 2009. 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 has applied HKAS 1 (Amendment) from 1 January 2010. The amendment does not have any impact on the Group’s financial statements.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

3 Accounting policies *(continued)*

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

- HKFRS 9 “Financial Instruments” addresses the classification and measurement of financial assets and is likely to affect the Group’s accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is in the process of assessing HKFRS 9’s full impact. However, initial indications are that it may affect the Group’s accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale equity investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised HK\$181,000 of such gains in other comprehensive income. The Group has not yet decided when to adopt HKFRS 9.

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 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 this condensed consolidated interim financial information.

The total 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 are equivalent to the sum of current and non-current assets and the total segment liabilities are equivalent to the sum of current and non-current liabilities as shown in the condensed consolidated balance sheet.

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

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

6 Other gains — net

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

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

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

8 Dividends

Dividends declared by the Company of HK\$128,140,000 related to the year ended 31 December 2009 and were paid on 12 May 2010.

No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2010 (2009: Nil).

9 Property, plant and equipment

	Six months ended 30 June	
	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
Opening net book amount	8,944	4,165
Additions	161	6,267
Depreciation	(1,511)	(2,249)
Closing net book amount	7,594	8,183

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

10 Intangible assets

	Six months ended 30 June	
	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
Opening net book amount	1,567	1,635
Additions	195	2
Amortisation	(264)	(261)
Closing net book amount	1,498	1,376

11 Investments

Investments include the following:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Total	
	30 June 2010 HK\$'000 Unaudited	31 December 2009 HK\$'000 Audited	30 June 2010 HK\$'000 Unaudited	31 December 2009 HK\$'000 Audited	30 June 2010 HK\$'000 Unaudited	31 December 2009 HK\$'000 Audited
Listed securities (by place of listing)						
Investment funds — Hong Kong	75,141	74,079	—	—	75,141	74,079
Investment funds — Singapore	3,880	6,842	—	—	3,880	6,842
Market value of listed securities	79,021	80,921	—	—	79,021	80,921
Unlisted securities (by place of incorporation/establishment)						
Equity securities — Singapore	—	—	2,476	2,631	2,476	2,631
Investment funds — Cayman Islands	345,429	334,265	—	—	345,429	334,265
Investment funds — Luxembourg	5,929	6,367	—	—	5,929	6,367
Investment funds — United States of America	25,127	33,627	12,573	12,237	37,700	45,864
Fair value of unlisted securities	376,485	374,259	15,049	14,868	391,534	389,127
Total investments	455,506	455,180	15,049	14,868	470,555	470,048
Representing						
Non-current	447,585	448,014	15,049	14,868	462,634	462,882
Current	7,921	7,166	—	—	7,921	7,166
Total investments	455,506	455,180	15,049	14,868	470,555	470,048

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

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

13 Cash and cash equivalents

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

14 Issued equity

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

14 Issued equity *(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.

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)
Unaudited		
At 1 January 2009	5.57	112,398
Granted	2.44	16,000
At 30 June 2009	5.18	128,398
At 1 January 2010	5.15	117,650
Granted	5.00	8,100
Exercised	5.50	(1,743)
Forfeited	5.50	(3,486)
At 30 June 2010	5.12	120,521

Out of the 120,521,000 (2009: 128,398,000) outstanding share options, 95,987,000 (2009: 101,855,000) options were exercisable at 30 June 2010. 1,743,000 share options were exercised during the six months ended 30 June 2010 (2009: Nil).

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

Expiry date	Exercise price (HK\$ per share)	Number of options ('000)	
		30 June 2010 Unaudited	30 June 2009 Unaudited
21 November 2010	7.56	975	975
31 December 2010	7.56	2,667	2,667
25 September 2014	5.50	37,328	53,305
14 November 2014	5.50	55,451	55,451
26 October 2015	2.44	16,000	16,000
22 December 2016	5.00	8,100	—

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

15 Distribution fees payable

The ageing analysis of distribution fees payable is as follows:

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

16 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 2010 HK\$'000 Unaudited	31 December 2009 HK\$'000 Audited
Not later than one year	7,131	6,670
Later than one year and not later than five years	18,753	21,572
Total operating lease commitments	25,884	28,242

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.

As a result, at 30 June 2010 and 31 December 2009, performance fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding period/year have 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

17 Contingencies *(continued)*

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 2010 and 31 December 2009, the performance fee element of distribution fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding period/year have not been recognised. These distribution fees may be payable in cash if the performance fees are subsequently earned on the performance fee valuation days.

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	
	2010 HK\$'000 Unaudited	2009 HK\$'000 Unaudited
Bonus, salaries and other short-term employee benefits	6,256	8,064
Share-based compensation	2,434	1,682
Pension costs — mandatory provident fund scheme	24	42
Total key management compensation	8,714	9,788

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

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 2010 Unaudited Fair value HK\$'000	31 December 2009 Audited Fair value HK\$'000
Mutual funds/unit trusts		
Asia Value Formula Fund	63,563	62,155
Manulife Global Fund — China Value Fund (a)	5,929	6,367
Value China ETF	71,100	73,900
Value Partners Cash Management Fund	77,682	77,429
Value Partners China Greenchip Fund Limited (b)	8,656	7,924
Value Partners Classic Fund (c)	14,114	13,927
Value Partners Credit Fund (d)	61,867	53,912
Value Partners Greater China Property Hedge Fund (e)	37,213	38,460
Value Partners Hedge Fund Limited (e)	16,058	15,451
Value Partners High-Dividend Stocks Fund	15,205	14,092
Value Partners Intelligent Funds		
— China Convergence Fund	17,668	17,448
Value Partners Intelligent Funds		
— Chinese Mainland Focus Fund	16,343	15,985
Value Partners Strategic Equity Fund (f)	1,926	1,724
Value Partners Taiwan Fund	15,124	15,748
Limited liability company		
Value Partners Asia Fund, LLC	25,127	33,627
Total investments in own investment funds	447,575	448,149

- (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 the Value Partners Bond Fund before 15 January 2010.
- (e) The shares held were participating redeemable preference shares.
- (f) The shares held were non-voting shares.

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

At 30 June 2010, the Group had investments in Malabar India Fund, LP amounted to HK\$12,573,000 (31 December 2009: HK\$12,237,000) which is managed by Malabar Investment LLC in which the Group had an interest of 7.77% (31 December 2009: 8.75%). The Group also had a receivable of HK\$1,167,000 (31 December 2009: HK\$1,163,000) from Malabar Investment LLC at 30 June 2010.

19 Cyclical

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.

Other Information

Directors' interests in shares, underlying shares and debentures

As at 30 June 2010, 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⁾	499,730,484	—	31.19%
	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	13,536,140	3.04%
Mr. TSE Wai Ming	Beneficial	—	1,600,000	0.09%
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.

Other Information

(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.

Other Information

(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 six months ended 30 June 2010 were as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2010	Number of Share Options			As at 30/06/2010
					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
	23/06/2010	23/06/2011-22/12/2016	5.00	—	500,000	—	—	500,000
		23/06/2012-22/12/2016	5.00	—	500,000	—	—	500,000
		23/06/2013-22/12/2016	5.00	—	500,000	—	—	500,000
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
	23/06/2010	23/06/2011-22/12/2016	5.00	—	250,000	—	—	250,000
		23/06/2012-22/12/2016	5.00	—	250,000	—	—	250,000
		23/06/2013-22/12/2016	5.00	—	250,000	—	—	250,000
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	21,819,742	—	—	—	21,819,742
		25/03/2009-25/09/2014	5.50	3,404,983	—	(1,742,981)	—	1,662,002
		25/03/2010-25/09/2014	5.50	3,404,983	—	—	(1,742,981)	1,662,002
		25/03/2011-25/09/2014	5.50	3,404,977	—	—	(1,742,981)	1,661,996
	23/06/2010	23/06/2011-22/12/2016	5.00	—	1,950,003	—	—	1,950,003
		23/06/2012-22/12/2016	5.00	—	1,950,003	—	—	1,950,003
		23/06/2013-22/12/2016	5.00	—	1,949,994	—	—	1,949,994
Others	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				117,649,793	8,100,000	(1,742,981)	(3,485,962)	120,520,850

Notes:

- The closing prices of the Shares immediately before the share options granted on 26 March 2008, 15 May 2008, 27 April 2009 and 23 June 2010 were HK\$5.50, HK\$7.56, HK\$2.20 and HK\$5.00 respectively.
- No share option was cancelled during the period under review.
- 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.

Other Information

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.

A new batch of share options were granted on 23 June 2010. The fair value of share options granted as determined using Black-Scholes option-pricing model was in a range of HK\$1.80 to HK\$1.99 per option. The key inputs into the model were share price of HK\$5.00 at the grant date, the exercise price of HK\$5.00 per share, an estimated volatility of 51.99% based on relevant market comparables, an estimated dividend yield of 1.60% based on historical dividend of HK8.0 cents per share, an estimated expected option life from 3.7 to 4.8 years and an annual risk-free interest rate in a range of 1.33% to 1.60%. An estimated annualized forfeiture rate of 20% is used in determining the amount of share option expenses.

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 2010, 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:

Other Information

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	34.76%
Mr. YEH V-Nee	Beneficial	292,523,324	18.26%
Ms. LIANG Mira ⁽²⁾	Spouse	292,523,324	18.26%
Cheah Capital Management Limited ⁽³⁾	Beneficial	499,730,484	31.19%
Cheah Company Limited ⁽³⁾	Corporate	499,730,484	31.19%
Hang Seng Bank Trustee International Limited ^{(3) (4)}	Trustee	535,044,067	33.40%
Hang Seng Bank Limited ^{(3) (4)}	Interest of controlled corporation	535,044,067	33.40%
HSBC Holdings plc ^{(3) (4)}	Interest of controlled corporation	535,044,067	33.40%
Ping An Insurance (Group) Company of China, Ltd. ⁽⁵⁾	Corporate	144,000,000	8.99%
Affiliated Managers Group, Inc. ⁽⁶⁾	Interest of controlled corporation	80,828,000	5.04%

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

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 2010 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.

Other Information

Dividend

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

Foreign Exchange

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

Human Resources

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

Purchase, Sale or Redemption of the Company's Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

Audit Committee

In compliance with the Listing Rules, the Company has an audit committee that comprises three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Group for the six months ended 30 June 2010.

Independent Review of Interim Results

The unaudited interim results of the Group for the six months ended 30 June 2010 have been reviewed by PricewaterhouseCoopers, the Company's Auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Corporate Governance

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010.

Other Information

Model Code for Securities Transactions by Directors

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

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2010.

Publication of Interim Results and Interim Report on the Stock Exchange

The interim results announcement and interim report are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.valuepartnersgroup.com.hk).

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\$511,900 to HK\$409,520 with effect from 1 July 2010.

The monthly salary of Ms. HUNG Yeuk Yan Renee was revised from HK\$118,000 to HK\$132,160 with effect from 1 July 2010.

The monthly salary of Mr. SO Chun Ki Louis was revised from HK\$118,000 to HK\$132,160 with effect from 1 July 2010.

The monthly salary of Mr. TSE Wai Ming was revised from HK\$105,000 to HK\$133,000 with effect from 1 July 2010.

Mr. LEE Siang Chin has been appointed as an independent non-executive director of Star Publications (Malaysia) Berhad, a company listed on the Malaysian Stock Exchange with effect from 24 May 2010.

Mr. Nobuo OYAMA was awarded a Master’s degree in Business Administration from Asia University, Tokyo, Japan on 31 March 2010.

Our Appreciation

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

By order of the board of
Value Partners Group Limited
CHAN Sheung Lai
Chief Executive Officer & Executive Director

Hong Kong, 24 August 2010

www.valuepartnersgroup.com.hk

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