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## IMPORTANT

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If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



### Value Partners Group Limited

惠理集團有限公司

(incorporated in the Cayman Islands with limited liability)

#### GLOBAL OFFERING

<b>Number of Offer Shares under the Global Offering</b>	<b>: 381,600,000 Shares (subject to adjustment and the Over-allocation Option)</b>
<b>Number of Hong Kong Offer Shares</b>	<b>: 38,160,000 Shares (subject to adjustment)</b>
<b>Number of International Offer Shares</b>	<b>: 343,440,000 Shares (subject to adjustment and the Over-allocation Option)</b>
<b>Maximum Offer Price</b>	<b>: HK\$7.63 per Hong Kong Offer Share (payable in full on application subject to refund, plus brokerage fee of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%)</b>
<b>Nominal Value</b>	<b>: HK\$0.10 per share</b>
<b>Stock Code</b>	<b>: 806</b>

#### Joint Sponsors



Morgan Stanley

#### Joint Global Coordinators and Joint Bookrunners



#### Joint Lead Managers

(in alphabetical order)

**BNP Paribas Capital  
(Asia Pacific) Limited**

**China International Capital  
Corporation (Hong Kong) Limited**

**J. P. Morgan Securities  
(Asia Pacific) Limited**

**Morgan Stanley  
Asia Limited**

#### Co-Manager

**Piper Jaffray Asia Securities Limited**

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The Hong Kong Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, the Hong Kong Stock Exchange and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters), the Company and the Selling Shareholders on the Price Determination Date which is expected to be on or before 14 November 2007 and, in any event, not later than 21 November 2007. The Offer Price will not be more than HK\$7.63 and is currently expected not to be less than HK\$6.78 per Hong Kong Offer Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$7.63 for each Hong Kong Offer Share together with 1% brokerage fee, 0.005% Hong Kong Stock Exchange trading fee and 0.004% SFC transaction levy, subject to refund if the Offer Price as finally determined is less than HK\$7.63 per Offer Share.

The Joint Global Coordinators (on behalf of the Underwriters) may, with the consent of the Company and the Selling Shareholders, reduce the indicative Offer Price range and/or the number of Hong Kong Offer Shares stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the indicative Offer Price range and/or the number of Hong Kong Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day that is the last day for lodging applications under the Hong Kong Public Offering, then even if the indicative Offer Price range and/or the number of Hong Kong Offer Shares is so reduced, such applications cannot be subsequently withdrawn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

Prospective investors should read the entire document carefully and, in particular, should consider the matters discussed in the section entitled "Risk Factors".

This Global Offering is not an offering of any interest in the funds managed or advised by the Group (as defined herein).

8 November 2007

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## EXPECTED TIMETABLE

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Latest time to lodge <b>pink</b> application forms	5:00 p.m. on 12 November 2007
Application lists open <sup>2</sup>	11:45 a.m. 13 November 2007
Latest time to lodge <b>white</b> and <b>yellow</b> application forms	12:00 noon on 13 November 2007
Latest time to give <b>electronic application instructions</b> to HKSCC <sup>3</sup>	12:00 noon on 13 November 2007
Application lists close	12:00 noon on 13 November 2007
Expected Price Determination Date <sup>4</sup>	14 November 2007

Announcement of:

- the Offer Price;
- the final number of Hong Kong Offer Shares;
- an indication of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering
- results of allocation and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering

expected to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before 21 November 2007

Announcement of results of allocation and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering to be available through the Company's website at [www.valuepartnersgroup.com.hk](http://www.valuepartnersgroup.com.hk) and the website of the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) (see paragraph headed "Announcement of Offer Price and basis of allocations" in the "Structure of the Global Offering" section) from 21 November 2007

Despatch of Share certificates in respect of wholly or partially successful applications on or before<sup>5</sup> 21 November 2007

Despatch of refund cheque(s) in respect of wholly or partially unsuccessful applications on or before<sup>6</sup> 21 November 2007

Dealings in Shares on the Hong Kong Stock Exchange expected to commence 22 November 2007

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1 All times refer to Hong Kong local time.

2 If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 13 November 2007, the application lists will not open on that day. Please refer to the paragraph headed "Effect of bad weather on the opening of the application lists" in the "How to Apply for Hong Kong Offer Shares" section.

3 Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed "Applying by giving electronic application instructions to HKSCC via CCASS" in the "How to Apply for Hong Kong Offer Shares" section.

4 The date on which the Offer Price is to be determined, or the Price Determination Date, is expected to be on or around 14 November 2007 and in any event, not later than 21 November 2007. If, for any reason, the Joint Global Coordinators (on behalf of the Underwriters), the Company and the Selling Shareholders are unable to reach an agreement on the Offer Price on or before 21 November 2007, the Hong Kong Public Offering and the International Offering will not become unconditional and will lapse immediately.

5 Share certificates will only become valid if the Global Offering becomes unconditional and neither of the Underwriting Agreements is terminated in accordance with its terms before 8:00 a.m. 22 November 2007, on the date on which our Shares are first listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange, or the Listing Date, which is expected to be 22 November 2007. No dealing should take place in the Offer Shares prior to commencement of dealing in the Shares on the Hong Kong Stock Exchange. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

6 Refund cheque(s) will be issued in respect of wholly and partially unsuccessful applications, and also in respect of successful applications in the event that the Offer Price as finally determined is less than the Offer Price per Offer Share initially paid on application.

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## CONTENTS

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*You should rely on the information contained in this prospectus and the application forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representations not made in this prospectus and the application forms must not be relied upon by you as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers, any of the Underwriters, the Selling Shareholders, any of their respective directors or any other person or party involved in the Global Offering.*

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## SUMMARY

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***This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Shares. There are risks associated with any investment. Some of the particular risks in investing in the Shares are set out in the "Risk Factors" section in this prospectus. You should read that section carefully before you decide to invest in the Shares.***

### **1. OVERVIEW**

Value Partners is an independent, value-oriented asset management group with a focus on Greater China and the Asia-Pacific Region. As at 30 June 2007, our Group had total AUM of US\$5.7 billion. Under our Value Partners brand and, to a lesser extent, our SAM brand, we manage seven authorized funds, manage or sub-manage five non-authorized funds and provide management or sub-management services to four white label or co-branded funds, including one MPF fund. We also provide account management services to seven managed accounts and manage or advise on other products, including structured notes. We manage two private equity funds. Our investor base comprises institutions, corporates, statutory authorities, university endowment funds, charitable foundations, high net worth individuals and retail investors.

### **2. OUR STRENGTHS**

#### **2.1 Sustained strong investment performance**

Our Company has a strong investment performance track record and our funds have won a number of awards from Lipper, Asia Hedge and Standard and Poor's (formerly known as Micropal). See the paragraph headed "Awards & Recognition" in the "Our Business" section. Our Directors believe that the strong investment performance has been a principal driver of the growth in AUM. According to HSBC Institutional Trust Services (Asia) Limited and Standard & Poor's, our Value Partners Classic Fund has an annualized volatility of 19.6% and annualized return of 22.1% over the period from April 1993 to August 2007 which places our fund at the lowest volatility and highest return amongst the peer group (which are funds in Equity China, Equity Greater China and Equity Hong Kong launched before April 1993) selected and analyzed by Standard & Poor's.

#### **2.2 A highly experienced investment team with a distinctive investment culture**

We believe that the strength of our fund management team is a distinctive factor in our ability to adhere to our investment strategies. Our value investing discipline has developed and strengthened in the 14 years since our Group commenced business and we started to build our team. Our CIO, and five senior fund managers have an average of more than eleven years in the industry of which an average of more than eight years have been spent as full time employees of our Company. See the "Directors and Senior Management" section.

Four of our five senior fund managers have been promoted internally from within our pool of associate fund managers and analysts. We hired a highly experienced and well recognized fund manager in 2005, and we expect that our reputation and distinctive culture will enable us to attract and retain talent in the future.

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## SUMMARY

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### **2.3 Long track record and performance through investment cycles**

During our 14-year history, our Company has navigated through a number of financial market cycles by focusing on our core value investing principles grounded in company research.

We believe that the primary macro economic cycles during the course of our business have been, in chronological order: (i) the 1993 emerging market boom and resulting 1994 Tequila crisis; (ii) the pre-1997 Hong Kong handover and H-share appreciation followed by the Asian crisis combined with the 1998 Long-Term Capital Management and Russian Government defaults; (iii) the 1999-2000 technology dotcom boom and subsequent 2001 bust; and, (iv) the 2003 market downturn which coincided with the outbreak of SARS in Greater China, and the following market recovery in 2004.

We believe that our Company's value investing philosophy and investment culture has been tested during these past economic cycles, adding credibility to the strength of our investment principles and team. Our Directors further believe that Value Partners, as a boutique fund manager focused on value investing in Greater China and the Asia-Pacific Region, is one of only a few homegrown fund managers in the region that has experienced all of these investment cycles over the past decade.

### **2.4 Exceptional brand strength and client loyalty**

Our Directors believe that the performance of our funds has resulted in considerable client loyalty and brand recognition.

### **2.5 Our performance fee structure is aligned with the interests of our clients**

We believe that the investment performance of our funds is a key driver of our growth in AUM and our ability to sustain fee levels. In order to align our interests with those of our clients, the fee structure for our Value Partners series of funds typically comprises both a management fee and a performance fee. The management fee of the majority of our authorized funds is 1.25% per annum. For the remainder of our funds, this may differ depending upon the nature of the fund, the management style, investment theme, branding and other factors. The performance fee of our authorized funds is 15% payable on positive returns subject to a high watermark principle.

### **2.6 Significant management and employee ownership**

As at the Latest Practicable Date, approximately 51% of our Shares were held by Mr. Cheah Cheng Hye, Ms. Chau Yee Man, Mr. Choi Nga Chung, Mr. Ho Man Kei, Ms. Hung Yeuk Yan Renee, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki and Ms. Woo Lai Nga, or trustees of which certain Directors and/or certain members of their family are beneficiaries. These Shares will continue to be subject to a lock-up for six months following Listing. Our Directors believe that this high degree of share ownership by management and employees ensures an alignment of the interests of our management with our investors in the Global Offering and other shareholders. As at 30 June 2007, our Directors had approximately US\$24.1 million (at market value as at 30 June 2007) of their own personal wealth invested in our funds. Every employee is able to take advantage of our investment success as our employee year-end bonuses are directly linked to our level of profits.

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### 2.7 Efficient operations

We focus on efficiency throughout our organisation. Total operating expenses as a percentage of fee income were 48.7%, 43.1% and 37.8% in each of the years ended 31 December 2004, 2005 and 2006, respectively. Total operating expenses as a percentage of fee income were 46.3% and 38.5% for each of the six months ended 30 June 2006 and 2007, respectively.

### 2.8 Focus on compliance and risk management

We place significant emphasis on the importance of regulatory compliance and internal controls. In the last seven years we have commissioned four external reviews, three of which focused on compliance and one on IT and infrastructure. For further details on our compliance policies, please refer to the paragraph headed "Compliance" in the "Our Business" section.

## 3. OUR STRATEGY

### 3.1 Create shareholder value through continuing to achieve strong investment performance

Our primary objective is to deliver returns to our shareholders as a leading independent asset manager with continuing strong investment performance.

We seek to achieve our performance objectives through continuing to identify compelling value investment opportunities in Greater China and the Asia-Pacific Region. Our Directors believe that such opportunities will continue to become available due to ongoing development of regional economies and their respective capital markets.

### 3.2 Our commitment to value investing principles

Our strategy is to maintain our value investing principles to generate returns for investors in our funds, which in turn helps us to develop a brand name synonymous with disciplined value investing in Greater China and the Asia-Pacific Region.

### 3.3 Diversification of our suite of products

We plan to maintain the Value Partners brand for classic value investing but with a focus on non-mainstream or small to mid-cap stocks and an emphasis on absolute return or hedge fund strategy investments while using the SAM brand to take advantage of opportunities which use the same value investing principles but involve other techniques such as quantitative analysis.

We believe in expanding our client base by cross-selling existing complementary products to our existing clients and new clients. We plan to achieve this by continuing to develop investment products firmly rooted in our Company's value investing philosophy, while utilising appropriate branding and fee structures.

We also seek to capitalise on other investment opportunities which we identify through our extensive company visits and due diligence yet which are not appropriate for our authorized funds. These would include investments in unlisted companies through techniques such as private equity.

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### 3.4 Maintenance of our distinctive investment culture

We aim to maintain our investment culture which we believe is a distinctive factor in our ability to adhere to our fundamental investment strategies.

### 3.5 Further institutionalization of our business model

In line with our strong business growth since our Group's inception, we are dedicated to further institutionalizing our firm's operations and control structure to ensure that our front and back-office fund management platform and associated administration approaches are consistent with best practice. With the hirings of Mr. Ngan Wai Wah and Mr. Law Ka Kin in 2004, who are now our CEO and COO, respectively, and the recruitment of Mr. Mark Dickens J.P. in July 2007 as our CRO, our Group has strategically invested in key management to drive the development of our business strategy, marketing, administration, finance, technology, risk management and legal and compliance infrastructure. The addition of employees to support these efforts and the establishment of a number of key departments to support the core fund management activities of the Group have strengthened the Group's franchise and operating activities. Led by the CEO and COO, the Group has also undertaken a number of compliance and technology reviews with professional third party consultants and advisors to assess development areas as its business expands. Our Directors believe that these important efforts in institutionalizing the business will allow the Group to sustain its measured growth.

### 3.6 Further development and ability to respond to market needs

We have already demonstrated our ability to identify market needs and investment themes and respond through the establishment or creation of new product lines and funds. We aim to continue to utilize the market knowledge of our investment team to attract new business and to expand our product range.

## 4. SUBSTANTIAL SHAREHOLDERS

So far as our Directors were aware as at the Latest Practicable Date, immediately following completion of the Global Offering, but taking no account of any Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Option granted to Mr. Law Ka Kin or any options that may be granted under the Share Option Scheme, the following persons will be directly or indirectly interested in 10% or more of the issued Shares:

<u>Name</u>	<u>Number of Shares</u>	<u>Approximate % of Voting Power</u>
CCML <sup>(1)</sup>	570,468,484	35.65%
Mr. Yeh V-Nee	292,523,324	18.28%
Hang Seng Bank Trustee International Limited <sup>(1)(2)</sup>	610,827,067	38.18%

*Notes:*

- (1) CCML is wholly-owned by Cheah Company Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. Cheah Cheng Hye and certain members of his family. For the purposes of the SFO, Mr. Cheah is the founder of this trust.
- (2) 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.

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## SUMMARY

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We are not aware of any existing arrangement which may at a subsequent date result in a change of control of our Company.

### 5. THE SELLING SHAREHOLDERS

The particulars of the Selling Shareholders are:

Name	Number of Shares (% of issued share capital) as at the Latest Practicable Date	Number of Shares immediately after the Global Offering (assuming no exercise of the Over-allocation Option)	Number of Shares immediately after the Global Offering (assuming the Over- allocation Option is exercised in full)	Address
J.H. Whitney III, L.P.	316,863,482 (19.80%)	18,400,000 (1.15%)	—	130 Main Street, New Canaan, CT 06840, USA
Value Holdings, LLC	175,470,060 (10.97%)	92,333,542 (5.77%)	80,333,542 (5.02%)	7 Ridgewood Drive, Bridgewater, CT 06752, USA

As at the Latest Practicable Date, J.H. Whitney III, L.P. and Value Holdings, LLC each held approximately 19.80% and 10.97%, respectively, in the Company. J.H. Whitney III, L.P. is a U.S. private equity fund which engages in investments in various parts of the world, adopting investment strategies and with a focus on regions where the fund managers have had first hand experience. Value Holdings, LLC was formed by Holding Capital Management Co. (a private equity investor in the U.S.) and its affiliates to hold its interest in VPL.

Value Holdings, LLC first became a shareholder of VPL in February 1996. Two years later in June 1998, J.H. Whitney III, L.P. also became a shareholder of VPL. As we continue to institutionalise our business, we agreed with the Selling Shareholders that a public offering will take us to a new phase of our business development, and make it easier for us to provide and enable equity ownership and liquidity for our employees. The Selling Shareholders consider this to be an appropriate time to alter their investment in us of over 8 years. We therefore agreed with them that we seek a Listing through Global Offering of the Selling Shareholders' Shares. Under the Global Offering, J.H. Whitney III, L.P. will sell all or substantially all of its holdings (depending whether or not the Over-allocation Option is exercised), while Value Holdings, LLC will only sell a portion of its holdings and will retain about half of its current position.



## SUMMARY

### 6. SUMMARY OF FINANCIAL INFORMATION

Set out below are our combined results of operations for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007.

	Year ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006	Six months ended 30 June 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
<b>Income</b>					
<b>Fee income</b>					
<i>Performance fees</i>	166,417	304,615	1,234,173	139,067	367,278
<i>Management fees</i>	157,039	164,404	246,482	102,797	180,889
<i>Front-end fees</i>	30,182	4,702	5,669	2,577	2,796
<i>Back-end fees</i>	13,011	11,281	3,294	1,714	11,287
<b>Total fee income</b>	<u>366,649</u>	<u>485,002</u>	<u>1,489,618</u>	<u>246,155</u>	<u>562,250</u>
<b>Other income</b>					
<i>Interest income</i>	2,610	5,455	11,101	5,352	14,387
<i>Dividend income</i>	3,782	2,053	16,818	5,411	5,364
<i>Others</i>	489	847	588	339	557
<b>Total other income</b>	<u>6,881</u>	<u>8,355</u>	<u>28,507</u>	<u>11,102</u>	<u>20,308</u>
<b>Total income</b>	<u>373,530</u>	<u>493,357</u>	<u>1,518,125</u>	<u>257,257</u>	<u>582,558</u>
<b>Expenses</b>					
<i>Distribution fees</i>	(76,850)	(67,469)	(122,025)	(24,870)	(33,230)
<i>Compensation and benefit expenses</i>	(77,637)	(113,269)	(358,095)	(59,956)	(125,253)
<i>Operating lease rentals</i>	(1,888)	(1,897)	(6,153)	(994)	(4,758)
<i>Advisory fees</i>	(14,456)	(15,605)	(55,255)	(22,462)	(42,048)
<i>Other expenses</i>	(7,739)	(10,843)	(22,252)	(5,756)	(10,909)
<b>Total expenses</b>	<u>(178,570)</u>	<u>(209,083)</u>	<u>(563,780)</u>	<u>(114,038)</u>	<u>(216,198)</u>
<b>Other gains/(losses) — net</b>	<u>1,386</u>	<u>271</u>	<u>80,599</u>	<u>2,972</u>	<u>30,794</u>
<b>Operating profit</b>	196,346	284,545	1,034,944	146,191	397,154
Share of profit of an associate	125	188	3,514	3,724	—
Share of profit/(loss) of joint ventures	—	(1,002)	(2,138)	(559)	255
<b>Profit before tax</b>	196,471	283,731	1,036,320	149,356	397,409
Tax expense	(28,928)	(46,682)	(180,135)	(21,949)	(62,219)
<b>Profit for the year/period</b>	<u>167,543</u>	<u>237,049</u>	<u>856,185</u>	<u>127,407</u>	<u>335,190</u>
<b>Attributable to</b>					
Equity holders of the Company	167,543	237,049	856,266	127,407	335,190
Minority interests	—	—	(81)	—	—
	<u>167,543</u>	<u>237,049</u>	<u>856,185</u>	<u>127,407</u>	<u>335,190</u>

## SUMMARY

	Year ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006	Six months ended 30 June 2007
<b>Other operating data</b>					
<i>AUM at period end (US\$ million)</i>	2,322.1	2,483.7	4,515.4	3,400.6	5,736.1
<i>Average AUM (US\$ million)<sup>(1)</sup></i>	2,177.9	2,430.8	3,544.9	3,198.4	5,054.3
<i>Net fee income margin (%)<sup>(2)(6)</sup></i>	1.62%	2.12%	4.78%	0.80%	1.24%
<i>Net performance fee margin (%)<sup>(3)(6)</sup></i>	0.83%	1.39%	4.03%	0.46%	0.83%
<i>Net management fee margin (%)<sup>(4)(6)</sup></i>	0.68%	0.66%	0.72%	0.33%	0.37%
<i>Net profit margin (fee income)<sup>(5)</sup></i>	45.7%	48.9%	57.5%	51.8%	59.6%

*Notes:*

- (1) Average AUM is the sum of the month-end AUM divided by the number of months in the given period.
- (2) Net fee income margin is the total fee income less distribution costs and advisory fee divided by the average AUM for the period indicated.
- (3) Net performance fee margin is the net performance fee divided by the average AUM for the period indicated.
- (4) Net management fee margin is the net management fee divided by the average AUM for the period indicated.
- (5) Net profit margin is the reported net profit divided by reported total fee income.
- (6) The following average exchange rates for the year/period were adopted for calculation:  
 For the year ended 31 December 2004: HK\$7.79 to US\$1  
 For the year ended 31 December 2005: HK\$7.79 to US\$1  
 For the year ended 31 December 2006: HK\$7.75 to US\$1  
 For the six months ended 30 June 2006: HK\$7.75 to US\$1  
 For the six months ended 30 June 2007: HK\$7.78 to US\$1

### 7. GLOBAL OFFERING

The Global Offering consists of:

- (a) the offer by the Selling Shareholders of initially 38,160,000 Shares, for sale to the public in the Hong Kong Public Offering; and
- (b) the offer by the Selling Shareholders of initially 343,440,000 Shares, for sale in the International Offering, consisting of an offering of our Shares (i) in the United States to QIBs, in reliance on Rule 144A, and (ii) outside the United States in reliance on Regulation S under the Securities Act.

The Company is not issuing any new Shares in this Global Offering and will not receive any proceeds from it. The Global Offering consists of the offer and sale of Shares by the Selling Shareholders only, who will receive all of the net proceeds from the Global Offering.

At any time from the date of signing of the International Purchase Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Global Coordinators (on behalf of the International Underwriters) have an option to purchase up to an additional 12,000,000 Shares from Value Holdings, LLC and an additional 18,400,000 Shares from J.H. Whitney III, L.P., representing in aggregate approximately 7.97% of the initial size of the Global Offering, at the Offer Price, solely to cover over-allocation in the International Offering, if any.

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## SUMMARY

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The number of Offer Shares is subject to adjustment and reallocation as described in the “Structure of the Global Offering” section.

### 8. OFFER STATISTICS<sup>(1)</sup>

	<b>Based on Offer Price of HK\$6.78 per Offer Share</b>	<b>Based on Offer Price of HK\$7.63 per Offer Share</b>
Market capitalization <sup>(2)</sup>	10,848 million	12,208 million

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Notes:

- (1) All statistics are calculated without taking into account any Shares that may be allotted and issued pursuant to the exercise of the Pre-IPO Share Option or any options that may be granted pursuant to the Share Option Scheme or which may be allotted and issued or repurchased by us pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed “Written Resolutions of the Sole Shareholder” in Appendix IV to this prospectus or otherwise.
- (2) The calculation of the market capitalization is based on 1,600,000,000 Shares expected to be in issue immediately following completion of the Global Offering.

### 9. DIVIDEND POLICY

We will not declare or pay any dividends other than from profits and reserves lawfully available for distribution, including share premiums. Our shareholders in a general meeting may approve the distribution of dividends, but the amount may not exceed the amount recommended by our Directors. Our Directors may from time to time also declare interim dividends as appear to our Directors to be justified by our profits and may also declare half yearly (or at other) intervals at a fixed rate if they are of the opinion that the profits available for distribution justify the payment of a dividend. A substantial portion of the profits earned during the Track Record Period has been distributed to our existing shareholders.

Dividends declared will be paid in Hong Kong dollars. The amount of any dividends to be declared or paid in the future will depend on, amongst other things, our Group’s results of operations, future profits, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on our articles of association, the Companies Law, applicable laws and regulations and other relevant factors.

Subject to the factors above, we plan to distribute regular dividends after Listing. We currently intend to distribute to our shareholders as dividends (i) for the year ending 31 December 2007, no less than 30% of total distributable profits in respect of the period from the Listing Date to 31 December 2007, and (ii) for each of the following years, no less than 30% of total distributable profits in respect of the relevant year. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in any year.

The payment of dividends may be limited by legal restrictions and by financing agreements that we may enter into in the future.

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## SUMMARY

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### 10. SPECIAL DIVIDEND

On 25 October 2007, the directors of VPL passed a resolution authorizing a payment of dividend in respect of the eight months ended 31 August 2007 to shareholders of VPL as at 24 October 2007. The amount of special dividend will be the maximum amount that can satisfy each of the following criteria, namely, (i) it neither exceeds HK\$660 million nor the audited consolidated retained earnings of VPL as at 31 August 2007 and (ii) the audited consolidated retained earnings of the Group as at 31 December 2007 (reduced by the amount of the special dividend) is not less than HK\$690 million (which is to be made available for funding our working capital and future business developments). The special dividend would not be payable until after our Listing and the issue of the audited financial statements of both VPL and the Group. Investors should note that none of the above constitutes a profit forecast by the Group in respect of the year ending 31 December 2007.

The Company will announce the amount of audited consolidated retained earnings of VPL as at 31 August 2007 at the same time as it publishes the Group's audited consolidated financial statements for the year ending 31 December 2007. The dividend will be paid out of operating cash flow of the Group at the time, after the publication of the audited consolidated financial statements of the Group for the year ending 31 December 2007. The resolution for the special dividend and its payment will be made in accordance with the articles of association of VPL and applicable laws in the BVI, which is the jurisdiction in which VPL is incorporated. On the basis of the Directors' confirmation of sufficiency of working capital set out in paragraph 15 headed "Working Capital" in the "Financial Information" section, the Joint Sponsors are satisfied that the said confirmation was given after due and careful enquiry by the Directors.

The amount of dividends that we have declared historically are not indicative of the dividends that we may pay in the future.

### 11. FUTURE PLANS

Our Company plans to broaden its operations by pursuing the following aims:

- To grow by offering additional products in Greater China and other Asian markets as the Company's fund managers believe there are many investment opportunities in these markets;
- To cross-sell to the Company's existing investor base additional products that fulfill different investment needs and requirements in order to maximize client portfolio value;
- To widen our investment focus to other parts of the Asia-Pacific Region in addition to the Company's focus on Greater China if opportunities exist and can be exploited;
- To incrementally participate in the capital structure of invested companies beyond solely equity by investing in private equity, fixed income convertible into equity and other forms of capital; and
- To enhance and further define the three investment management brands and franchises that Value Partners, SAM and VPPE represent through distinctive product offerings, pricing and fund characteristics.

### 12. PROCEEDS OF THE GLOBAL OFFERING

The Company is not issuing any new Shares in this Global Offering and will not receive any proceeds from it. The Selling Shareholders will receive all of the net proceeds from the Global Offering, which will be approximately HK\$2,677 million (or approximately HK\$2,890 million, if the Over-allocation Option is exercised in full), assuming an Offer Price of HK\$7.21 per Share, the midpoint of the range set forth on the cover page of this prospectus, after deducting the underwriting commissions (not taking into account any incentive fee that may be paid to the Joint Global Coordinators by the Selling Shareholders) and estimated expenses payable by the Selling Shareholders.

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## SUMMARY

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The Selling Shareholders will bear all underwriting commissions and fees, SFC transaction levy, Hong Kong Stock Exchange trading fee and taxes (including stamp duty) in connection with the Global Offering. Any interest accrued on the Hong Kong Public Offering application monies will be retained for the benefit of the Selling Shareholders but will be applied towards payment of the balance of other offering expenses. We will bear any such offering expenses to the extent that the interest is not sufficient to cover such balance. We consider such an arrangement to be reasonable as we believe that becoming listed on the Hong Kong Stock Exchange will benefit us by enhancing our public profile, advancing our business development and facilitating employee equity ownership, while creating liquidity for such ownership. In view of the benefits to the Company derived from its being listed on the Hong Kong Stock Exchange, and considering the recent market conditions, the Directors and the Joint Sponsors are satisfied that the above arrangements are fair and reasonable to the shareholders of the Company as a whole.

### 13. RISK FACTORS

#### 13.1 Market risks

- Our Company's performance will be subject to exposure to financial markets
- Fluctuations in stock markets could affect the investments of our funds
- Our funds are subject to emerging markets risks

#### 13.2 Company risks

- There may be a decline in our AUM
- There is a possibility of failure to attract new AUM
- Lack of trademark registrations in overseas markets could limit our physical expansion or potentially expose us to litigation
- Regulatory non-compliance can have a material adverse effect on our Group
- Previous reviews by regulators have identified areas of non-compliance
- We have made investments in companies whose business operations are based outside Hong Kong, which may expose us to risks not typically associated with investing in companies whose business operations are based in Hong Kong
- Our Group is subject to changes in regulation
- Our Group's investment performance may be unsatisfactory
- Our funds may fail to achieve their investment objectives
- Our investment approach may fail
- There are risks associated with geographical concentration
- Our AUM are concentrated in a few of our funds and performance fee valuation days of our funds are concentrated within a certain period
- Our performance fees are subject to market volatility and also increase the volatility of our Group's earnings
- There are risks associated with loss of members of our management team
- Our Group's success depends on our ability to attract highly skilled personnel
- We are dependent on investment team decisions
- We are subject to capacity risk
- A competitive market environment may result in increased pressure on fee income margins
- Our Group may suffer as a result of loss of business from key customers and key investors
- Some of our Group's sources of fee income are subject to termination at short notice
- Investors in the majority of our funds can redeem their investments or terminate our investment management agreements at short notice

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## SUMMARY

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- We are reliant on third party service providers
- There may be an adverse impact on our Group's business as a result of a loss of business continuity
- There may be an adverse impact on our Group's business as a result of a loss of business reputation or negative publicity
- There may be an adverse effect on our Group's business if there is a failure to keep up with rapid technological, market and infrastructural change and maintain adequate systems and controls
- Implementing our growth strategy may lead to increased costs and lower profitability and may negatively affect our Group's corporate culture
- Failure to comply with fund registration and distribution regulations would lead to adverse consequences
- Employee misconduct could harm our Group by impairing its ability to attract and retain clients and subjecting us to significant legal liability and reputational harm
- Our Group is subject to exposure to litigation
- Investments by our funds may rank junior to or have lesser rights or preferences than investments made by others
- Our investment funds typically invest in companies that we do not seek to control
- Our Directors may also have interests in other businesses which compete with our Company
- Our Group may be affected by adverse changes in taxation law, tax treaties and in the practice of tax authorities
- No provision has been made for income tax payment for capital gains and dividends by our funds which invest in the PRC stock markets through QFIs
- The industry data and forecasts derived from official government publications in this prospectus have not been independently verified
- Our business is dependent on our information technology infrastructure
- You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other sources outside this prospectus, including, in particular, any financial projections, valuations or other forward looking information

### 13.3 Risks associated with the Global Offering

- Our Shares will be subject to price fluctuations
- A liquid market for the Shares may not develop
- Directors and employees could continue in aggregate to control our Company and to exert a very significant influence over the outcome of matters relating to our Group
- Dividends we declared in the past may not be indicative of our dividend policy in the future

### 13.4 Risks relating to the PRC

- The PRC's economic, political and social conditions, as well as PRC Government policies, could adversely affect the financial markets in the PRC and the companies in which we invest
- Our operations are subject to the uncertainties of the PRC legal system

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## DEFINITIONS

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***In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section entitled "Glossary".***

"Asia-Pacific Region"	means countries from littoral East Asia, Southeast Asia, Australasia and the states in the Pacific Ocean (for the purpose of this prospectus only);
"AFM"	means Azure Fund Managers Limited, further details of which are set out in the "Non-executive Honorary Chairman" section;
"ASM"	means Argyle Street Management Limited, further details of which are set out in the "Non-executive Honorary Chairman" section;
"BVI"	means the British Virgin Islands;
"CCASS"	means the Central Clearing and Settlement System established and operated by HKSCC;
"CCASS Broker Participant"	means a person admitted to participate in CCASS as a broker participant;
"CCASS Custodian Participant"	means a person admitted to participate in CCASS as a custodian participant;
"CCASS Investor Participant"	means a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
"CCASS Participant"	means a CCASS Broker Participant, a CCASS Custodian Participant or a CCASS Investor Participant;
"CCML"	means Cheah Capital Management Limited, a company incorporated in the BVI wholly-owned by Cheah Company Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, as trustee for a discretionary trust, the discretionary objects of which include Mr. Cheah Cheng Hye and certain members of his family;
"CEO"	means Chief Executive Officer;
"CFM"	means Compass Fund Management Limited, further details of which are set out in the "Non-executive Honorary Chairman" section;
"CGH"	means Cheetah Group Holdings Limited, further details of which are set out in the "Non-executive Honorary Chairman" section;
"CIMA"	means Cayman Islands Monetary Authority;
"CIO"	means Chief Investment Officer;

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## DEFINITIONS

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“Companies Law”	means the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Companies Ordinance”	means the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company” and “our Company”	means Value Partners Group Limited 惠理集團有限公司;
“Controlling Shareholders”	means Cheah Capital Management Limited, Cheah Company Limited and Mr. Cheah Cheng Hye;
“COO”	means Chief Operating Officer;
“CPA”	means Certified Public Accountant;
“CRO”	means Chief Risk Officer;
“CSRC”	means China Securities Regulatory Commission (中國證券監督管理委員會);
“Directors”	means the directors of Value Partners Group Limited named in paragraph 1 in the “Directors and Senior Management” section;
“DP Cayman”	means Development Partners (Cayman) Limited;
“DPHK”	means Development Partners (Hong Kong) Limited;
“DPL”	means Development Partners Limited (惠發中國基金管理有限公司);
“Eligible Employee(s)”	means any full time employee(s) of the Group (excluding chief executives or directors of the Group, existing beneficial owners of Shares and their respective associates);
“FMO”	means Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V., a Dutch Development Bank, the 40% shareholder of DPL (in which we held 60% shareholding before we disposed of such interest in October 2007);
“FSC”	means the Financial Services Commission of the BVI;
“GDP”	means Gross Domestic Product;
“Global Offering”	means the Hong Kong Public Offering and the International Offering;
“Greater China”	means the People’s Republic of China (including Hong Kong, Macau and Taiwan);



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## DEFINITIONS

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“Group”, “Value Partners”, “we” or “us”	means Value Partners Group Limited 惠理集團有限公司 and its subsidiaries or, at any time prior to the completion of the corporate reorganization in anticipation of the Listing, VPL and its subsidiaries at that time;
“HKSCC”	means Hong Kong Securities Clearing Company Limited;
“HKSCC Nominees”	means HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$” or “Hong Kong dollars”	means the lawful currency of Hong Kong;
“Hong Kong Offer Shares”	means the 38,160,000 Offer Shares initially being offered for sale in the Hong Kong Public Offering (subject to adjustment as described in the “Structure of the Global Offering” section of this prospectus);
“Hong Kong Public Offering”	means the offer for sale of the Hong Kong Offer Shares in Hong Kong on and subject to the terms and conditions described in this prospectus and the application forms;
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Hong Kong Underwriters”	means the several underwriters of the Hong Kong Public Offering listed in the paragraph headed “Hong Kong Underwriters” in the “Underwriting” section;
“Hong Kong Underwriting Agreement”	means the underwriting agreement dated 7 November 2007 relating to the Hong Kong Public Offering entered into among the Company, the Controlling Shareholders, the Selling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters;
“IMF”	means the International Monetary Fund;
“International Offer Shares”	means the 343,440,000 Offer Shares initially being offered for sale in the International Offering (subject to adjustment as described in the “Structure of the Global Offering” section), together with any additional Shares to be sold pursuant to the exercise of the Over-allocation Option;
“International Offering”	means the offer of International Offer Shares in the United States to qualified institutional buyers in accordance with Rule 144A and outside the United States in accordance with Regulation S under the Securities Act;

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## DEFINITIONS

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“International Purchase Agreement”	means the purchase agreement relating to the International Offering expected to be entered into on or around 14 November 2007 among the Company, the Controlling Shareholders, the Selling Shareholders, the Joint Global Coordinators and the International Underwriters;
“International Underwriters”	means the group of underwriters, which is expected to enter into the International Purchase Agreement to underwrite the International Offering;
“Itochu”	means Itochu Finance (Asia) Ltd which is a joint venture company, 70% owned by Itochu Corporation and 30% owned by Itochu Hong Kong Ltd;
“JFIU”	means the Joint Financial Intelligence Unit, which is jointly run by the Hong Kong Police Force and the Hong Kong Customs and Excise Department to monitor and investigate suspected money laundering;
“Joint Bookrunners”	means Morgan Stanley Asia Limited and J.P. Morgan Securities (Asia Pacific) Limited;
“Joint Global Coordinators”	means Morgan Stanley Asia Limited and J.P. Morgan Securities Ltd.;
“Joint Lead Managers” <i>(in alphabetical order)</i>	means BNP Paribas Capital (Asia Pacific) Limited, China International Capital Corporation (Hong Kong) Limited, J.P. Morgan Securities (Asia Pacific) Limited and Morgan Stanley Asia Limited;
“Joint Sponsors”	means J.P. Morgan Securities (Asia Pacific) Limited and Morgan Stanley Asia Limited;
“Latest Practicable Date”	means 1 November 2007, which is the latest practicable date for the purposes of ascertaining certain information for inclusion in this prospectus;
“Listing”	means the listing of the Shares on the Hong Kong Stock Exchange;
“Listing Date”	the date on which the Shares first become listed on the Hong Kong Stock Exchange;
“Listing Rules”	means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“MOF”	means the PRC Ministry of Finance;
“MPF fund”	means Mandatory Provident Fund;
“MPF Rules”	means the Mandatory Provident Fund Schemes Ordinance and its subsidiary regulations;

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## DEFINITIONS

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“NPC”	means the PRC National People’s Congress (中華人民共和國全國人民代表大會);
“Offer Price”	means the final Hong Kong dollar price per Share (exclusive of brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee) at which Offer Shares are to be purchased pursuant to the Hong Kong Public Offering and International Offering, to be determined in the manner described in the “Structure of the Global Offering” section;
“Offer Shares”	means the 381,600,000 Shares to be offered under the Global Offering (subject to adjustment as described in the “Structure of the Global Offering” section), together with any additional Shares to be sold pursuant to the exercise of the Over-allocation Option;
“Over-allocation Option”	means the option to be granted by each of Value Holdings, LLC and J.H. Whitney III, L.P. exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the date of signing of the International Purchase Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, to require Value Holdings, LLC and J.H. Whitney III, L.P. to respectively sell up to 12,000,000 and 18,400,000 additional Shares as described in the “Structure of Global Offering” section;
“PRC” or “China”	means the People’s Republic of China, excluding, for the purpose of this prospectus only, Hong Kong, Macau and Taiwan;
“PRC Government”	means the central government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them;
“Pre-IPO Share Option”	means the pre-IPO share option granted by the Company to Mr. Law Ka Kin, further details of which are set out in the paragraph headed “Pre-IPO Share Option” in the “Directors and Senior Management” section;
“Price Determination Date”	means 14 November 2007 or such other date (being no later than 21 November 2007) as agreed between the Joint Global Coordinators, the Selling Shareholders and the Company;
“QFIs”	means Qualified Foreign Institutional Investors that are foreign investment fund management institutions, insurance companies, securities companies and other asset management institutions which have been approved by the CSRC;
“QIBs”	means Qualified Institutional Buyers as defined in Rule 144A;

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## DEFINITIONS

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“Reorganisation”	means our corporate reorganization in preparation for the Listing as described in the paragraph 1.5 headed “Reorganization” in Appendix IV to this prospectus;
“REITS”	means real estate investment trusts;
“Rule 144A”	means rule 144A under the Securities Act;
“SAFE”	means the PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局);
“SAM”	means Sensible Asset Management Limited (盛寶資產管理有限公司);
“SAT”	means the PRC State Administration of Taxation (中國國家稅務總局);
“SEC”	means the Securities and Exchange Commission of the United States;
“Securities Act”	means the U.S. Securities Act of 1933 as amended;
“Securities and Futures (Stock Market Listing) Rules of Hong Kong”	means The Rules Governing Listings and Listed Companies under the Securities and Futures Ordinance, as promulgated by the SFC on 1 April 2003 and effective on the same date;
“Selling Shareholders”	means the two existing shareholders of the Company who are offering Shares for sale under the Global Offering, namely, J.H.Whitney III, L.P. and Value Holdings, LLC;
“SFC”	means the Hong Kong Securities and Futures Commission;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share Option Scheme”	means the option scheme to be adopted by the Company as described in paragraph 6 of Appendix IV of this prospectus;
“Shares”	means shares in the Company;
“SIB Law”	means the Securities Investment Business Law of the Cayman Islands;
“Stabilizing Manager”	means Morgan Stanley Asia Limited and/or its affiliates or any person acting for it;
“State Council”	means the PRC State Council (中華人民共和國國務院);
“Stock Borrowing Agreement”	means a stock borrowing agreement expected to be entered into on or about 14 November 2007 amongst Morgan Stanley & Co. International plc, J.H.Whitney III, L.P. and Value Holdings, LLC;

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## DEFINITIONS

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“Strategic Investment Agreement”	means the strategic investment agreement entered into amongst the Company, the Strategic Investors and J.H. Whitney III, L.P. on 2 November 2007, further details of which are set out in the paragraph headed “The International Offering” in the “Structure of the Global Offering” section;
“Strategic Investors”	means Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd., the ultimate holding company of which is Ping An Insurance (Group) Company of China, Ltd.;
“TAM”	means Target Asset Management Pte Ltd, an asset management company operating in Singapore in which VPL holds, as at the Latest Practicable Date, a 7.5% interest;
“TPL”	means Target Partners Limited;
“Track Record Period”	means the three years ended 31 December 2006 and (except in the context of the Group’s entitlement to performance fees) the six months ended 30 June 2007;
“US\$” or “US dollars”	means the lawful currency of the United States;
“U.S.”	means the United States of America;
“U.S. Investment Advisers Act”	means the U.S Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder;
“UT Code”	means the Code on Unit Trusts and Mutual Funds;
“Underwriters”	means the Hong Kong Underwriters and the International Underwriters;
“Underwriting Agreements”	means the Hong Kong Underwriting Agreement and the International Purchase Agreement;
“VPL”	means Value Partners Limited; and
“VPPE”	means Value Partners Private Equity Limited (惠理直接投資有限公司).

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## GLOSSARY

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***This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.***

“AUM”	means assets under management;
“authorized fund(s)”	means fund(s) authorized by the SFC to be marketed to the public generally in Hong Kong;
“CAGR”	means compound annual growth rate;
“co-branded fund(s)”	means fund(s) which is co-branded, typically under an asset manager’s name and a financial services distributor’s name;
“co-branded partner”	means persons who sets up co-branded funds;
“High Watermark Principle”	a principle on which fees are calculated in that a fee is only paid by clients of a fund when the value of the fund’s units or shares exceed the maximum value as at a relevant valuation day of the preceding period for which the fund manager has received such fee;
“Long-only ARFs”	means long-only absolute return funds;
“managed account(s)”	means the situation where a fund management company is mandated by non-retail investors to manage assets according to certain criteria stipulated by the investor;
“mezzanine financing”	means financing based on debt capital which in general allows a lender the rights to convert to an ownership or equity interest in a company upon default on the relevant loan;
“NAV”	means net asset value;
“non-authorized fund(s)”	means fund(s) which are not authorized by the SFC to be marketed to the public generally in Hong Kong;
“quantitative fund”	means an investment fund that selects securities based on quantitative analysis and computer models;
“sub-managed fund”	means a fund structure in which the fund is managed by a management team or firm other than the firm with which such fund has a direct contractual relationship; and
“white label fund(s)”	means discretionary or authorized fund(s) which is managed or advised by an asset manager but is marketed under the name of another institution.

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## RISK FACTORS

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*Investing in and holding our Shares involves a degree of financial risk. Prospective investors should carefully review the information contained in this document and should pay particular attention to the following risks associated with an investment in our Company. This section addresses the general risks associated with our Group's industry and more specific risks associated with us and our business. If one or more of the following risks were to occur, it could have a material adverse effect on our Group's business, results of operations or financial condition and could materially adversely affect our Share price. Investors could lose all or part of their investment. Additional risks and uncertainties that we do not presently know about or which we currently deem immaterial may arise or become material in the future. All risks relating to our funds may also have a material adverse effect on the business of our Group and each risk factor should be read accordingly. The risks set out below are in no order of importance or priority.*

### 1. MARKET RISKS

#### 1.1 Our Company's performance will be subject to exposure to financial markets

The financial markets in which we operate are affected by many national and international factors that are beyond our control. Any of the following factors, among others, may cause a substantial decline in the financial markets in which we operate or invest:

- legal and regulatory changes;
- economic and political conditions in global markets and particularly in the emerging markets on which our investment objectives and strategies are centered;
- global levels of liquidity and risk aversion;
- concerns about natural disasters, terrorism and war;
- the level and volatility of equity, debt, property, commodity and other financial markets;
- the level and volatility of interest rates and foreign currency exchange rates;
- concerns over inflation; and
- changes in investor confidence levels.

Financial markets have been adversely affected by various combinations of the above factors in the past and will likely continue to be affected by some or all of these factors in the future. These exposures could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition as well as having a material adverse effect on the market price of our Shares.

#### 1.2 Fluctuations in stock markets could affect the investments of our funds

Fluctuations in stock markets could affect the investments of our funds. Poor market conditions would affect the value of our investments while favourable market conditions may not be sustainable.

Lack of liquidity or price volatility could reduce the value of the assets that we manage which, in turn, may have a material adverse effect on our business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

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## RISK FACTORS

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### 1.3 Our funds are subject to emerging markets risks

Our funds invest in companies in emerging markets, predominantly Greater China and also, to a lesser extent, other countries in the Asia-Pacific Region. Many emerging market countries are developing economically and politically and do not have firmly established securities markets. Investments in companies in emerging markets may involve a high degree of risk and may be speculative. Risks include:

- political or economic developments such as nationalization of key industries;
- lack of liquidity coupled with high levels of price volatility, which result from the relatively small size of some of the markets for securities and relatively low volume of trading in the individual stocks;
- certain national policies which may restrict a fund's investment opportunities including restrictions on investing in companies or industries deemed sensitive to relevant national interests;
- the potential for significantly higher rates of inflation;
- currency risk and the imposition, extension or continuation of foreign exchange controls;
- differences in accounting standards and auditing practices which may result in unreliable financial information; and
- lack of depth of management or strict corporate governance control.

While we seek to take advantage of these market imperfections to achieve investment performance for our funds, we cannot guarantee that we will be able to do so in the future. Failure to do so could have a material adverse effect on our business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

## 2. COMPANY RISKS

### 2.1 There may be a decline in our AUM

We derive a large proportion of our fee income from performance fees and management fees based respectively on the investment performance and the NAV of the funds. A decline in our funds' performance or in the value of our Group's AUM, and/or a reduction in fees payable to us, for whatever reason, could have a material adverse effect on our business, growth prospects, fee income, results of operations and/or financial condition.

### 2.2 There is a possibility of failure to attract new AUM

Our growth in profits substantially depends on increasing our AUM. If we fail to increase our AUM in line with our business objectives, our growth may be materially impaired. This could have a material adverse effect on our Group's fee income, results of operations and/or financial condition.

### 2.3 Lack of trademark registrations in overseas markets could limit our physical expansion or potentially expose us to litigation

We rely on a strong brand identity and the recognition of our name in the markets in which we operate. We have registered the "Value Partners" trademark in Hong Kong and the "Value Partners — Investing through discipline" trademark in both Hong Kong and Singapore, and we are in the process of registering our Chinese name "惠理" as a trademark in the PRC. We provide management and/or advisory services from our Hong Kong office to funds or clients in the United States, Japan and Australia but we have not registered our name in those jurisdictions. See the "Our Business" section for further details. "Value Partners" has also been registered by other parties in the United States, Canada, China, Japan and in certain European countries.



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## RISK FACTORS

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The fact that we have no registered rights to use the "Value Partners" name in the United States, Japan and Australia may expose us to a risk of litigation by third parties with registrations in those jurisdictions. Such litigation could take the form of injunctive relief against our use of the "Value Partners" name and its use by our funds, or other legal action against us, including actions for damages. Any legal action of this sort could affect our ability to continue to operate our business and impair our ability to market and sell our products in these jurisdictions.

In addition, our lack of registered trademark rights in these jurisdictions may have an impact on our ability to use the "Value Partners" name for the future development of our business both within these jurisdictions and globally and may have a material adverse effect on our existing business, limit our growth prospects and lead to significant damage claims.

### **2.4 Regulatory non-compliance can have a material adverse effect on our Group**

VPL, SAM and VPPE are all licensed by the SFC in Hong Kong. VPL is also registered as an investment adviser under the U.S. Investment Advisers Act. Please refer to the "Regulation" section. As with other regulated financial services groups, it is essential to the future performance of our Group's business that each regulated entity maintains the regulatory and other licenses required to enable us to carry on our business. Our funds are regulated in a number of jurisdictions. Details of the regulatory environment in which we operate are set out in the "Regulation" section and our Group is reliant on a number of exemptions to carry out our business outside of Hong Kong.

We have established two funds in the United States under Delaware law under the Value Partners name and also provide management and/or advisory services to clients based in the United States. In the United States, VPL is registered as an investment adviser under the U.S. Investment Advisers Act, and our activities in the United States are subject to regulation under that act and related rules and regulations by the SEC. Our activities in the United States may also be subject to regulation by the SEC pursuant to other legislation and/or by other regulators and by self-regulatory organisations, such as U.S. Commodity Futures Trading Commission and the U.S. National Futures Association as well as by U.S. state regulators pursuant to state laws.

Both VPL and SAM are licensed by the FSC, in the BVI under the Mutual Funds Act, 1996 (as amended) to carry on the business as a manager of mutual funds.

We also offer management and/or advisory services to customers located in Japan and Australia from our Hong Kong office.

The regulations that our businesses are subject to are designed to protect our clients and investors in our funds and other third parties who deal with our subsidiaries and us and to ensure the integrity of the financial markets. If our Group expands its operations and activities beyond those we currently pursue, there may be a risk that we will no longer be able to benefit from those exemptions. In addition, we are required to meet the increasingly stringent requirements of the SFC and of regulators in the jurisdictions in which we have business activities, which may increase the overall cost base of our operations over time. We cannot assure you that any increase or change in regulatory requirements will not have an adverse effect on our business.

Regulatory action could result in fines, injunctive orders, deregistration and other penalties, as well as adverse reputation risk, including negative publicity or perceptions. This could also have the effect of diverting management's attention from the day-to-day management of our Group's business. A significant regulatory action against a member of our Group or a fund in any of the jurisdictions in which we operate could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

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### 2.5 Previous reviews by regulators have identified areas of non-compliance

Periodic or ad hoc reviews conducted by the SFC and the SEC have identified areas of non-compliance and from these we have received recommendations that have led us to adopt improved operating procedures. In particular, we have been the subject of an SFC on-site visit and several on-site visits by the SFC conducted in conjunction with the SEC, subsequent to which we were required to improve our compliance procedures. Details of the instances of non-compliance are contained in the paragraph headed “Compliance” in the “Our Business” section. We cannot assure you that there are no historic areas of non-compliance which may result in regulatory action in the future.

Further details relating to the regulations governing the activities of our Group are set out in the “Regulation” section.

### 2.6 We have made investments in companies whose business operations are based outside Hong Kong, which may expose us to risks not typically associated with investing in companies whose business operations are based in Hong Kong

Our funds may invest a portion of their assets in the equity, debt, loans or other securities of companies whose business operations are outside Hong Kong. Investments in such companies involve certain risks not typically associated with investing in companies whose business are based in Hong Kong, including risks relating to:

- currency exchange matters, including fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;
- the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less governmental supervision and regulation;
- differences in the legal and regulatory environment; and
- certain economic and political risks, including potential exchange control regulations and restrictions, the risks of political, economic or social instability, the possibility of expropriation or confiscatory taxation and adverse economic and political developments.

There can be no assurance that adverse developments with respect to such risks will not have a material adverse effect on our investments in such companies or the returns from these investments.

### 2.7 Our Group is subject to changes in regulation

Any changes in the laws and regulations governing our business or adverse outcomes of regulatory reviews could reduce the range of services we are able to offer or the fees we are able to charge. It could also increase the costs of maintaining regulatory compliance. Any of these factors could decrease our Group’s fee income and profitability. In addition, a substantial change in regulatory capital requirements could have a material adverse effect on our Group’s business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

Withdrawal or amendment of any regulatory approval or of any exemption from registration in respect of any part of our Group’s activities or any of the funds in any jurisdiction might oblige us to cease conducting a particular business or change the way in which it is conducted. Similarly, the withdrawal of either a license or an approval of one or more individuals would hinder their ability to perform their current role. The carrying on of regulated activities by unauthorized persons could have a number of consequences including the possibility of agreements made in the course of carrying on such activities being unenforceable.

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## RISK FACTORS

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### 2.8 **Our Group's investment performance may be unsatisfactory**

If our investment performance is unsatisfactory, existing clients may decide to reduce, redeem or sell their investments. They may also choose to transfer mandates to other asset managers who may be competing with us. Going forward, we may be unable to win new asset management business. Poor performance relative to other asset management firms may result in reduced purchases or subscriptions of fund shares or units and increased redemptions of fund shares or units. As a result, investment underperformance could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

### 2.9 **Our funds may fail to achieve their investment objectives**

We cannot be certain that the investment objectives of our funds will be achieved or that their asset allocation policy will result in any investment returns. Ultimately this would affect our ability to generate fees. The return on investments made by our funds or funds which we manage or advise may be adversely affected in the event of significant or sustained changes in market returns, interest rates or volatility. This risk could manifest itself if certain market conditions (in particular market uncertainty or lack of market direction) persist over the longer term. Any failure to achieve the investment objectives of the funds could have a material adverse effect on the growth of our Company and its subsidiaries, or our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

### 2.10 **Our investment approach may fail**

The success of our investment approach depends, in part, upon our ability to correctly interpret market data and other information. It also depends on our ability to conduct or obtain useful investment research and analysis and/or predict market conditions and developments. Failure to do so could have a material adverse effect on the performance of the funds. Some of our strategies may be new or may be rapidly developing. This could increase the difficulties that we face in successfully pursuing such strategies on behalf of our funds. As the approach and strategies that we currently employ may be modified and altered from time to time, it is possible that strategies used in the future may be different from those currently in use. No assurance can be given that our current and/or future strategies will be successful under all or any market conditions.

### 2.11 **There are risks associated with geographical concentration**

Although our funds invest in a broad range of emerging markets securities, our Group's AUM are concentrated in Greater China. Concentrations are driven by market factors such as liquidity and opportunity, operational factors such as the strength and focus of our research and the investment restrictions on each fund. As at 30 June 2007, approximately 88% of our AUM were concentrated in Greater China. The geographic concentration of our AUM is constantly subject to change, and such changes may be significant. As a result of such geographic concentration, our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition may be affected significantly by events and circumstances in these regions and countries where our funds' assets are concentrated.

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### **2.12 Our AUM are concentrated in a few of our funds and performance fee valuation days of our funds are concentrated within a certain period**

As at 30 June 2007, approximately 25% or US\$1.4 billion of our total AUM of US\$5.7 billion was represented by two of our authorized funds: the Value Partners Classic Fund and Value Partners High-Dividend Stocks Fund, which represented approximately US\$1.1 billion and US\$375.8 million of our total AUM, respectively. As a result of this concentration of assets, any material fund withdrawals or poor investment performance in these funds would have a negative financial impact on the Company.

Further, the performance fee valuation days of our authorized funds are concentrated in December of each financial year. As the performance of our funds are affected by general market conditions, a general deterioration of market conditions in December of a financial year may significantly reduce our fee income for that particular financial year.

### **2.13 Our performance fees are subject to market volatility and also increase the volatility of our Group's earnings**

A significant proportion of our fee income is derived from performance fees. For each of the years ended 31 December 2004, 2005 and 2006, performance fees represented 44.6%, 61.7% and 81.3%, respectively, of our total income. Performance fees are generally payable to us at annual intervals by each performance fee-paying fund, sub-fund or managed account. Typically, a performance fee becomes payable when investment performance is positive, subject to a high watermark principle. The amount (if any) of the performance fees is therefore dependent on the performance of a fund, sub-fund or managed account and is subject to market volatility. In addition, performance fees will vary from period to period due to volatility in investment returns, causing earnings to be more volatile than if assets were not managed on a performance fee basis. The volatility in earnings may have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition. This could have the effect of decreasing our Company's Share price. A significant proportion of performance fees have historically arisen from the Value Partners fund series and consequently poor performance of that fund series could have a material adverse effect on our Group's performance fee income.

### **2.14 There are risks associated with loss of members of our management team**

None of our service or employment contracts with Mr. Cheah Cheng Hye and our five senior fund managers is for a term of more than three years. While the Group has taken out a US\$4.8 million "key-man" insurance on Mr. Cheah Cheng Hye, the loss of any member of our management team, in particular, Mr. Cheah Cheng Hye, our Chairman and CIO, may have a material adverse effect on the future growth of our business. The adverse effects may include outflows from funds, a closure of funds, a deterioration in fund performance, a reduction in our operational capability and ability to win new business and negative publicity. Remedial action adopted by management to deal with a loss of senior management may not take effect immediately.

### **2.15 Our Group's success depends on our ability to attract highly skilled personnel**

Our continued success depends on our ability to attract, motivate, train and retain fund managers and other personnel. As a result, the inability to attract, motivate and/or retain the necessary highly skilled personnel could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

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### **2.16 We are dependent on investment team decisions**

Our investment team, which makes investment decisions on behalf of the funds, comprises our CIO, five senior fund managers, five fund managers and thirteen analysts. We are dependent upon them to make investment decisions which are appropriate decisions for the funds. Failure to make appropriate decisions could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

### **2.17 We are subject to capacity risk**

Our investment philosophy and approach are dependent on our funds being able to buy undervalued and underappreciated stocks trading at a discount to their intrinsic value. Market forces and a limited number of new issuers could result in the number or relative value of such stocks declining in the market. In the event that value stocks were no longer available in the market or that the availability of which had significantly diminished, we would not be able to take full advantage of our investment approach. This could have an adverse effect on our Group's competitive advantage.

Our ability to efficiently deploy money to take advantage of new investment opportunities in a timely and efficient manner could be restricted by a limited personnel base. If we were to experience an increase in AUM without a corresponding increase in headcount, we may be unable to redeploy money efficiently. This could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

### **2.18 A competitive market environment may result in increased pressure on fee income margins**

We compete for client money with Hong Kong, global and local specialists and emerging markets asset management groups as well as banks and other financial services companies. The competitive market environment may increase pressure on fee income margins. If we fail to compete effectively in this environment we may lose existing clients and lose the opportunity to capture new clients. These factors could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

### **2.19 Our Group may suffer as a result of loss of business from key customers and key investors**

We generate a significant proportion of our fee income from certain funds amongst the Value Partners and SAM branded funds. Our authorized funds are widely distributed and have a large investor base. As at 30 June 2007, our authorized funds represented approximately 37.7% of our total AUM and generated approximately 51.8% of our management fees. The remainder of our funds which are not authorized by the SFC to be offered to the public in Hong Kong are distributed amongst a relatively narrow group of investors. The loss of all or a substantial portion of the business provided by one or more of our key clients may have a material adverse effect on our business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

### **2.20 Some of our Group's sources of fee income are subject to termination at short notice**

Institutional and individual clients and firms and agencies are entitled to terminate their relationship with us for various reasons, including unsatisfactory investment performance, interest rate changes and financial market performance. Our white label/co-branded funds and managed accounts, each of which is managed according to its own investment management agreement entered into between us and the customers, may in most cases be terminated by prior written notice of a specified period. As at 30 June 2007, approximately 2.3% of our

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total AUM are attributable to managed accounts which can be terminated immediately by written notice. Termination of these relationships or our relevant investment management agreements could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

### **2.21 Investors in the majority of our funds can redeem their investments or terminate our investment management agreements at short notice**

Investors in the majority of our funds may redeem their investments in those funds at short notice. Dealing days for the different funds vary and can be daily, weekly, bi-weekly, monthly or at other intervals. Investors may choose to reduce the aggregate amount of their investment in such funds, or transfer their investment to other funds with alternative fee rate arrangements. Such a reduction or transfer may occur for any number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. If interest rates are rising and/or stock markets are declining, the pace of fund redemptions could accelerate. Redemptions of investments in funds could also take place more quickly than assets may be sold to meet the price of such redemptions.

Our fund portfolios may have significant holdings in smaller, less liquid stocks. In the event of a sudden, large-scale redemption by subscribers to the funds, there is a risk of liquidity mismatch as it may take considerable time for the relevant funds to raise sufficient cash to meet redemptions. The occurrence of such liquidity mismatch may have a material adverse effect on our business, growth prospects, fee income, results of operations, financial conditions and/or reputation.

### **2.22 We are reliant on third party service providers**

We rely on third party service providers including third party custodians and sub-custodians, administrators, trustees and distributors. Any interruption in our ability to rely on the services of these third parties or deterioration in their performance could impair the quality (including the timing) of the services we offer to our clients. Furthermore, if the contracts with any of these third party providers are terminated, we may not find alternative service providers on a timely basis or on equivalent terms or of similar quality. The occurrence of any of these events could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

### **2.23 There may be an adverse impact on our Group's business as a result of a loss of business continuity**

Our Group's business operations, information systems and business processes are vulnerable to damage or interruption from fires, floods, extreme weather, power loss, telecommunication and information technology failures, bomb threats, explosions or other forms of terrorist activity and other natural and man-made disasters or other extreme events. These systems may also be subject to criminal damage, vandalism, theft and similar wrongdoing. This is also the case for third party providers on which we rely. If there is a disaster and if our disaster recovery plans prove to be inadequate, there could be an adverse impact on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

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### **2.24 There may be an adverse impact on our Group's business as a result of a loss of business reputation or negative publicity**

We are vulnerable to poor market perception since we operate in an industry where integrity and the trust and confidence of clients are of utmost importance. Negative publicity (whether or not justified) associated with us or any of our funds, officers or employees, co-branded partners, or the occurrence of any of the risks set out in this section could result in a loss of clients and/or mandates. Our business operations are highly dependent on our officers and employees, and in particular, our fund managers. Furthermore, the funds are, in some cases, controlled and/or staffed by directors and administered by service providers all, or a majority of whom, are independent of our Group. The actions, misconduct, omissions, failures or breaches of any of our officers or employees, co-branded partners, the funds and/or their service providers may, by association, create negative publicity in relation to our Group. Accordingly, any mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities or any allegation of such activities, could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

### **2.25 There may be an adverse effect on our Group's business if there is a failure to keep up with rapid technological, market and infrastructural change and maintain adequate systems and controls**

The markets in which we operate are characterized by rapid technological, infrastructural, legal and regulatory change. In addition, changes in client requirements, frequent product and service developments and the emergence of new industry standards and practices could render our existing technology and systems obsolete. There is no certainty that we will be able to anticipate and respond to the demand for new services, products, technologies, infrastructure and/or to changes in law and regulation in a timely and cost-effective manner. Failure to adapt to technological advancements and changing standards could affect our ability to retain our clients and attract new clients. A failure to keep up with such changes could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

Some of our systems and processes are under further development to address our increasing AUM and transactional requirements, market changes and legal and regulatory changes. Any disruption in the development of these systems or processes may result in additional costs and may negatively impact our Group's ability to execute our strategy. Ultimately this would have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

### **2.26 Implementing our growth strategy may lead to increased costs and lower profitability and may negatively affect our Group's corporate culture**

Our Group's strategy contemplates a measured broadening of its range of investment activities across geographical regions and expanding into new asset classes as appropriate. Implementing this strategy will entail significant difficulties and costs. Such costs may include the logistical and overhead costs of, for example, the cost of recruiting, training and retaining a higher number of investment professionals and higher compliance costs arising from exposure to additional jurisdictions, regulatory regimes and activities. As our Group's operations expand, we may become subject to laws and regulations to which we are not currently subject or from which we are currently exempt. This could lead to higher legal and compliance costs. Our Group's anticipated growth may also lead to organisational and cultural challenges, including ensuring that

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adequate controls and supervisory procedures are in place. If our expanded operations are unable to generate sufficient additional fees, our Group's results of operations will be adversely affected by higher costs. In addition, if we do not manage the expansion process successfully, there may be a negative effect on the culture of our Group with potentially adverse effects on our Group's future ability to retain high quality investment professionals and on actual and potential fund investors' perception of us.

### **2.27 Failure to comply with fund registration and distribution regulations would lead to adverse consequences**

Our Group acts as advisor and/or manager to our funds and sometimes also acts as certain funds' distributor. Whenever a new fund is launched, whether advised or managed by our Group, we instruct third party legal advisors to draft constitutional, investment management, investment advisory and other documents to ensure that the Group's activity in advising, managing, and potentially distributing funds is in accordance with the rules and regulations as set forth by our primary regulator, the SFC, as well as other regulatory bodies, rules and regulations overseas that our activities may be subject to. Our Group relies substantially upon advice and review by our clients, third party legal advisors and professional service providers such as trustees, distributors, custodians, sub-custodians and administrators, to ensure our compliance with all laws and regulations both in Hong Kong and in the overseas jurisdictions where our funds are incorporated or may be distributed by authorized distributors under contract with our Group. If our clients, legal advisors or other professional service providers do not comply with the terms under their agreements with us, we may be exposed to legal risks and damage to our reputation.

### **2.28 Employee misconduct could harm our Group by impairing its ability to attract and retain clients and subjecting us to significant legal liability and reputational harm**

We are subject to a number of obligations and standards arising from our asset management business and our authority over the assets managed by our asset management business. The violation of these obligations and standards by any of our employees would adversely affect our clients and us. Our business often requires that we deal with significant confidential matters relating to the business of our clients or of companies in which we may invest. If our employees improperly use or disclose confidential information, we could suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to detect or deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If one of our employees were to engage in misconduct or were to be accused of such misconduct, our business and reputation could be adversely affected.

### **2.29 Our Group is subject to exposure to litigation**

We operate in complex legal and regulatory environments which means that many aspects of our Group's business involve substantial risks of liability. There have been increasing incidents of litigation within the financial services industry and any litigation brought against us in the future could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition. We could also potentially face liability for claims of negligence and violation of securities laws.

Our professional indemnity insurance may not be adequate to cover claims that investors or others may bring against us and as a result will not be adequate to protect us against all liability that may arise. A claim which gives rise to liability exceeding the amount insured could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition. There are no assurances that we will continue to maintain our professional indemnity insurance in the future.



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### **2.30 Investments by our funds may rank junior to or have lesser rights or preferences than investments made by others**

The companies in which our investment funds invest may in certain cases incur indebtedness or issue equity securities, or may be permitted to incur indebtedness or to issue equity securities, that rank senior to or have more rights and preferences than our investments. Such instruments may provide that their holders are entitled to receive payments of dividends, interest or principal on or before the dates on which payments are to be made in respect of our investment. Moreover, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, holders of securities ranking senior to or having distribution preferences over our funds' investment would typically be entitled to receive payment in full before distributions could be made in respect of our investment. Holders of claims that rank equal with or are in the same class as our investment would be entitled to share on an equal and ratable basis in distributions that are made out of assets remaining after payment to holders of senior securities.

### **2.31 Our investment funds typically invest in companies that we do not seek to control**

Our investment funds typically invest in companies that we do not seek to control. Our funds may acquire such instruments and securities through trading activities or through purchases of securities or instruments directly from the issuer. In addition, our funds may acquire minority equity interests and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the investment funds retaining a minority investment. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of investments by our funds could decrease and our Group's financial condition, results of operations and cash flow could suffer as a result.

### **2.32 Our Directors may also have interests in other businesses which compete with our Company**

Members of our board of Directors may also be directors of or have interests in other companies which may compete with our Company. Any such directorship or interest may lead to a potential conflict of interests. Such competition or conflict of interests may have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition. Please refer to the paragraph headed "Relationships with our Controlling Shareholders and our Connected Persons" in the "Our Business" section.

### **2.33 Our Group may be affected by adverse changes in taxation law, tax treaties and in the practice of tax authorities**

Changes in taxation legislation, tax treaties and in the practice of tax authorities can affect investment behaviour which can have the effect of making specific kinds of investment products either more or less attractive to existing or potential clients.

We cannot predict the impact of future changes to tax legislation, tax treaties and the practice of tax authorities on our business or on the attractiveness of our investment products. Amendments to existing tax legislation (in particular if there is a withdrawal of any available tax relief or an increase in tax rates) and tax treaties or the introduction of new rules and new tax treaties or changes in the practice of tax authorities may affect the investment decisions of either existing or potential clients. Changes from time to time in the interpretation of existing tax laws, amendments to existing tax rates, the introduction of new tax legislation and tax treaties, a

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change in the interpretation of tax legislation, any change in the practice of enforcement of such legislation or any particular change in the tax treatment of our Group or the funds could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

### **2.34 No provision has been made for income tax payment for capital gains and dividends by our funds which invest in the PRC stock markets through QFIs**

Our funds make investments in the PRC stock markets through QFIs. A QFI refers to foreign investment fund management institutions, insurance companies, securities companies and other asset management institutions which have been approved by the CSRC, to invest in the PRC stock markets.

Currently, there are no specific rules under PRC law on whether PRC income tax would be imposed on capital gains derived by a QFI from sale of stocks which are traded on the PRC stock markets and dividends received from the companies in which it has invested. It is therefore unclear whether a QFI shall pay PRC income tax in respect of such capital gains and dividends until the State Council, MOF or SAT promulgate detailed rules in this respect. It is also unclear whether taxation rules relevant to QFIs promulgated by the State Council, MOF or SAT in the future which require income tax be paid for capital gains and dividends will have retrospective effect on existing QFIs.

The funds under our management which invest in the PRC stock markets through QFI have not made any provision for payment of income tax for capital gains and dividends. If such tax were to be retrospectively applied, it is possible that our Group would have to pay such taxes from our own reserves.

### **2.35 The industry data and forecasts derived from official government publications in this prospectus have not been independently verified**

This prospectus includes industry data and forecasts derived from official government publications that we have obtained in part from various official government publications. There can be no assurance as to the accuracy or completeness of information obtained from such publications. We have not independently verified any of the data from such sources, nor have we ascertained the underlying economic assumptions relied upon in such sources. We are not aware of any misstatements regarding industry data derived from official government publications presented in this prospectus, and the assumption relied upon by such data are subject to change based on various factors, including those discussed elsewhere in this "Risk Factors" section.

### **2.36 Our business is dependent on our information technology infrastructure**

We are highly dependent on our information technology infrastructure to deliver services to our customers, manage risks, store client and market database, implement our compliance and internal control systems and manage and monitor our business operations.

Whilst we have backup data for our key data processing systems and communications network, we do not backup all systems on a real-time basis and the effectiveness of our business operations may be materially affected by any failure in our information technology infrastructure. If our communications and information technology systems do not function properly, or if there is any partial or complete failure of our systems, we could suffer financial losses, business disruption, regulatory intervention or damage to our reputation.

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**2.37 You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other sources outside this prospectus, including, in particular, any financial projections, valuations or other forward looking information**

There has been press coverage in certain news publications about our Company and/or the Global Offering which included certain financial projections, valuations and other forward looking information. We wish to emphasise to potential investors that we do not accept any responsibility for the accuracy or completeness of such press articles and that such press articles were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward looking information, or of any assumptions underlying such financial projections, valuations or other forward looking information, included in or referred to by the media. To the extent that any such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim it. Accordingly, you should not rely on any such information.

### **3. RISKS ASSOCIATED WITH THE GLOBAL OFFERING**

#### **3.1 Our Shares will be subject to price fluctuations**

Following Listing, it is likely that our Company's Share price will fluctuate and may not always accurately reflect the underlying value of our Group's business. The value of the Shares may go down as well as up and investors may realize less than the original sum invested. The price that investors may realize for their holdings in our Company may be influenced by a large number of factors, some of which are specific to our Company. Such factors may include the possibility that the market for our Shares may be or may become less liquid than for other equity securities, actual or anticipated fluctuations in our periodic operating results, changes in financial estimates by securities research analysts, and release of lock-up or other transfer restrictions on our Shares.

#### **3.2 A liquid market for the Shares may not develop**

Our Shares have never been publicly traded and as a result there can be no assurance that, upon completion of the Global Offering, any active or liquid trading market for our Shares will develop or be sustained. Investors may not be able to resell their Shares at or above the Offer Price or at all. The relatively small number of Shares to be offered under the Global Offering and the continuing existence of large locked-in shareholdings in our Company may also inhibit the development of a liquid and active trading market for our Shares.

#### **3.3 Directors and employees could continue in aggregate to control our Company and to exert a very significant influence over the outcome of matters relating to our Group**

Immediately following Listing, Mr. Cheah Cheng Hye, Ms. Chau Yee Man, Mr. Choi Nga Chung, Mr. Ho Man Kei, Ms. Hung Yeuk Yan Renee, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki and Ms. Woo Lai Nga, or trustees of which certain Directors and/or certain members of their family are beneficiaries, will, in aggregate, own approximately 51% of our issued share capital. Therefore, these shareholders may be in a position to exert very significant influence over the outcome of matters relating to our Group including appointments to the board of Directors, or Board, the development of our business and the approval of significant transactions which could result in a change of control of our Company. In addition, this control may have the effect of making a wide range of transactions more difficult without the support of our Directors and employees and may have the effect of delaying or preventing a change in control of our Group or acquisitions by our Group.

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### **3.4 Dividends we declared in the past may not be indicative of our dividend policy in the future**

Any proposal by our Directors for the declaration of dividends and amount of any dividends will depend on various factors, including, without limitation, our Group's results of operations, future profits, financial position, regulatory capital requirements, working capital requirements, general economic conditions and other factors that the Directors deem significant from time to time. For further details of our dividend policy, please refer to the paragraph headed "Dividend Policy" in the "Financial Information" section. We cannot guarantee if and when we will pay dividends in the future. For the avoidance of doubt, shareholders of the Company, in their capacity as such, will not be entitled to the special dividend set out in paragraph 22 headed "Special Dividend" in the "Financial Information" section, which is payable to shareholders of VPL as at 24 October, 2007 before VPL became our wholly-owned subsidiary pursuant to the Reorganization.

## **4. RISKS RELATING TO THE PRC**

### **4.1 The PRC's economic, political and social conditions, as well as PRC Government policies, could adversely affect the financial markets in the PRC and the companies in which we invest**

The PRC economy differs from the economies of most developed countries in many respects including the amount of PRC Government involvement, level of capital reinvestment, growth rate, control of foreign exchange, allocation of resources and balance of payments position. While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may have a negative effect on us. For example, our business, financial condition and results of operations may be adversely affected by PRC Government control over securities in companies that our funds invest in and by changes in tax regulations that are applicable to those companies. Any slowdown in growth of the PRC economy could have a negative effect on the companies in which our funds invest and as a result on our business.

The PRC Government also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. The PRC Government has implemented a number of measures designed to prevent the economy from overheating. These measures, as well as future actions and policies of the PRC Government, could cause a decrease in the overall level of economic activity, and consequently have an adverse impact on the companies in which our funds invest and as a result on our business, financial condition and results of operations.

### **4.2 Our operations are subject to the uncertainties of the PRC legal system**

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little value as precedents. In 1979, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. Although legislation over the past 25 years has significantly enhanced the protections afforded to various forms of investment in the PRC in general and laws and regulations, these laws, regulations and legal requirements are relatively new and are often changing and their interpretation and enforcement involve uncertainties. These uncertainties limit the reliability of legal protections available to us when investing in securities in the PRC. We cannot predict the effect of future developments in the PRC legal system. We may be required in the future to procure additional permits, authorizations and approvals in order to continue our existing and future investments.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **1. DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus, and confirm that having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other facts, the omission of which in this prospectus, would make any statement for which they accept responsibility, misleading.

### **2. INFORMATION ON THE GLOBAL OFFERING**

The Offer Shares are offered for sale solely on the basis of the information contained and representations made in this prospectus and the application forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, the Selling Shareholders, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the "Structure of the Global Offering" section, and the procedures for applying for Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares" section and in the relevant application forms.

### **3. PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering should consult their professional advisors if they are in any doubt as to the taxation implications of purchasing, holding and disposing of, or dealing in the Shares. None of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, the Selling Shareholders, any of their respective directors, agents, employees or advisors or any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of Shares resulting from the purchase, holding or disposal of, or dealing in, the Shares.

### **4. STAMP DUTY**

Dealings in the Shares registered in our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the vendor on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares. The Selling Shareholders will pay stamp duty incurred for the sale and purchase of our Shares pursuant to the Global Offering (including stamp duty incurred for the sale and purchase of our Shares upon exercise of the Over-allocation Option).

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### 5. EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus uses the following conversion rates at year end unless otherwise stated:

- for the year ended 31 December 2004: HK\$7.775 to US\$1;
- for the year ended 31 December 2005: HK\$7.75 to US\$1;
- for the year ended 31 December 2006: HK\$7.78 to US\$1; and
- for the six months ended 30 June 2007: HK\$7.78 to US\$1.

### 6. ROUNDING

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row.

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## DIRECTORS AND OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

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### SELLING SHAREHOLDERS

Name	Address
J.H. Whitney III, L.P.	130 Main Street, New Canaan, CT 06840, USA
Value Holdings, LLC	7 Ridgewood Drive, Bridgewater, CT 06752, USA

### MEMBERS OF THE BOARD OF DIRECTORS

Name	Residential Address	Nationality
<b>Chairman</b>		
Cheah, Cheng Hye	33/F, Flat E No. 1 Star Street Wanchai Hong Kong	Malaysian
<b>Executive Directors</b>		
Choi, Nga Chung	Flat A, 23/F, Tower 3 Residence Bel-Air 28 Bel-Air Avenue Island South Hong Kong	Chinese
Ho, Man Kei	163 Sha Lan Road Tai Po Hong Kong	Chinese
Hung, Yeuk Yan Renee	1502, Queen's Garden Old Peak Road Hong Kong	British
Law, Ka Kin	Flat D, 3/F, Block 2, Flora Garden 7 Chun Fai Road Hong Kong	British
Ngan, Wai Wah	7/F, Block J Hilltop 60 Cloud View Road North Point Hong Kong	Chinese
So, Louis Chun Ki	Flat B, 30/F, Tower 2 Residence Bel-Air 28 Bel-Air Avenue Island South Hong Kong	Chinese

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## DIRECTORS AND OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

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Name	Residential Address	Nationality
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### Independent Non-Executive Directors

Chen, Shih Ta Michael	9A Block 1, Scenic Garden 9 Kotewall Road Mid-Levels, Hong Kong	American
Lee, Siang Chin	31-1-1 Intan Kenny Persiaran Bukit Tunku Bukit Tunku 50480 Kuala Lumpur Malaysia	Malaysian
Oyama, Nobuo	5-1501, Hisamoto 3-chome 6-ban, Takatsuku Kawasaki-shi Kanagawa, 213-0011 Japan	Japanese

### Non-executive Honorary Chairman

Yeh, V-Nee	24/F, Hong Villa, 12 Bowen Road Hong Kong	British
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### OTHER PARTIES

#### Joint Sponsors

J.P. Morgan Securities (Asia Pacific) Limited  
28/F Chater House  
8 Connaught Road Central  
Hong Kong

Morgan Stanley Asia Limited  
30/F, Three Exchange Square  
Central  
Hong Kong

#### Joint Global Coordinators

Morgan Stanley Asia Limited  
30/F, Three Exchange Square  
Central  
Hong Kong

J.P. Morgan Securities Ltd.  
125 London Wall  
London EC2Y 5AJ  
United Kingdom



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## DIRECTORS AND OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

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### **Joint Bookrunners**

Morgan Stanley Asia Limited  
30/F, Three Exchange Square  
Central  
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited  
28/F Chater House  
8 Connaught Road Central  
Hong Kong

### **Joint Lead Managers**

*(in alphabetical order)*

BNP Paribas Capital (Asia Pacific) Limited  
59-63/F  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

China International Capital Corporation (Hong Kong) Limited  
Suite 2307  
One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited  
28/F Chater House  
8 Connaught Road Central  
Hong Kong

Morgan Stanley Asia Limited  
30/F, Three Exchange Square  
Central  
Hong Kong

### **Our Legal Advisors**

*As to Hong Kong Law:*  
Richards Butler  
20/F, Alexandra House  
16-20 Chater Road  
Hong Kong

*As to U.S. Law:*  
Latham & Watkins LLP  
41st Floor, One Exchange Square  
8 Connaught Place, Central  
Hong Kong

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## DIRECTORS AND OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

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	<p><i>As to Cayman Islands Law:</i> Conyers Dill &amp; Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
	<p><i>As to BVI Law:</i> Conyers Dill &amp; Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong</p>
<b>Legal Advisors to the Joint Sponsors and the Underwriters</b>	<p><i>As to Hong Kong and U.S. Law:</i> Freshfields Bruckhaus Deringer 11/F, Two Exchange Square Central Hong Kong</p>
<b>Reporting Accountant and Auditor</b>	<p>PricewaterhouseCoopers Certified Public Accountants 22/F, Prince's Building Central Hong Kong</p>
<b>Compliance Advisor</b>	<p>J.P. Morgan Securities (Asia Pacific) Limited 28/F Chater House 8 Connaught Road Central Hong Kong</p>
<b>Property Valuer</b>	<p>DTZ Debenham Tie Leung Limited 10/F, Jardine House 1 Connaught Place Central Hong Kong</p>
<b>Receiving Bankers</b>	<p>The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong</p> <p>Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong</p>

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Principal Place of Business in Hong Kong</b>	Level 14, Three Pacific Place 1 Queen's Road East Hong Kong
<b>Website of our Company<sup>(1)</sup></b>	<a href="http://www.valuepartnersgroup.com.hk">www.valuepartnersgroup.com.hk</a>
<b>Company Secretary</b>	Tse, Wai Ming, CPA (Hong Kong Institute of Certified Public Accountants)
<b>Qualified Accountant</b>	Tse, Wai Ming, CPA (Hong Kong Institute of Certified Public Accountants)
<b>Authorized Representatives</b>	Ngan, Wai Wah Law, Ka Kin
<b>Members of the Audit Committee</b>	Lee, Siang Chin ( <i>Chairman</i> ) Oyama, Nobuo Chen, Shih Ta Michael
<b>Members of the Remuneration Committee</b>	Chen, Shih Ta Michael ( <i>Chairman</i> ) Cheah, Cheng Hye Ngan, Wai Wah Lee, Siang Chin Oyama, Nobuo
<b>Cayman Islands Principal Share Registrar and Transfer Office</b>	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 Grand Cayman KY1-1107 Cayman Islands
<b>Hong Kong Branch Share Registrar and Transfer Office</b>	Tricor Investor Services Limited 26/F Tesbury Centre 28 Queen's Road East Hong Kong
<b>Principal Bankers</b>	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong  Standard Chartered Bank (Hong Kong) Limited 13th Floor, Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong

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(1) The content of our website does not form part of this prospectus

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## INDUSTRY OVERVIEW

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***We have extracted and derived the information and statistics in the section below, in part, from various official government publications unless otherwise indicated. Whilst we have exercised reasonable care in compiling and reproducing such information and statistics, it has not been subject to independent verification by us or any of our affiliates or advisers or by the Selling Shareholders or the Joint Sponsors or the Joint Global Coordinators or the Underwriters or any of their respective affiliate or advisers. This information may not be consistent with information from our sources and we cannot ensure that these sources have compiled such information and statistics on the same basis or with the same degree of accuracy or completeness as are found in other industries. You should not place undue reliance on statements in this section.***

### 1. ASIA ASSET MANAGEMENT MARKET OVERVIEW

#### 1.1 Asset Management Industry in Asia

Value Partners' primary business is asset management in the Asia-Pacific Region with an investment focus on the Greater China region, which includes the PRC, Hong Kong and Taiwan. The asset management industry in Asia comprises the management of equity funds, fixed income funds, and mixed funds, in addition to the management of managed accounts, hedge funds, real estate investment trusts or REITs and private equity funds. Asset managers may manage some, or all of these fund product lines. Value Partners is currently active in all these product lines except for REITs and fixed income funds.

Generally, there are three types of asset management firms in the Asian market:

##### (1) ***International Independent Fund Management Companies***

Large international, stand-alone fund management houses which may be publicly listed or private institutions which primarily focus on introducing non-Asian funds into Asian markets, or which additionally source Asian funds for regional and international funds and investment mandates;

##### (2) ***Global or Regional Asset Management Subsidiaries***

Fund management companies owned in part or wholly by universal banks or other global or regional financial services groups which generally manage non-Asian funds in Asia, offer local fund products to Asian investors, and may additionally distribute non-Asian products in Asia; and

##### (3) ***Specialist or Boutique Fund Managers***

Local or international fund managers, usually privately owned, specializing in certain investment styles, industry sectors, geography, and/or products.

Value Partners positions itself as a specialist fund manager focusing on investments in the Greater China region.

Different types of fund products offered by asset management firms in the Asian market may be regulated or marketed differently, including:

- Funds authorized by local regulators to be distributed to retail and/or institutional investors. These funds are sometimes quoted on local exchanges;
- Funds privately placed to a limited number of investors, typically institutional investors;

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## INDUSTRY OVERVIEW

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- Managed accounts, where the fund management company is mandated by an institutional investor to manage assets according to certain criteria stipulated by the investor;
- White labelled funds, where a discretionary or authorized fund is managed or advised by an asset manager but marketed under the name of another institution; and
- Co-branded funds, where the fund is co-branded typically under an asset manager's name and a financial services distributor's name.

### 1.2 Traditional Funds

Traditional funds, which include mutual funds and unit trusts, are collective investment schemes that pool investors' money to invest in securities, generally with the objective to outperform certain index benchmarks or other performance metrics. Traditional funds are usually long-only and rarely utilize leverage.

Traditional funds are primarily distributed to investors either by fund management companies directly or via banks, independent financial advisors and other channels.

Net assets of mutual funds of major Asian countries and regions, including Australia, China, Hong Kong, India, Korea, and Taiwan, experienced stable growth from US\$704.9 billion by the end of 2002 to US\$1,915.1 billion by the end of 2006 (*Investment Company Institute, China Securities & Futures Almanac*), having grown at a CAGR of 28.4% during the four-year period.

### 1.3 Hedge Funds

Hedge funds are investment funds that use alternative investment strategies, pursue absolute returns, charge performance-based fees in addition to a management fee, and have investment mandates that give managers more flexibility to shift strategies (*SFC*). Such funds may be distinguished by their active use of leverage, derivatives, and short selling techniques. In certain jurisdictions hedge funds further benefit from regulatory exemptions. For example, in 2002, Hong Kong became one of the first jurisdictions in the world to allow the offering of hedge or alternative investment funds to the retail public (*SFC*).

Hedge fund activity in Asia has grown rapidly. The number of Asia-headquartered hedge funds has quadrupled to more than 700 in 2006 since 2002, while during the period the assets under management has increased nearly 10 times to about US\$120.0 billion (*AlphaInstitutional Investor*). The total size of the Asian hedge funds market is still relatively small, in view of a total of approximately US\$1.2 trillion managed by 8,800 hedge funds globally, as estimated by the SEC, in July 2006.

Long-only Absolute Return Funds are a relatively recent addition to the investment fund landscape and have grown rapidly. Long-only ARFs are often referred to as a category of hedge fund since they typically share a similar aim of achieving absolute return, or "Alpha return". Importantly, however, such long-only ARFs do not typically utilize short-selling investment techniques.

### 1.4 Private Equity Funds

Private equity funds differ from mutual funds and hedge funds, as private equity funds primarily invest in unlisted, as opposed to listed, securities. As a result private equity funds have an investment horizon which is longer than that for many other types of fund, and experience a reduced level of liquidity in their investments.

At the end of 2006, the total size of Asian private equity funds was US\$155.1 billion (*Centre for Asia Private Equity Research Ltd.*), grown at a CAGR of 12.8% each year since the end of 2002.

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## INDUSTRY OVERVIEW

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### 2. GROWTH OF ASIA-PACIFIC ECONOMY AND EQUITIES MARKET

The equities markets of the Asia-Pacific Region and Greater China have attracted increasing interest from global investors due to the high economic growth and structural developments of the equity markets in the region.

#### 2.1 Rapid economic growth of the region

The economies in the Asia-Pacific Region have seen strong growth in recent years. Based on statistics from Moody's Investor Service and the IMF, the simple average of the growth of real GDP, of the following major Asian countries and regions, namely, China, Hong Kong, Taiwan, Korea, Singapore, Malaysia, Indonesia, Thailand and India from 1997 to 2006 was 4.8%, which was double the simple average of the real GDP growth of 2.4% of the US, UK and Japan during the same period. Similarly, the simple average of real GDP growth in 2007 forecasted by the IMF in April 2007 for China, Hong Kong, Taiwan, Korea, Singapore, Malaysia, Indonesia, Thailand, and India is 6.0%, which is significantly higher than the simple average of the IMF forecasted real GDP growth of 2.5% for the U.S., UK and Japan in 2007.

The average economic growth of the Greater China region from 1997 to 2006 was higher than the Asia-Pacific Region average. Greater China's simple average real GDP growth during this period was 5.9% and in April the IMF forecasted an average growth of 6.6% for 2007.

In addition to contributing to the performance of equity markets, regional economic growth has also led to the accumulation of private wealth and an increase in the number of wealthy individuals in the region, further supporting the growth in assets under management growth of fund management firms.

Government or corporate sponsored pension schemes, are also important sources of investment for regional asset management firms. For example, as at 31 December 2006, 55% of Hong Kong's MPFs, was invested into the Hong Kong market, 8% into Japan, and 6% into other Asian markets (*Mandatory Provident Fund Schemes Authority, or MPFSA*). Furthermore, at the end of 30 June 2007, 24% of the HK\$229.9 billion (US\$29.4 billion) of aggregate NAV of the MPF assets was invested into equity funds, and 52% was invested into mixed assets funds (*MPFSA*).

#### 2.2 Development of the Equities Markets in Asia & Greater China

As the size of the equities markets in Asia and Greater China has increased, so too has their importance in the portfolios of global investors.

The combined market capitalization of stock exchanges in the Greater China region significantly increased from approximately US\$1,187.3 billion as at 31 December 2002 (*World Federation of Exchanges, Shanghai Stock Exchange, and Shenzhen Stock Exchange*) to approximately US\$4,880.4 billion as at 30 June 2007 (*World Federation of Exchanges*). Similarly, the combined market capitalization of stock exchanges in Australia, Korea, Singapore, Malaysia, and India (Bombay Stock Exchange and National Stock Exchange India combined) grew from approximately US\$1,064.4 billion as at 31 December 2002 to approximately US\$5,210.5 billion as at 30 June 2007 (*World Federation of Exchanges*).

One of the major factors in the increasing significance of the equities market of Greater China is the active capital raising activities by PRC companies in the overseas markets. In 1996, there were seven H-share IPOs in Hong Kong raising approximately US\$1 billion in total. In 2006, there were 33 IPOs by PRC companies in Hong Kong, raising approximately US\$37.6 billion in total (*Dealogic*). During the first six months of 2007, there were seven IPOs by PRC companies in Hong Kong, raising approximately US\$6.3 billion in total (*Hong Kong Stock Exchange*).

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## INDUSTRY OVERVIEW

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### 3. HONG KONG'S LEADING POSITION IN ASIA ASSET MANAGEMENT

Based on market capitalization as at 30 June 2007, Hong Kong is Asia's second largest capital market after Japan. Large market size, proximity to Greater China, and the expertise that asset managers have developed in investments in assets and business in Asia have led to Hong Kong becoming an attractive location for professional investment managers from which to base and conduct their business.

According to the SFC's "Fund Management Activities Survey 2006" released in July 2007, as at 31 December 2006, there were 106 licensed corporations and 11 registered institutions conducting asset management business in Hong Kong, with total AUM of HK\$4,134.0 billion (US\$532.0 billion), which excludes pure advisory assets, other private banking activities, and SFC-authorized REITs. Out of this amount, HK\$2,315.0 billion (US\$297.9 billion), or 56%, was managed in Hong Kong (up from 52.7% in 2003), with the rest managed overseas (SFC).

Hong Kong continued to attract investments from non-Hong Kong investors, which have consistently accounted for over 60% of the fund management business in Hong Kong. In 2006, of the total HK\$6,101 billion worth of fund management business recorded (including pure advisory assets and other private banking activities, but excluding SFC-authorized REITs), 62.1%, or HK\$3,786 billion was sourced from non-Hong Kong investors (SFC).

The SFC survey also reported in July 2007 that the expansion of the investment scope of the overseas wealth management business of PRC banks on behalf of clients, generally known as the Qualified Domestic Institutional Investors ("QDII") business of PRC banks, as announced by the China Banking Regulatory Commission ("CBRC") in May 2007, as well as the Provisional Rules for QDII Investing in Overseas Securities as announced by the CSRC in June 2007, are expected to provide a source of sustained growth for the combined fund management business in Hong Kong.

The SFC released a survey in October 2006 entitled, "Report of the Survey on Hedge Funds Managed by SFC Licensed Managers", wherein 118 respondents of the 197 licensed corporations surveyed by the SFC confirmed that they engaged in managing and/or giving advice to hedge funds as at 31 March 2006. They in total managed and/or advised 296 hedge funds. The aggregate AUM of the respondents amounted to approximately US\$33.5 billion as at 31 March 2006, representing a 268% increase from 31 March 2004.

Of hedge funds managed in Hong Kong, 14 are retail hedge funds authorized by the SFC with total net assets of approximately HK\$13 billion (US\$1.7 billion) as at 31 March 2007, which was over seven times of that as at the end of 2002, the year when hedge funds were first offered to retail investors in Hong Kong.

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## REGULATION

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*This section provides a brief summary of some of the key areas of the SFO and other laws, rules and regulations relevant to our activities. It is not exhaustive and should not place undue reliance on statements in this section. You should consult your own advisers about the legislation referred to in this section.*

### 1. HONG KONG REGULATORY OVERVIEW

#### 1.1 Introduction

We are not licensed by any regulator other than the SFC in Hong Kong, the SEC in the United States and the FSC in the BVI.

The SFO is the principal Hong Kong legislation regulating financial products, the securities and futures market and the securities and futures industry, the regulation of activities and other matters connected with financial products and the protection of investors. It is administered by the SFC which is a statutory regulatory body in Hong Kong.

The SFO categorises various types of “regulated activity”. The regulated activities are:

- Type 1: Dealing in securities
- Type 2: Dealing in futures contracts
- Type 3: Leveraged foreign exchange trading
- Type 4: Advising on securities
- Type 5: Advising on futures contracts
- Type 6: Advising on corporate finance
- Type 7: Providing automated trading services
- Type 8: Securities margin financing
- Type 9: Asset management

VPL carries on and is licensed for Types 1, 4, 5 and 9 of the above regulated activities. SAM and VPPE both carry on and are licensed for Types 4 and 9 of the above regulated activities.

There are many rules and regulations in Hong Kong (such as the SFC codes and guidelines) that are applicable to the Group’s products and services. We have set out below a description of certain requirements under the SFO, UT Code and MPF Rules that we consider to be most pertinent in the context of giving investors information that enable them to make an informed assessment of the Group’s business.

#### 1.2 Overview of licensing requirements

Under the SFO, any person:

- (a) carrying on a regulated activity (or holding out as carrying on a regulated activity); or
- (b) actively marketing (whether in Hong Kong or from a place outside Hong Kong) to the Hong Kong public such services which, if provided in Hong Kong, would constitute a regulated activity

must be licensed by the SFC to carry out that regulated activity, unless one of the exemptions under the SFO applies. Authorized financial institutions are subject to slightly different rules.



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## REGULATION

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These licences are only available to corporations. With the exception of corporations that carry on the activity of securities margin financing, a corporation may be licensed for more than one type of regulated activity that does not entail a conflict of interest. Each licence sets out the regulated activities which the licensee is permitted to carry out and any conditions to which it is subject. An individual performing a regulated function for a licensed corporation in relation to a regulated activity, or holding himself out as performing such a function, must separately be licensed under the SFO as a “representative” accredited to his principal.

Only a corporation that is incorporated in Hong Kong or an overseas company registered in Hong Kong under Part XI of the Companies Ordinance can be licensed to carry out a regulated activity under the SFO. Each applicant for a licence must satisfy the SFC that, among other things, it is “fit and proper” to be licensed to carry out the regulated activity in question and will be able, if licensed, to comply with certain financial resources rules. In substance, these rules are designed to ensure maintenance of specified levels of paid-up share capital and liquid capital depending on the type of regulated activity involved. A licensed corporation (other than one which carries on a regulated activity solely as one or more of (a) an approved introducing agent who is not a licensed corporation licensed for Type 3 regulated activity; (b) a trader; (c) a futures non-clearing dealer; or (d) a licensed corporation licensed for Type 4, Type 5, Type 6 or Type 9 regulated activity, which is subject to the specified licensing condition) shall maintain a minimum paid-up capital of:

- (i) HK\$10,000,000 for Type 1 regulated activity in the case where the licensed corporation provides securities margin financing;
- (ii) HK\$5,000,000 in any other case for Type 1 regulated activity; and
- (iii) HK\$5,000,000 for Type 4, Type 5 and Type 9 regulated activities.

A licensed corporation shall maintain a minimum liquid capital of the higher of the amount of (a) and (b) below:

- (a) the amount of:
  - (i) HK\$100,000, where the licensed corporation is licensed for Type 4, Type 5 and Type 9 regulated activities in the case where the licensed corporation is subject to the licensing condition that it shall not hold client assets;
  - (ii) HK\$500,000, where the licensed corporation is licensed for Type 1 regulated activity in the case where the licensed corporation is an approved introducing agent or trader;
  - (iii) HK\$3,000,000, where the licensed corporation is licensed for Type 1 regulated activity in the case where the licensed corporation provides securities margin financing; or
  - (iv) HK\$3,000,000, where the licensed corporation is licensed in any other case for Type 1, Type 4, Type 5 and Type 9 regulated activities.
- (b) 5% of the aggregate of the licensed corporation’s on-balance sheet liabilities including provisions made for liabilities already incurred or for contingent liabilities but excluding certain amounts stipulated in the definition of “adjusted liabilities” under the SFO.

In considering whether a person is fit and proper to be licensed to carry out a regulated activity, or to be a representative of a licensed person, in addition to any other matter that it considers relevant, the SFC has regard to:

- financial status or solvency;
- educational or other qualifications or experience of the applicant having regard to the nature of the functions to be performed;
- the ability to carry on the regulated activity competently, honestly and fairly; and

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## REGULATION

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- the reputation, character, reliability and financial integrity of the applicant and relevant individuals.

The substantial shareholders of a licensed corporation, its officers (including every director, manager or secretary and any person involved in its management) and any other person who is or is to be employed by or associated with the licensed corporation must also meet the fit and proper test. For this purpose a person is a “substantial shareholder” of a corporation if he, either alone or with his “associates” (as defined in the SFO):

- has an interest in its shares which is equal to more than the nominal value of 10% of the issued share capital of the corporation or which entitles the person, either alone or with his associates, to exercise or control the exercise of more than 10% of the voting power at general meetings of the corporation; or
- holds shares in any other corporation which entitles him, either alone or with his associates, to exercise or control the exercise of 35% or more of the voting power at general meetings of the other corporation, or of a further corporation, which is itself entitled, alone or with his associates, to exercise or control the exercise of more than 10% of the voting power at general meetings of the corporation.

Each licensed corporation must have two “responsible officers”, at least one of whom is an executive director approved by the SFC, to supervise the regulated activity of the licensed corporation to which they are accredited. Even if a corporation is licensed under the SFO, it is not allowed to carry on any regulated activity for which it is licensed unless every director of the licensed corporation who actively participates in or is responsible for supervising its regulated activities is approved by the SFC as a responsible officer in relation to such regulated activity.

Licensed corporations, licensed representatives and responsible officers all have to comply with ongoing requirements. For licensed corporations these include obligations:

- to notify the SFC of changes in certain information concerning themselves which has been provided to the SFC;
- to continue to meet the fit and proper test at all times;
- to submit audited accounts and certain other documents to the SFC each financial year;
- to maintain certain financial resources and to submit financial resources returns to the SFC; and
- to design, implement and complete continuous professional training for each regulated activity which they carry out.

### 1.3 Overview of Hong Kong regulatory requirements for collective investment schemes

A “collective investment scheme” is defined in detail in the SFO. Broadly speaking, a “collective investment scheme” is an arrangement under which investors pool their assets for management by an independent professional manager, for example in a unit trust or mutual fund, the purpose or effect of which is to enable participants to participate in or receive returns from the acquisition, holding, management or disposal of assets by the professional manager. Investments in collective investment schemes often include bonds and quoted equities, but can include other assets, for example, unquoted investments, real estate and foreign currencies.

Unless specific exemptions apply, the publication of an advertisement or issue of an invitation to the public in Hong Kong to invest in a collective investment scheme that has not been authorized by the SFC is prohibited under the SFO. Funds which are intended to be disposed of only to “professional investors” (as defined in the SFO) or to be disposed of only to persons outside Hong Kong are exempt from SFC authorization. Other exemptions include an offer of securities made by an intermediary licensed or registered for Type 1, Type 4 or Type 6 regulated activity in respect of securities or Type 2 or Type 5 regulated activities in respect of futures contracts.

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The UT Code, published by the SFC, sets out the guidelines for the authorization of collective investment schemes in the nature of mutual fund corporations or unit trusts. Authorization by the SFC involves consideration of the following:

- (a) the scheme's legal form and structure;
- (b) the scheme's key operating parties, including the fund manager and the trustee/custodian;
- (c) the scheme's operational features;
- (d) the scheme's investment nature;
- (e) the disclosure quality of the scheme's offering document; and
- (f) the scheme's compliance with the UT Code.

There are two broad categories of schemes under the UT Code:

- (a) "Chapter 7 funds" include collective investment schemes for example straightforward equity or bond funds; and
- (b) "Chapter 8 specialised schemes" which include Unit Portfolio Management Funds, Money Market/Cash Management Funds, Warrant Funds, Leveraged Funds, Futures and Option Funds, Guaranteed Funds, Index Funds, Hedge Funds and Exchange Traded Funds (all as defined under the UT Code).

All of the seven authorized funds managed by Value Partners are Chapter 7 funds. The UT Code sets out core requirements in respect of the investment limitations and prohibitions of these funds, including, among others, short selling limitations, limitations on making loans, limitations on investments in securities in which directors or officers have interests and limitations on borrowing.

The UT Code further sets out requirements on acceptability of the management company of a collective investment scheme. This is assessed generally based on the following:

- sufficiency of human and technical resources;
- key personnel investment experience;
- full time dedication by key personnel with a demonstrable track record in the management of unit trusts or mutual funds;
- overall integrity of the applicant management company; and
- on-going supervision and regular monitoring and proper internal controls.

In addition to the SFO, the MPF Rules regulate investments of funds of schemes registered under that ordinance. The MPF Rules require that an approved trustee of a registered scheme must ensure that an investment manager is appointed to manage the investment of the funds of the scheme, and specify:

- the basic criteria for eligibility of a person as investment manager, covering its financial status, licensing status, resources, absence of conflict of interests, independence from the scheme trustee and custodians etc.;

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- the investment management contract must be in writing and must contain terms prescribed by the MPF Rules, which amongst other things, impose certain conditions on the delegation of investment management functions by an investment manager; and
- restrictions on the extent of investments of funds of a registered scheme, for example, on the spread of investments, borrowing and lending of securities, borrowing of money.

### 1.4 Money laundering and terrorist financing

“Money laundering” is a term used to refer to all types of procedures which mask the source of unlawfully obtained money so that it appears to have originated from a legitimate source.

“Terrorist financing” is a term used to refer to financial transactions involving assets owned or controlled by terrorists and transactions linked to terrorist activities.

The three principal pieces of legislation in Hong Kong directed against money laundering and terrorist financing are the Drug Trafficking (Recovery of Proceeds) Ordinance (Cap. 405), the Organized and Serious Crimes Ordinance (Cap. 455) and the United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575). The SFC has also published the “Prevention of Money Laundering and Terrorist Financing Guidance Note” which provides general background to the subject of money laundering and terrorist financing, summarizing the main provisions of the applicable anti-money laundering and anti-terrorist financing legislation in Hong Kong and providing guidance on the practical implications of that legislation.

Amongst other things, the Drug Trafficking (Recovery of Proceeds) Ordinance provides that it is a criminal offence if a person “deals with” property knowing or having reasonable grounds to believe it represents a person’s proceeds of drug trafficking. It imposes an obligation on a person who knows or suspects that any property represents proceeds from drug trafficking to disclose such knowledge or suspicion to an “authorized officer”.

Amongst other things, the Organized and Serious Crimes Ordinance extends the money laundering offence to cover the proceeds of all indictable offences in addition to drug trafficking.

The United Nations (Anti-Terrorism Measures) Ordinance criminalizes the supply of funds and making funds or financial (or related) services available to terrorists or their associates amongst other provisions.

The SFC recommends that licensed corporations and associated entities develop customer acceptance policies and procedures that aim to identify the types of customers that are likely to pose a higher than average risk of money laundering and terrorist financing. A more extensive customer due diligence process should be adopted for higher risk customers. There should also be clear internal policies specifying the level of management that is able to approve a business relationship with customers.

A licensed corporation or an associated entity should have monitoring procedures for the identification of suspicious transactions in place. This is to satisfy its legal obligation to report any funds or property known or suspected by it to be proceeds of crime or terrorist property to the JFIU, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department to monitor and investigate suspected money-laundering.

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The JFIU recommends four steps to identify suspicious activity:

- recognition of indicators of suspicious financial activity;
- questioning of the customer;
- review of information already known about the customer to decide if (apparently) suspicious activity is to be expected from the customer; and
- consideration of steps one to three to make a subjective decision on whether the customer's financial activity is genuinely suspicious or not.

### 2. THE BVI

VPL and SAM are incorporated in the BVI and are business companies under the BVI Business Companies Act, 2004, as amended. Each of VPL and SAM are licensed under the Mutual Funds Act, 1996 (as amended) of the BVI, or Mutual Funds Act, to carry on the business as a manager of mutual funds. Mutual funds for the purposes of the Mutual Funds Act refer to "open-ended" funds which are categorised under that Act as public, private and professional funds. The provision of management services to "close-ended" funds does not in itself attract licensing requirements under the Mutual Funds Act. Our Group has been advised by our BVI legal advisers that as persons licensed under the Mutual Funds Act, VPL and SAM are subject to the regulation both under the Mutual Funds Act and under related rules and regulations issued by the FSC, and that none of the other members of our Group are required to be licensed under the Mutual Funds Act.

### 3. CAYMAN ISLANDS

SIB Law, requires that any person, company or partnership (whether general or limited) which is incorporated or registered in the Cayman Islands (or which is incorporated or registered outside the Cayman Islands but has established a place of business in the Cayman Islands) and is carrying on "securities investment business" must be licensed or exempted from licensing under the SIB Law.

The SIB Law provides an exhaustive list of those activities which constitute the carrying on of "securities investment business", including dealing in securities, managing securities and advising on securities.

An entity incorporated or established in the Cayman Islands (or incorporated or registered outside the Cayman Islands but which has established a place of business in the Cayman Islands) and carrying on "securities investment business" may, where it complies with the applicable criteria prescribed under the SIB Law, apply to the CIMA, for exemption from licensing under the SIB Law as an "Excluded Person" or, in certain circumstances, may be exempted without the requirement for such application. The Mutual Funds Law and the Companies Management Law of the Cayman Islands also regulate the provision of certain management services provided in or from the Cayman Islands.

Value Partners (Cayman GP) II Ltd being incorporated in the Cayman Islands, have been registered as an Excluded Person with CIMA under the SIB Law. Our Group has been advised by our Cayman Islands legal advisers that VPL and SAM, not being companies incorporated, nor having established places of business, in the Cayman Islands, are not required to be licensed or exempted from licensing under the SIB Law, the Mutual Funds Law or the Companies Management Law of the Cayman Islands. Our Group has also been advised by our Cayman Islands legal advisers that other than as described above, no member of the Group is required to be licensed, exempted or regulated (as applicable) under the SIB Law, the Mutual Funds Law or the Companies Management Law.

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## REGULATION

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### 4. UNITED STATES

In the United States, VPL is registered as an investment adviser under the Investment Advisers Act and our activities in the United States are subject to regulation under that act and related rules and regulations by the SEC. The Investment Advisers Act imposes substantive regulation on aspects of an investment adviser's advisory business in the United States and its relationship with its U.S. clients, as well as general record keeping and reporting requirements on all operations at VPL. Our activities in the United States may also be subject to regulation by the SEC pursuant to other legislation and/or by other regulators and by self-regulatory organizations, such as U.S. Commodity Futures Trading Commission and the U.S. National Futures Association, and by U.S. state regulators pursuant to state laws. VPL monitors its compliance with such laws and regulations on a continuing basis.

### 5. AUSTRALIA

Generally, Australian laws require persons engaging in financial services in Australia to hold an Australian Financial Services Licence, in the absence of available exemptions. However, persons outside Australia who (at the request of persons within Australia) periodically provide from jurisdictions outside Australia, investment management services in respect of acquisition or disposal of securities in companies or units in trusts located outside Australia, do not require an Australian Financial Services Licence. The offering of securities to Australian investors in Australia must be effected through a person with an Australian Financial Services Licence which covers such activities in Australia, unless there is an available exemption. We provide investment management services from Hong Kong to the responsible entity of a registered managed investment scheme, which is established in Australia and marketed by persons registered in Australia to the Australian investing public. Our Group has been advised that we are most unlikely to require an Australian Financial Service Licence for investment management services that we currently provide to the responsible entity of an Australian registered managed investment scheme where those services are provided outside Australia and have been solicited by the responsible entity outside Australia. In addition, as our relationship is with the responsible entity under the Investment Management Agreement, we are not directly liable to investors in the managed investment scheme.

### 6. JAPAN

Japanese laws regulate and require the licensing of persons who engage in investment management or investment advisory businesses in Japan. However, Japanese laws do not require registration or licensing in Japan of persons incorporated and located outside Japan who provide investment management or investment advisory services in jurisdictions outside Japan to funds (toushishintaku) that are established outside of Japan and that are offered in Japan (provided that the offerings have complied with applicable Japanese securities laws) or to funds (toushishintaku) incorporated outside of Japan invested by Japanese investors (provided that there is no solicitation of subscribers to such funds in Japan otherwise than pursuant to an available exemption). The offering of securities to Japanese investors in Japan must be effected through registered securities dealers in Japan, unless there is an available exemption. We provide in Hong Kong investment management and investment advisory services to certain funds (toushishintaku) that were established outside Japan and that were offered (through Japanese registered securities dealers) to the public in Japan and a fund (toushishintaku) incorporated outside Japan but subscribed for by Japanese investors. Our Group has been advised by our Japanese legal advisers that we do not require any license to carry on our investment management and investment advisory services to those funds (toushishintaku) under current Japanese laws and regulations.

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## REGULATION

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### 7. THE PRC

PRC laws regulate and require the licensing of persons who engage in the investment management and investment advisory business in the PRC. However, PRC laws do not require registration or licensing in the PRC of persons who provide investment advisory services in jurisdictions outside the PRC to those persons and/or entities who engage in the investment management and investment advisory business within the PRC.

QFIs refers to foreign investment fund management institutions, insurance companies, securities companies and other asset management institutions which have been approved by the CSRC to invest in the PRC stock markets by trading stocks and other products approved by the CSRC. QFIs would receive a quota for procuring such investments by the SAFE.

Prior to making any investment in the PRC stock markets, a QFII must obtain a securities investment permit from the CSRC and a foreign exchange registration certificate from SAFE. SAFE will also conduct annual review of a QFII's foreign exchange transactions.

According to the "Interim Provisions of Foreign Exchange Administration of QFII Investment in Securities in China" (合格境外機構投資者境內證券投資外匯管理暫行規定) promulgated by SAFE and effective on 1 December 2002, a QFII may remit offshore its investment return after payment of all applicable PRC taxes.

A QFII is subject to stamp duty for stock trading in the PRC. Pursuant to an approval issued by the State Council on 30 May 2007, the applicable rate of stamp duty imposed for trading stocks on the PRC stock markets was increased from 0.1% to 0.3%, as effective from the date of the approval.

On 1 December 2005 MOF and SAT issued the "Notice of the Policy regarding Business Tax of QFIIs" (Caishui 2005 No. 155) (關於合格境外機構投資者營業稅政策的通知). According to this notice, QFII income derived from the sale of stocks traded on the PRC's stock markets and executed through a broker retained by the QFII in the PRC, is exempted from business tax.

Currently, there are no specific rules under PRC law on whether PRC income tax would be imposed on capital gains derived by a QFII from sale of stocks which are traded on the PRC stock markets and dividends received from the companies in which it has invested. It is therefore unclear whether a QFII shall pay PRC income tax in respect of such capital gains and dividends until the State Council, MOF or SAT promulgate detailed rules in this respect. It is also unclear whether a QFII who is an investment manager of investment funds is subject to PRC business tax and income tax for its management fees and other income.

Pursuant to Article 19 of the "Foreign Invested Enterprise and Foreign Enterprise Income Tax Law" (中華人民共和國外商投資企業和外國企業所得稅法) approved by the NPC, on 9 April 1991 and effective on 1 July 1991, or Existing Income Tax Law, income derived from dividends, interest, rental, royalty and other income (such as capital gains) derived from PRC sources by (1) a foreign enterprise which has no establishment in the PRC or (2) a foreign enterprise which has establishments in the PRC but such income having no connection with such establishments, is subject to PRC income tax at a rate of 20%. This income tax rate was later reduced to 10% by the State Council in the "Notice on Reduction of Income Tax of Foreign Enterprises relating to Interest and other Income from PRC Sources" (Guo Fa (2000) No. 37) (國務院關於外國企業來源於我國境內的利息等所得減徵所得稅問題的通知), or the State Council Notice. It is unclear whether a QFII is required to pay such income tax for capital gains derived from stock trading and dividends distributed by the companies in which it has invested. It is also unclear whether a QFII being the investment manager of the investment funds under its management shall pay such income tax for its management income.

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## REGULATION

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On 16 March 2007, the NPC approved the PRC Enterprise Income Tax (中華人民共和國企業所得稅法), or the Enterprise Income Tax. The Enterprise Income Tax will become effective on 1 January 2008 and the Existing Income Tax Law shall be abolished on the same date. Pursuant to the Articles 3 and 4 of the Enterprise Income Tax Law, non-resident enterprises (meaning institutions or entities registered in offshore jurisdictions and without actual management bodies in the PRC) which (1) have no establishments in the PRC or (2) have establishments in the PRC but with their income from the PRC having no connection with such establishments, shall pay PRC income tax for its income derived from the PRC sources at a rate of 20%.

The State Council is drafting detailed implementation rules for the Enterprise Income Tax. It remains to be clarified by the State Council whether a QFII is required to pay income tax for its capital gains derived from stock trading and dividends from the companies in which it has invested according to Articles 3 and 4 of the Enterprise Income Tax. If affirmative, the question of whether the reduction of income tax from 20% to 10% stipulated in the State Council Notice will still apply also remains to be clarified.

Under the current tax regime applicable to securities investment funds organized within the PRC and approved by the CSRC to trade stocks on the PRC stock markets, or Domestic Funds, capital gains derived from stock trading and dividends received from investee companies by the Domestic Funds are exempted from both business tax and income tax. Since both Domestic Funds and QFIIs are investment funds investing in the PRC stock markets, it is reasonable to expect that the income tax exemption applicable to Domestic Funds may also apply to QFIIs, in particular, given the fact that business tax has already been exempted for both QFIIs and Domestic Funds. However, there are no express provisions under PRC law in this regard.

It is also unclear whether taxation rules relevant to QFIIs promulgated by the State Council, MOF or SAT in the future which require income tax be paid for capital gains and dividends will have retrospective effect on existing QFIIs.

The funds under our management which invest in the PRC stock markets through QFII have not made any provision for payment of income tax for capital gains and dividends. If such tax were to be retrospectively applied, it is possible that we would have to pay such taxes from our own reserves.



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## LETTER FROM THE CHAIRMAN

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8 November, 2007

From: Cheah Cheng Hye, Chairman and CIO

**To: Prospective shareholders of Value Partners Group Limited (“Value Partners”)**

Dear Sirs/Madam,

In this letter, I highlight some key characteristics of Value Partners and the fund management industry. I am doing this in anticipation of Value Partners’ proposed listing on The Stock Exchange of Hong Kong Limited. The proposed listing would make Value Partners, as of the date of this prospectus, the only Hong Kong based, Greater China oriented, fund management company to be listed on the Stock Exchange. This letter, which forms part of the prospectus, is meant as a more informal way of furthering the public’s understanding of our firm and our industry.

### **Background**

Value Partners, with 78 employees and assets under management of US\$5.7 billion as at 30 June 2007, can be considered a medium-sized asset-management company by global standards. According to a survey published in the July-August 2007 edition of Alpha Magazine, Value Partners ranks as Asia’s second largest hedge fund manager, after Sparx Group Co. of Japan. We believe that we are the only fund management company founded in Hong Kong, run by people based in Hong Kong, with its own brand, to have reached this size.

Upon listing, Value Partners will remain controlled by management and senior employees, with approximately 36% owned by myself and another 15% by other senior employees. We, the management, are not selling our shares in the offering. Also not a seller in this offering is Mr. Yeh V-Nee, who is Value Partners’ co-founder of the Company. He holds 18% of Value Partners.

Value Partners is not seeking fresh capital, so the public offering is actually a sale of existing shares held by minority shareholders in the United States, principally J.H. Whitney III, L.P, a U.S. private equity fund that acquired a minority stake in Value Partners in the 1990s. A shareholding of around 24% in Value Partners is being offered for sale (not including shares to be offered pursuant to the Over-allocation Option). Not all the shares owned by our U.S.-based minority shareholders are to be included in the sale, as one of our U.S. partners is still expected to retain a small stake in Value Partners immediately after the offering.

### **Risks inherent in our business**

Now, I would like to go on to talk about some of the risks that are involved in an investment in Value Partners’ shares.

First, Value Partners’ stock may not be highly liquid, with its trading volume relatively low due to the limited supply of shares available in the market.

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## LETTER FROM THE CHAIRMAN

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Secondly, the nature of our firm's business and our industry is such that it is highly exposed to the boom-bust cycles of financial markets, particularly the Chinese markets, so a shareholder needs to be mentally prepared for the possibility of sharp swings in our performance. In Value Partners' case, the volatility could be even greater than for the asset management industry as a whole, because a large part of our revenue is tied to performance fees, which cannot be earned unless our funds reach a certain performance benchmark.

Thirdly, prospective shareholders should note that Value Partners has largely concentrated on investments related to Greater China, and this geographical concentration may exacerbate fluctuations in its business. While our range of investment products includes other parts of the Asia-Pacific Region, investments related to Greater China, as of 30 June 2007 represented approximately 88% of its assets under management.

Fourthly, as the majority of Value Partners' funds are structured as open-ended funds from which clients can exit at relatively short notice, there is always a risk that our fund size could shrink suddenly and dramatically for various reasons, such as poor fund performance or changes in financial market conditions. On the other hand, fund size can expand rapidly too, as we have seen so far in Value Partners' history.

Fifthly, the industry in which we operate has seen rising staff costs, which can become a matter of concern. Because active fund management is more of an art than a science, the fund management industry competes fiercely to find and keep the best talent, so generous pay packages have become the norm. But even with high pay, key employees may leave, posing a hazard for a business so dependent on human capital.

We as fund managers sometimes face difficult choices. Our goal is to always focus on our clients' interests, and put long term benefits ahead of short term gains. We intend to maintain this attitude, and this could affect the investment appeal of our stock over certain time periods.

For further risk factor details, please refer to the "Risk Factors" section.

### **Investor relations**

Investors should also note the approach of our management to investor relations. We believe that asset management requires our full dedication at all times, which in turn reduces the amount of time we can allocate to maintaining investor relations.

So, while we will have business people in Value Partners whose job is to hold meetings with investor groups, money-managers, analysts and the media, the firm's fund management staff will not be making themselves available for such meetings unless absolutely necessary. We think that it would be unwise to distract our fund managers from their job, and indeed we consider that the best way to increase the wealth of our shareholders is to concentrate on what we do best — investment management.

### **Risk versus reward**

We can thus see that investing in Value Partners may not be the best choice for an investor who is particularly risk adverse, fears volatility, is sensitive to short-term performance or expects frequent communications from senior management. On the other hand, Value Partners could appeal to a sophisticated investor who is attracted by the potential of the fund management industry in combination with the potential of investing in Greater China.

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## LETTER FROM THE CHAIRMAN

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Such an investor, weighing carefully the risks against the potential rewards, may wish to consider Value Partners for several reasons, including the following:

- Value Partners has been one of the pioneers of the value-investing discipline in the Greater China markets, gaining an advantage in a marketplace where emotion and momentum trading are not uncommon. The advantage has been growing, with Value Partners' investment team carrying out extensive company visits each year, producing its own tailored, value-focused research, while many competitors still depend on research provided by their brokers.
- Value Partners has used the value approach to focus on alternative and non-mainstream investments, which further differentiates our brand from other asset management firms. Our history shows that we have been one of the pioneers and market leaders in various aspects of Greater China investing.

For example, we believe that we were one of the first companies to invest in China's "B" share market in the 1990s. We exploited "valuation gaps" in different classes of Chinese stocks of the same company. We are one of the active purchasers of "private chips" in Hong Kong, a term applied to private sector companies from the Chinese mainland that have listed themselves in Hong Kong or overseas locations. We have made sizable profits from identifying overlooked value. We have been actively investigating China's inland and rural areas, searching out fresh value as the corporate sector in the major cities has become too well known.

From the early 1990s, we have been one of the leaders in small-cap investing in Hong Kong, using an approach that emphasizes deep value and distressed assets. And as the obvious winners from China's growth became apparent, we have invested successfully in less obvious China plays in markets ranging from Taiwan to Malaysia.

- With its size and reputation, Value Partners has been able to attract a large number of "block deals," a term we use to cover transactions where we negotiate directly with the principal shareholders, management or investment banks to purchase sizable shareholdings in a company.

The advantages of "block deals" for us include access to hard-to-obtain investments; attractive pricing, usually involving a significant discount to market price; and the ability to put money to work in size rather than slowly accumulating a desirable stock in the open market. As at 30 June 2007, based on publicly available records, Value Partners' funds were a substantial shareholder (meaning that we held 5% or more) in over 45 companies. Many of these investments were made through "block deals" and many relate to "private chips" from China, underlining our strong position in such activities.

- Our performance record has been acknowledged by numerous performance awards from Lipper, Asia Hedge and Standard and Poor's (formerly known as Micropal). See the paragraph headed "Awards & Recognition" in the "Our Business" section. This year, our Value Partners Classic Fund was ranked No. 1 in the Lipper Equity Greater China sector sold in Hong Kong in terms of annualized total return, Risk-Return Ratio and Absolute Return for the period 1 April 1993 to 31 May 2007 by Lipper (Value Partners Classic Fund returned a net 21.7% per annum, compounded, during this period, according to the Lipper report).

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## LETTER FROM THE CHAIRMAN

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- Valuable knowledge and experience. Hong Kong's asset management market is dominated by major international brands, and Value Partners, as a local brand, faced immense barriers to entry. Yet we transformed ourselves from a start-up boutique (only US\$5.6 million under management in April 1993, when the Classic Fund started) into one of the leading fund managers for Greater China markets. The experience gained coming up this steep learning curve is, in our view, one of our most valuable assets.

I have been the Chief Investment Officer of Value Partners from its inception, and also served as the firm's Managing Director, responsible for the Company's business and corporate affairs during the 1990s, and in more recent years, took on the newly created position of Chairman. Many important members of our staff have been deeply committed to the firm and its clients for many years. Also, every Value Partners employee has voluntarily signed a personal promise to the Company to maintain the highest ethical standards.

Value Partners emphasizes effective leadership and a strong corporate culture, summed up in our slogan, "We, the people of Value Partners, cooperate to build an environment that allows ordinary people to become extraordinary performers".

- Ability to handle size. A common belief is that money-management boutiques can only perform well while they remain small, but Value Partners has shown this need not be the case. For example, the Value Partners Classic Fund, a US\$868.6 million fund at the end of 2006, gained an annual return of 41.8% during 2006, compared with the Hang Seng Index's 39.0% gain during 2006.

As our assets under management expanded, we innovated by dividing our investment team into clusters, empowering our senior fund managers to make their own buy-sell decisions as "cluster leaders". Each cluster is expected to behave like an entrepreneurial boutique, yet the system requires all clusters to contribute to all of our funds, ensuring that resources are used for the benefit of our clients. This structure is summed up in our slogan: "Small enough to be effective, big enough to be strong".

Perhaps worth noting is that Value Partners won the prestigious Enterprise Award in the 2005 Hong Kong Business Awards competition organized by DHL and South China Morning Post which gives recognition to Hong Kong's most successful businesses. We were the first asset-management firm to win this keenly contested prize, which in previous years went to companies in commerce and industry.

### **Our franchise**

In our industry, the key drivers of corporate earnings are fund performance and fund size. Value Partners' combination of strong performance progress and size is reflected in its high profitability. It should of course be noted that our past performance may not be a reliable guide to the future.

We believe that what we have created is a growing franchise for investing in Greater China, a region which in our view carries tremendous prospects. Although we do not expect a consistently smooth path for Greater China's development — the boom-bust cycle applies to Greater China too - we think that, over the long term, the region holds significant promise. Moreover, we have embarked on a process of product diversification, but we are proceeding cautiously because of the need to create quality products that are differentiated from others.

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## LETTER FROM THE CHAIRMAN

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This letter should not be considered a comprehensive discussion covering the potential risks and merits of investing in Value Partners. I may have missed some important points. But I hope you can see my sincerity in wanting to establish a no-nonsense, responsible relationship with new shareholders from the start.

Before making any investment decision, please read and seriously consider this entire prospectus, particularly the risk factors and financial information sections on pages 20 and 123, respectively.

Yours truly,  
**Cheah Cheng Hye**  
*Chairman & CIO*  
**Value Partners Group Limited**

*Investors should read and seriously consider this entire prospectus, particularly the risk factors and financial information sections on pages 20 and 123 respectively, before making any investment decision. The directors of Value Partners Group Limited collectively and individually accept full responsibility for the contents of this letter.*

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## OUR BUSINESS

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### 1. INTRODUCTION TO VALUE PARTNERS

#### 1.1 Introduction

Value Partners is an independent, value-oriented asset management group with a focus on Greater China and the Asia-Pacific Region. As at 30 June 2007, our Group had total AUM of US\$5.7 billion. Under our Value Partners brand and, to a lesser extent, our SAM brand, we manage seven authorized funds, manage or sub-manage five non-authorized funds and provide management or sub-management services to four white label or co-branded funds, including one MPF fund. We also provide account management services to seven managed accounts and manage or advise on other products, including structured notes. We manage two private equity funds. Our investor base comprises institutions, corporates, statutory authorities, university endowment funds, charitable foundations, high net worth individuals and retail investors.

Led by Cheah Cheng Hye, who began developing the Value Partners business in February 1993, our investment team has a proven track record in delivering strong fund performance. We follow a defined value investment philosophy and pursue an active, bottom-up, research driven and team based approach.

We distribute our products primarily through a network of distributors and strategic partnerships to utilize the marketing and sales infrastructures of our distributors and partners. We also have our own in-house distribution team.

We derive our fee income primarily from management fees and performance fees, which are linked to AUM and fund return, respectively. Our profit attributable to the equity holders of the Company for the year ended 31 December 2006 was approximately HK\$856.3 million. Our profit attributable to the equity holders of the Company for each of the six months ended 30 June 2006 and 2007 was approximately HK\$127.4 million and HK\$335.2 million, respectively. As at 30 June 2007, our Group had a total AUM of approximately US\$5.7 billion of which approximately US\$2.2 billion was represented by our SFC authorized funds (including the Value Partners China Greenchip Fund Limited which became authorized as from 26 March 2007), US\$719.3 million by our non-authorized funds and US\$2.8 billion by the remainder of our operations comprised of our white label/co-branded funds, managed accounts, private equity funds and other products. Please refer to the paragraph headed "AUM" in the "Our Business" section.

Our principal place of business is in Hong Kong. As at the Latest Practicable Date, Value Partners had 84 employees, including 24 investment professionals, all of whom are based in Hong Kong.

#### 1.2 The corporate history and development of our Group

VPL was incorporated in 1991 as Kinsons Limited, a company incorporated in the BVI. In January 1993, Kinsons Limited changed its name to VPL and in February 1993, Mr. Cheah Cheng Hye and Mr. Yeh V-Nee became its shareholders.

Mr. Cheah Cheng Hye, Mr. Yeh V-Nee and other shareholders began developing our current business in February 1993 as an asset management business focusing on value investing in the Asia-Pacific Region, with initial AUM in the Value Partners Classic Fund of approximately US\$5.6 million in April 1993.

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## OUR BUSINESS

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Holding Capital Group, a U.S. private equity group, and J.H. Whitney III, L.P., a U.S. private equity fund, became shareholders of VPL in 1995 and 1998, respectively. These two investors provided advice and recommendations which we applied to further strengthen our internal control structure and operations, supporting our subsequent business growth.

Mr. Cheah Cheng Hye first became our single largest shareholder in 1997 and has remained so since. From July 1997, Mr. Yeh V-Nee has until 1 November 2007 served as a non-executive director of VPL. Contemporaneous with J.H. Whitney III, L.P. becoming a shareholder in 1998, our then shareholders entered into a shareholders agreement by which, amongst other things, Mr. Cheah Cheng Hye could control three out of a maximum of six votes at the board of VPL and could also nominate its chairman and the managing director. Pursuant to this shareholders agreement, J.H. Whitney III, L.P. and Mr. Yeh V-Nee, being our then second and third largest shareholders, were given the right to nominate two and one director respectively to the board of VPL as long as they maintained specified minimum shareholdings. This agreement also specified that unless a director is a full time employee of VPL, that director is non-executive. A non-executive director of a company is understood to be a director that does not have any executive roles in that company and would not be involved in the daily operations of that company. All subsequently introduced shareholders of VPL have agreed to be bound by that shareholders agreement, the arrangements under which will cease upon Listing.

Over the last decade, we have expanded extensively in the asset management business, increasing our AUM to approximately US\$5.7 billion as at 30 June 2007. Along with our growth in business, Mr. Ho Man Kei and Mr. Choi Nga Chung joined our Company as analysts in 1995 and 1996 respectively and were subsequently promoted to the position of senior fund managers. We further expanded our investment team in 1998 when Ms. Hung Yeuk Yan Renee joined us as an analyst and was subsequently promoted to the position of senior fund manager. Mr. So, Louis Chun Ki joined us in 1999 as an analyst and was also subsequently promoted to the position of senior fund manager.

In 2005, Mr. Ngan Wai Wah, Mr. Ho Man Kei, Mr. Choi Nga Chung, Ms. Hung Yeuk Yan Renee, Mr. So, Louis Chun Ki and Ms. Woo Lai Nga became shareholders of VPL.

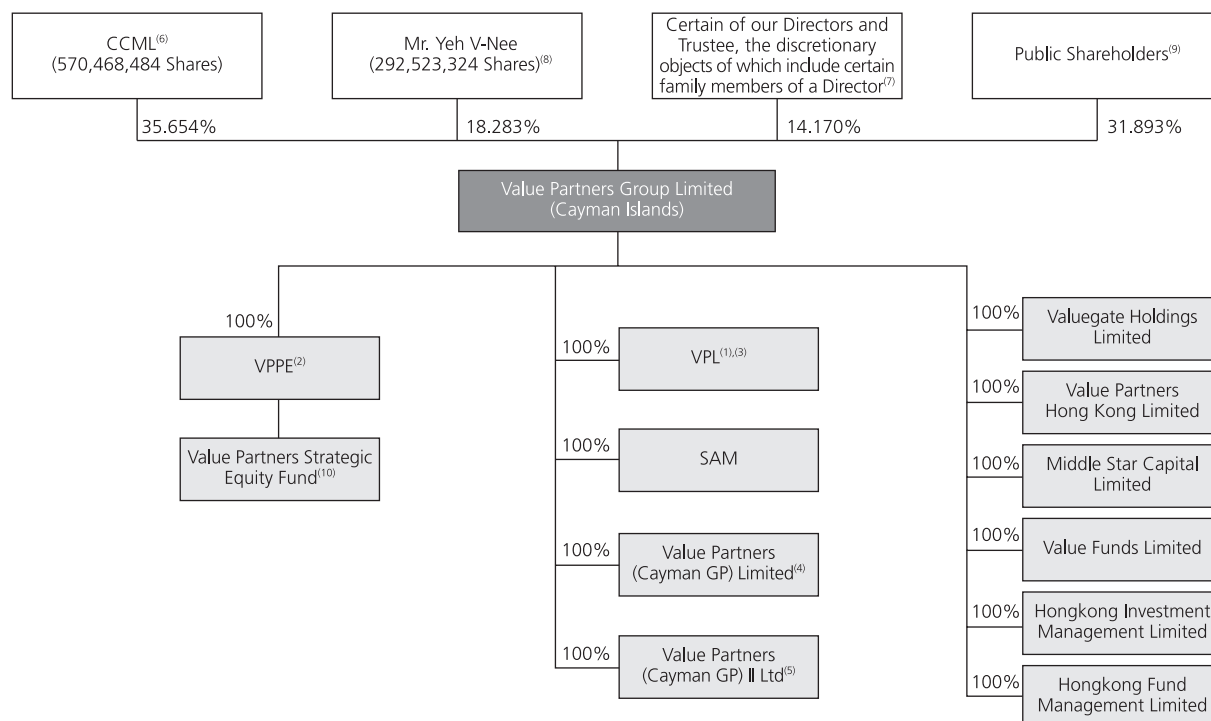
In 2005, Ms. Chau Yee Man joined us as a senior fund manager from Crédit Agricole Asset Management where she had been responsible for managing Hong Kong and Greater China portfolios. She became a shareholder of VPL in 2006.

As at the Latest Practicable Date, our investment team consisted of the CIO, five senior fund managers, five fund managers and thirteen analysts.

Value Partners Group Limited was incorporated on 10 November 2006 in the Cayman Islands under the Companies Law as an exempted company with limited liability. As part of the Reorganization, Value Partners Group Limited became the holding company of our Group in anticipation of the Listing.

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Our Group corporate and shareholding structure immediately upon Listing (assuming no exercise of the Over-allocation Option and before exercise of the Pre-IPO Share Option) and brief particulars of each of our subsidiaries are set out below.



*Notes:*

- (1) Holds as investment 37,500 shares (representing approximately 7.5% issued share capital) of TAM. The remaining interest in this company is owned by independent third parties.
- (2) Holds 84,575 shares (representing approximately 0.008% issued share capital) of Hysan Development Company Limited and holds (in consequence of transfers of investments in the course of the winding up of a close ended fund managed by it) as investment 147 shares (representing approximately 4.38% issued share capital) of China Law International Limited, 100 shares (representing approximately 6.28% issued share capital) of GO-CDMA Limited, 900,000 shares (representing approximately 6% issued share capital) of Holomatix Ltd and 25,000 shares (representing approximately 1.16% issued share capital) of Mandarin IT Fund. The first company's shares are listed on the Main Board of the Hong Kong Stock Exchange and that company is controlled by an independent third party. The remaining four companies are private companies and the remaining interests in those companies are owned by independent third parties.
- (3)-(5) Holds less than 3% shareholding in funds managed by our Group except for one of our U.S. incorporated funds in which our Group holds less than 5% shareholding, as at the Latest Practicable Date.
- (6) CCML 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.
- (7) This includes the following interests calculated on the basis set out below our corporate structure chart:
  - Mr. Choi Nga Chung holding 57,655,209 Shares representing approximately 3.60% interest;
  - Mr. Ho Man Kei holding 57,655,209 Shares representing approximately 3.60% interest;
  - Bright Starlight Limited holding 40,358,583 Shares representing approximately 2.52% interest. Bright Starlight Limited 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;
  - Mr. Ngan Wai Wah holding 30,690,691 Shares representing approximately 1.92% interest; and
  - Mr. So Louis Chun Ki holding 40,358,583 Shares representing approximately 2.52% interest.
- (8) Mr. Yeh V-Nee has undertaken not to dispose of his shares for a period of six months commencing on the date on which the Shares are listed on the Hong Kong Stock Exchange.



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<sup>(9)</sup> This includes the following interests:

- Ms. Woo Lai Nga, an employee of the Group, holding 17,336,984 Shares representing approximately 1.08% interest;
- Ms. Chau Yee Man, an employee of the Group, holding 619,391 Shares representing approximately 0.04% interest;
- J.H. Whitney III, L.P. holding 18,400,000 Shares representing approximately 1.15% interest;
- Value Holdings, LLC holding 92,333,542 Shares representing approximately 5.77% interest;
- the Strategic Investors together holding 144,000,000 Shares representing approximately 9.0% interest; and
- IPO investors together holding 237,600,000 Shares representing approximately 14.85% interest.

Value Holdings, LLC, J.H. Whitney III, L.P., Ms. Woo Lai Nga and Ms. Chau Yee Man have, together with the other existing shareholders of VPL, entered into a shareholders' agreement in relation to VPL. Such shareholders' agreement will terminate upon Listing.

<sup>(10)</sup> 100% of the full voting management shares of Value Partners Strategic Equity Fund in issue is owned by VPPE. As at the Latest Practicable Date, a total of 15,004,800 non-voting shares in Value Partners Strategic Equity Fund were in issue, of which funds under management by VPL held approximately 4%, VPL held approximately 1.67%, Mr. Cheah Cheng Hye held approximately 0.67%, a company controlled by Mr. Yeh V-Nee held approximately 1.33%, Mr. Choi Nga Chung held approximately 0.07%, Mr. Ho Man Kei held approximately 0.07%, Ms. Hung Yeuk Yan Renee held approximately 0.07%, a company owned by Mr. Lee Siang Chin and his spouse held approximately 0.33% and Mr. Ngan Wai Wah, held approximately 0.16%. The remaining non-voting shares are held by investors who are not our connected persons. As we hold all the voting rights in the fund, it is our subsidiary (as defined in Rule 1.01 of the Listing Rules). The rights attached to the non-voting shares are set out in paragraph 1.6 headed "Changes in Share Capital of Subsidiaries" in Appendix IV of this prospectus.

The following table summarizes the holdings of our shareholders in us as at the Latest Practicable Date and immediately upon Listing:

Name of shareholder	Number of shares issued by the Company <sup>(1)(2)</sup>			
	As at the Latest Practicable Date	% issued share capital	Upon Listing	% issued share capital
CCML <sup>(3)</sup>	570,468,484	35.65	570,468,484	35.65
Mr. Yeh V-Nee	292,523,324	18.28	292,523,324	18.28
Mr. Choi Nga Chung	57,655,209	3.60	57,655,209	3.60
Mr. Ho Man Kei	57,655,209	3.60	57,655,209	3.60
Bright Starlight Limited <sup>(4)</sup>	40,358,583	2.52	40,358,583	2.52
Mr. Ngan Wai Wah	30,690,691	1.92	30,690,691	1.92
Mr. So Louis Chun Ki	40,358,583	2.52	40,358,583	2.52
	<u>1,089,710,083</u>	<u>68.09</u>	<u>1,089,710,083</u>	<u>68.09</u>

### Public shareholders

J. H. Whitney III, L.P. <sup>(5)</sup>	316,863,482	19.80	18,400,000	1.15
Value Holdings, LLC <sup>(5)</sup>	175,470,060	10.97	92,333,542	5.77
Ms. Woo Lai Nga <sup>(6)(7)</sup>	17,336,984	1.08	17,336,984	1.08
Ms. Chau Yee Man <sup>(6)(7)</sup>	619,391	0.04	619,391	0.04
IPO investors <sup>(8)</sup>	—	—	381,600,000	23.85
	<u>510,289,917</u>	<u>31.89</u>	<u>510,289,917</u>	<u>31.89</u>
	<u>1,600,000,000</u>	<u>100.00</u>	<u>1,600,000,000</u>	<u>100.0</u>

### Notes:

- (1) Assuming no exercise of the Over-allocation Option.  
(2) Subject to rounding adjustments.

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- (3) CCML is wholly-owned by Cheah Company Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, as trustee for a discretionary trust, the discretionary objects of which include Mr. Cheah Cheng Hye and certain members of his family.
- (4) Bright Starlight Limited is wholly-owned by Scenery Investments Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. Hung Yeuk Yan Renee.
- (5) Value Holdings, LLC and J.H. Whitney III, L.P. became investors of VPL in 1996 and 1998 respectively, further details of which are set out in paragraph 1.1 headed "Key Corporate History" in Appendix IV of this prospectus.
- (6) Each of Ms. Woo Lai Nga and Ms. Chau Yee Man became a shareholder of VPL in 2005 and 2006 respectively by acquiring shares in VPL from VPL and/or Value Holdings, LLC, and J.H. Whitney III, L.P., further details of which are set out in paragraph 1.6 headed "Changes in Share Capital of Subsidiaries" in Appendix IV of this prospectus.
- (7) Ms. Woo Lai Nga and Ms. Chau Yee Man are our employees. Neither they, Value Holdings, LLC nor J.H. Whitney III, L.P. will, on Listing, be a substantial shareholder or a director of any of our Group companies. They have confirmed to us that their acquisition of our Shares or those of VPL were not financed directly or indirectly by any of our connected persons nor are they accustomed to taking instructions from any other person in respect of such Shares. Their holdings of Shares may be regarded as part of the "public float" on our Listing.
- (8) This includes the Strategic Investors which will hold an aggregate of 144,000,000 Shares representing 9.0% of our issued share capital upon Listing.

Brief particulars of our subsidiaries are set out below.

Name of company	Date (and place) of incorporation	Principal business/licensed activity
VPL (Formerly known as Kinsons Limited. Changed name to VPL on 19 January 1993)	9 October 1991 (BVI)	Asset management Hong Kong - Licensed for types 1, 4, 5 and 9 regulated activities BVI - Licensed under Mutual Funds Act United States - Registered as an investment adviser under the Investment Advisers Act
VPPE (Formerly known as Kingwealth Investments Limited. Changed name to VP Private Equity Limited on 7 April 1998 and subsequently to VPPE on 26 February 2007)	18 March 1998 (BVI)	Asset management Hong Kong - Licensed for types 4 and 9 regulated activities
SAM	24 March 2000 (BVI)	Asset management Hong Kong - Licensed for types 4 and 9 regulated activities BVI - Licensed under Mutual Funds Act
Value Partners (Cayman GP) Limited	16 December 2005 (Cayman Islands)	Inactive
Value Partners (Cayman GP) II Ltd	7 June 2006 (Cayman Islands)	Managing member of a U.S. fund managed by VPL  Cayman Islands - Registered as an Excluded Person under Securities Investment Business Law
Valuegate Holdings Limited (Formerly known as Ascending Investments Limited. Changed name to Valuegate Holdings Limited on 8 December 1993)	19 October 1993 (BVI)	Trademark holding

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Name of company	Date (and place) of incorporation	Principal business/licensed activity
Value Partners Hong Kong Limited <sup>(1)</sup>	10 May 1999 (Hong Kong)	Inactive but has applied for licences in Hong Kong for types 1, 4, 5 and 9 regulated activities
Middle Star Capital Limited 中星資本有限公司 (Formerly known as Keen Concord Investments Limited 健群投資有限公司 . Changed name to Middle Star Capital Limited 中星資本有限公司 on 9 June 2004)	25 March 2004 (Hong Kong)	Inactive
Value Funds Limited 惠聯基金有限公司	27 May 2004 (Hong Kong)	Inactive
Hongkong Investment Management Limited	3 September 2004 (Hong Kong)	Inactive
Hongkong Fund Management Limited	3 September 2004 (Hong Kong)	Inactive
Value Partners Strategic Equity Fund <sup>(2)</sup>	12 March 2007 (Cayman Islands)	Investment Fund

Notes:

- (1) We intend to establish Value Partners Hong Kong Limited as a Hong Kong incorporated regulated person within our Group which replicates the capabilities of VPL, allowing us to exploit future business opportunities where the use of a Hong Kong incorporated vehicle is preferable to the use of BVI incorporated persons.
- (2) Value Partners Strategic Equity Fund is our subsidiary for the purposes of the Listing Rules.

### 1.3 The history and development of our business and funds

#### *The Value Partners fund series*

We launched our flagship product, the Value Partners Classic Fund (previously known as the Value Partners 'A' Fund) in April 1993. The investment objective of the Value Partners Classic Fund is to achieve consistently superior returns through an investment discipline that places emphasis on the fundamental value of potential investments. Following the successful launch of the Value Partners Classic Fund, we soon identified new specialised investment opportunities created by changes in the equity markets we cover. The Value Partners fund series is the premium brand of our Group's business. Currently, the series comprises five funds authorized by the SFC for sale to the public in Hong Kong as well as a range of managed and sub-managed accounts for institutions, corporates, statutory authorities, university endowment funds, charitable foundations, high net worth individuals and retail investors. Our investment team manages, sub-manages and/or advises all of the funds in the series.

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## OUR BUSINESS

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### ***Expansion of Value Partners fund series***

In the last few years we have launched a number of specialized funds within the Value Partners fund series to focus on key value trends identified by our fund managers.

In July 2000, we launched the Value Partners Intelligent Funds — China B-Share Fund, to capture investment opportunities which we identified in the China B-shares market. At that time, the China B-shares market was only open to foreign investors while the A-shares market was only open to local Chinese investors. Shares listed on the B or A-share markets typically had the same dividend rights and voting rights except that they were listed in different markets for policy reasons. The B-shares market was in general trading at a discount to the A-shares market. We considered that valuation gap presented us with an attractive opportunity to launch the China B-Share Fund with a focus on investing in attractive companies listed on the B-shares market. In 2001, the Chinese government announced measures to allow local Chinese investors to participate in the B-shares market. In July 2001, with the growth of the H-shares market in Hong Kong, we extended the mandate to include H-shares and the fund was renamed as Value Partners Intelligent Funds — China B and H Share Fund. After the opening up of the China A-shares market to qualified foreign institutional investors, in order to capture the value opportunities in a wider and deeper A-shares market, the mandate was further expanded in March 2005 to include China A-shares and the fund was renamed as Value Partners Intelligent Funds — China ABH Shares Fund.

In April 2002, to achieve medium to long-term capital growth by investing in companies established in Greater China or which derive a majority of their revenue from business related to Greater China with a focus on small cap companies, we launched the Value Partners China Greenchip Fund Limited, a close-ended fund listed on the Hong Kong Stock Exchange not authorized by the SFC. Our Value Partners China Greenchip Fund Limited was listed on the main board of the Hong Kong Stock Exchange between April 2002 and March 2007. We were granted authorization of this fund by the SFC on 26 March 2007. Consequently, the Value Partners China Greenchip Fund Limited was delisted on 26 March 2007. As Value Partners China Greenchip Fund Limited has remained under management by the Group since it was delisted, the delisting did not have any material adverse impact on the performance of the Group for the six months ended 30 June 2007.

In September 2002, during a period of regional low interest rates, the Value Partners High-Dividend Stocks Fund was established to suit clients with an appetite for investments offering high dividends.

In November 2003, we established the Value Partners Intelligent Funds - Chinese Mainland Focus Fund to achieve medium to long-term capital appreciation by investing primarily in investments related to Mainland China and investments whose value might be boosted by the appreciation of the Renminbi, or RMB.

In 2006, we were appointed as the sub-investment manager for an MPF fund. This is the first MPF fund that we have sub-managed.

### ***Our first hedge fund***

We launched our first hedge fund in October 2004, in order to capitalize on the change in the regulatory environment on short-term investments in Hong Kong. Our aim was to allow greater flexibility to our fund managers to capture market opportunities on both long and short investments in the global financial markets and in particular in the Greater China market.

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## OUR BUSINESS

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### ***Introducing SAM***

SAM commenced its current operations in December 2004 and is a wholly-owned subsidiary of Value Partners Group Limited with a view to offering a different suite of products to new and existing clients. Our objective was to broaden the product and market coverage of our Group. The products use the same value investing principles as the Value Partners fund series but place greater emphasis on mainstream large-cap stocks and employ investment techniques, for example, quantitative techniques, that may be different from the traditional Value Partners fund series. Currently, all of the products offered by SAM are managed by our investment team and hence benefit from the same research expertise and discipline of our experienced fund managers. On 7 May 2007, we obtained SFC authorization for the first authorized fund under the SAM brand, the Asia Value Formula Fund. The Asia Value Formula Fund has started its initial offer period on 18 September 2007 and it aims to identify under-valued securities comprising the MSCI Asia ex-Japan Index that will benefit from the upside correction between the market's short-term inefficiency and long-term efficiency. On 14 September 2007, we have also obtained SFC authorization for the SAM Greater China Equity Fund, which aims to achieve medium to long term capital growth through primarily investing in companies with substantial business interests in the Greater China region. SAM products are currently at the early stages of development, but our intention is that they will focus increasingly on mainstream large-cap stocks, as well as quant-model driven funds and structured products. Whilst SAM's products are individually branded and marketed, they use the same front and back office infrastructure and support as our Value Partners branded products. Our Directors envisage that SAM will provide an alternative product sub-set and complementary income stream to our Group.

### ***Our Private Equity Funds***

#### *Our current private equity funds*

VPPE, commenced operations in 1996 but became our subsidiary in September 2006 and is now a wholly-owned subsidiary of our Company. See the paragraph headed "Summary of Material Contracts" in the "Statutory and General Information" section. VPPE has recently launched a private equity fund, the Value Partners Strategic Equity Fund. VPPE still manages a close-ended private equity fund launched in November 1996 which is expected to be wound up upon realisation of that fund's existing investments.

As at the Latest Practicable Date, the total committed capital of the Value Partners Strategic Equity Fund is approximately US\$150 million. Value Partners Strategic Equity Fund, the first closing of which occurred only in June 2007, primarily invests in unlisted securities but may also acquire other investments, including listed securities and convertible bonds of companies having their main operations or majority of assets located in, or deriving the majority of their income from, the Asia-Pacific region.

From time to time, depending on funding requirements and investment targets, Value Partners Strategic Equity Fund may co-invest in private equity investments together with other funds under management of the Group.

#### *Our previous private equity funds*

In 2005, we partnered with FMO, to establish a joint-venture company called DPL, in which we held 60% and FMO held the remaining 40%. DPL's subsidiaries manage/advise a private equity fund and our Company is represented in the investment committee of the private equity fund, which was launched in 2005 and primarily invests through the provision of mezzanine financing to companies with a focus on the interior provinces in the PRC. Two of the investee companies of the private equity fund are (subsequent to its investment) listed on the Hong Kong Stock Exchange.

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In 2006, we introduced Itochu, as an investor in one of DPL's subsidiaries DP Cayman, as a result of which DPL holds approximately 84.33% and Itochu holds approximately 15.67% of DP Cayman.

In October, 2007, we sold our 60% interest in DPL (through the sale of the entire issued share capital of China Development Principles Group Limited, a wholly owned subsidiary of VPL before 26 October 2007) to DPL's management team for immediate cash payment of US\$2,500 and further payments which are to be calculated by reference to (i) the fees that DP Cayman receives from the private equity fund it manages, after certain pre-agreed expenses, including agreed management bonuses; and (ii) the management share special dividend that DP Cayman receives from that fund when it is liquidated at the end of its term, which are designed to preserve our economic interest in the income the DPL group derives from its existing private equity fund, after agreed costs and management bonuses. We will also be entitled to receive a further fee determined by reference to the carried interest or similar performance fee any fund manager controlled by the purchasers (themselves or together with FMO) may receive from new funds that they may in the future launch and which is attributable to up to US\$150 million of committed capital in such new funds. The said disposal was completed on 26 October 2007, upon which China Development Principles Group Limited, DPL and its subsidiaries have ceased to be our Group companies.

Immediately prior to such disposal, there was outstanding approximately HK\$5.4 million of cash advances by us to DPL and its subsidiaries. FMO and we agreed to share pro rata to our respective shareholding in DPL the investment in DPL represented by such outstanding cash advances, as a result of which we have waived the entire amount of the debt in consideration of FMO agreeing to pay us approximately HK\$2.16 million (i.e. 40% of the debt) in cash. The payment has been settled. Taking into account the fact that advances were made to fund the operations of DPL and its subsidiaries before our disposal, that the then shareholders of DPL bear such investment cost pro rata to their shareholding and as part of the transaction and that we effectively retain our economic interest in the DPL group with respect to the existing private equity fund it manages despite our sale, we consider such an arrangement to be on normal commercial terms, fair and reasonable and in the interests of our Company and its shareholders as a whole.

Notwithstanding our exit from the DPL group, we will continue to hold our investment in the private equity fund they manage/advise in respect of which we have a commitment to pay up further US\$30,000 as and when required by the private equity fund, in accordance with the terms of our investment.

### ***Other business areas***

In addition to the Value Partners fund series, our hedge fund, development of SAM products and our private equity funds, we have expanded our operations via the following investments:

In 1998 we co-invested in TAM, an asset management company operating in Singapore. TAM followed the same value investment philosophies and strategies as our Company and we considered that it would offer us access to a new client base and wider investment opportunities. In 2001, we reduced our initial shareholding from 50% to 10% in order to focus on our Hong Kong operation. We have maintained a 7.5% holding in TAM since 23 December 2006.

In 2002, VPL co-invested in ASM, a company incorporated in the BVI. ASM was set up as an investment management company to focus on distressed debt investments. VPL had a 50% shareholding in ASM alongside a third party co-investor. In 2004 we decided to exit the distressed debt investments market and disposed of our entire shareholding in ASM to Mr. David Kuohsien Chung, former CEO of VPL. In consideration for the 50% shareholding in ASM, Mr. Chung sold his 4.2% holding in VPL back to the Company and the shares were subsequently cancelled. The basis of the said disposal is determined mainly with reference to the respective book values of ASM and VPL.

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### 1.4 Our Investment Philosophy

The key drivers of our investment philosophy are:

- ***Value approach and stock-picking***

We have been successful in establishing an exceptional brand for value investing which we believe is well recognised among institutional investors in Hong Kong and the Asia-Pacific Region. Prior to founding Value Partners, Mr. Cheah Cheng Hye had already acquired extensive industry knowledge of the value investing methodology through his various positions as a journalist for the Hong Kong Standard, Asiaweek, the Far Eastern Economic Review and the Asian Wall Street Journal, his role as Head of Research at Morgan Grenfell Asia and his experience as a proprietary trader researching and investing in undervalued, small and mid-cap stocks in Hong Kong and the PRC. In February 1993, Mr. Cheah Cheng Hye left Morgan Grenfell Asia to establish Value Partners where he could utilize his knowledge of the value investing approach in the Asian markets. Our Directors believe that our Company was one of the first asset management firms in the Asia-Pacific Region and in particular in Greater China to fully embrace the bottom-up, research driven value-investing approach to equity investment.

Our fund managers embrace a value approach to investment which has been fostered in our firm's culture and in the training of our investment professionals. As a result, over a number of years we have developed a culture of "going against the flow" which encourages our teams to actively look for investments trading at a discount to their intrinsic values, or to identify out of favour or lesser known stocks in the market.

We place emphasis on picking value stocks regardless of the geographical market of those stocks. Historically, many of these value stocks have originated in Greater China but our Directors believe that our investment model is equally applicable in other markets.

- ***Investment for the long-term***

Our funds normally adopt a "buy and hold" strategy through the maintenance of long positions in our selected stocks as we believe this enables us to derive maximum return from our investment philosophy.

- ***Performance as a marketing tool***

Our Group places top priority on generating and maintaining consistently high performance as opposed to marketing or asset gathering. Our Directors believe that consistently achieving outstanding performance is the most effective way to maintain and deepen existing client relations and to attract new clients.

- ***Cross-selling***

We cross-sell existing products to existing clients allowing clients to benefit from our research by our different brands. We strive to cultivate long-term relationships with our clients.

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## OUR BUSINESS

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### 1.5 Our Investment Process

- ***Our investment team***

Our entire team of senior fund managers, with the exception of one member, has been at our Company since the 1990s. All of our senior fund managers have a proven track record in the asset management business. We have developed a successful team through strong organic growth and selective recruitment. Our distinctive fund management culture and investment discipline fosters team effort, collaboration and a focus on achieving high fund performance.

- ***Structure of investment team***

All our investment team members contribute their ideas to all funds ensuring that each fund benefits from the firm's combined investment talent. However, each individual fund has a "caretaker," known as a portfolio supervisor, who is typically a senior investment team member. The portfolio supervisor is responsible for looking after the fund's well-being and communicating with the fund's clients, thus ensuring that every fund receives individual attention while also benefiting from our team-based investment approach.

The investment team is headed by the CIO, who is supported by five senior fund managers. The CIO and each senior fund manager has the assistance of fund managers and analysts working under them, with each CIO or senior fund manager-led team forming a "cluster". Currently Value Partners has six clusters, one led personally by the CIO and each of the others led by a senior fund manager.

The actual process of research and investment is implemented at the cluster level. Each cluster leader has been delegated with decision-making authority to conduct research and investment activities, and operates with a degree of autonomy. The aim is to ensure that as the overall fund size increases, the investment process is still executed through a boutique approach, by clusters of fund managers who retain a flexible and entrepreneurial approach. Our slogan for our investment team is "small enough to be effective, big enough to be strong".

- ***The CIO's role***

To ensure that the cluster system does not result in an overlap or conflict of investments, the CIO takes a hands-on approach to the daily operations of the investment team, maintaining a constant dialogue with cluster leaders, resolving any conflicts and personally engaging in company visits and research to double-check on the clusters' activities. As a quality-control measure, the CIO must approve investments that exceed certain size or valuation benchmarks which he is responsible for setting and revising from time to time. The CIO develops new investment and product ideas, which are then executed by his personal cluster or passed on to others for research and execution. The CIO is also responsible for setting and constantly reviewing the firm's overall portfolio strategy and investment approach.

Effective and on-going communication and coordination is maintained throughout the team with the support of our IT system.



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- **Central dealing**

Under normal circumstances, Value Partners' fund managers do not engage in the actual buying or selling of securities. Instead, these transactions are conducted by our central dealing system, a separate team consisting of three full-time dealers led by our Head of Dealing, Mr. Kong Hing Keung. The central dealing system allows proper implementation of compliance rules, with all trades carefully processed and controlled through one system. The firm also believes that using professional, full-time dealers who pool all buy and sell orders can result in better trades for its clients.

Our Directors believe that our investment management system positions our firm to be able to handle continuing growth in fund size.

- **Corporate governance**

We intend to continue to follow international best practice in our asset management business and our general corporate governance. We aim to achieve this through our strong corporate culture and by sustaining a high level of business conduct and integrity amongst our management and employees.

### 1.6 Our Investment Team

As at the Latest Practicable Date, we had 24 investment professionals who are responsible for the investment activities of all our funds and accounts. As at the Latest Practicable Date, our investment team comprises our CIO and five senior fund managers as well as five fund managers and thirteen analysts. The CIO and senior fund managers in our investment team are:

*CIO*

Mr. Cheah Cheng Hye

*Senior fund managers*

Mr. Choi Nga Chung

Mr. Ho Man Kei

Ms. Hung Yeuk Yan, Renee

Mr. So, Louis Chun Ki

Ms. Chau Yee Man

For further information, see the "Directors and Senior Management" section.

The Group promotes the growth of its investment team through various initiatives, including but not limited to ongoing training and development of its existing investment professionals and the identification, hiring and retention of suitably qualified investment professionals and other employees.

The investment team is supported by the central dealing room which as at the Latest Practicable Date comprises three dealers.

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### 1.7 AUM

The table below sets out the AUM of each of the funds, which are managed or advised by our Group for each of the years ended 31 December 2002, 2003, 2004, 2005 and 2006 and the six months ended 30 June 2007:

#### AUM breakdown

Fund Account/Classification	Year ended 31 December 2002 <sup>(1)</sup>		Year ended 31 December 2003 <sup>(1)</sup>		Year ended 31 December 2004 <sup>(1)</sup>		Year ended 31 December 2005 <sup>(1)</sup>		Year ended 31 December 2006 <sup>(1)</sup>		Six months ended 30 June 2007 <sup>(1)</sup>		4.5 Years Compound	4.5 Years Compound
	Annual		Annual		Annual		Annual		Annual		Semi- Annual		4.5 Years Annual	4.5 Years Annual
	AUM	Return <sup>(2)</sup>	AUM	Return <sup>(2)</sup>	AUM	Return <sup>(2)</sup>	AUM	Return <sup>(2)</sup>	AUM	Return <sup>(2)</sup>	AUM	Return	Growth Rate of AUM <sup>(3)</sup>	Annual Return <sup>(3)</sup>
US\$ million														
<b>Value Partners/SAM Branded Funds</b>	300.8	17.6%	1,013.8	83.7%	1,376.0	5.1%	1,345.6	13.1%	2,237.4	44.8%	2,882.4	26.3%	65.2%	36.1%
<i>Authorized<sup>(4)</sup></i>	270.3	18.1%	937.9	84.3%	1,215.8	5.5%	1,162.6	13.4%	1,727.5	45.3%	2,163.1	26.6%	58.7%	36.5%
Value Partners Classic Fund	201.0	21.2%	536.6	83.6%	545.0	5.8%	546.6	15.9%	868.6	41.8%	1,059.5	22.4%	44.7%	35.4%
Value Partners High-Dividend Stocks Fund	3.5	10.5%	153.9	79.7%	257.2	8.9%	285.2	12.1%	305.5	35.0%	375.8	25.3%	182.0%	33.8%
China ABH Shares Fund	26.4	1.1%	122.3	92.1%	145.7	0.8%	77.3	3.9%	241.6	86.9%	386.5	37.5%	81.5%	44.1%
Chinese Mainland Focus Fund	—	—	51.9	3.9%	193.6	8.4%	167.4	11.6%	187.7	48.1%	183.4	25.4%	—	—
Value Partners China Greenchip Fund Limited <sup>(5)</sup>	39.4	0.2%	73.2	85.6%	74.3	1.5%	86.1	16.1%	124.1	43.7%	157.9	36.2%	36.1%	38.2%
<i>Non-Authorized<sup>(6)</sup></i>	30.5	2.0%	75.9	77.9%	160.2	1.8%	183.0	11.6%	509.9	42.3%	719.3	25.2%	101.8%	32.9%
<b>White Label/Co-Branded Funds</b>	74.9	18.5%	479.5	90.0%	493.4	4.1%	554.0	15.1%	1,358.7	50.5%	1,775.7	23.5%	102.1%	37.8%
<b>Managed Accounts</b>	83.6	28.3%	221.8	106.0%	368.2	1.7%	457.5	17.3%	770.3	50.5%	959.6	27.6%	72.0%	41.1%
<b>Private Equity Funds and others<sup>(7)</sup></b>	—	—	—	—	—	—	10.8	(4.1%)	46.2	12.2%	118.4	106.2%	—	—
<b>Closed Accounts<sup>(8)</sup></b>	71.0	—	172.7	—	84.5	—	115.8	—	102.8	—	—	—	—	—
<b>Total AUM<sup>(9)</sup></b>	<u>530.3</u>		<u>1,887.8</u>		<u>2,322.1</u>		<u>2,483.7</u>		<u>4,515.4</u>		<u>5,736.1</u>		<u>69.7%</u>	
<b>Selected China related indices performance<sup>(10)</sup></b>														
Hang Seng Index <sup>(TRX11)</sup>	(18.2)%		34.9%		13.2%		8.4%		39.0%		11.0%			23.2%
Hang Seng China Enterprises Index <sup>(TRX11)</sup>	13.2%		152.2%		(5.6)%		15.9%		98.2%		17.3%			51.1%
MSCI Daily <sup>(TRX11)</sup> Net Emerging Markets														
China USD	(14.0)%		87.6%		1.9%		19.8%		82.9%		21.6%			43.6%
Shanghai China Composite	(17.5)%		10.3%		(15.4)%		(8.3)%		130.4%		42.8%			25.9%
Shenzhen China Composite	(18.3)%		(2.6)%		(16.6)%		(11.7)%		97.5%		95.8%			25.4%
MSCI Daily <sup>(TRX11)</sup> Net AC Asia Pacific Ex Japan USD	(5.6)%		47.7%		22.2%		20.1%		32.4%		18.1%			31.2%

#### Notes:

(1) In respect of authorized, non-authorized and white label/co-branded funds, AUM figures are calculated as at the last dealing date reported by the administrator or custodian of each fund, which date may or may not be the last business day of the year/period. In line with general market practice, subscriptions and redemptions on the last dealing date are not taken into account in AUM figures.

In respect of managed accounts, AUM figures are calculated as at the last valuation date of the year/period which date is the last business day of the year/period.

(2) Annual return represents changes in the NAV per unit of the relevant fund. For the funds that were launched during a year, annual return is calculated by comparing changes in the NAV per unit as at the last dealing date of the year with that as of the fund inception date. For fund categories, annual return represents asset-weighted average of the monthly return for all funds falling within that category.

The fluctuations in annual return of each of the funds set out in this table were mainly attributable to performance of the respective funds and the general market trends during the corresponding period.

(3) 4.5 Years Compound Annual Return and 4.5 Years CAGR of AUM are calculated based on data from 31 December 2002 to 30 June 2007.

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- (4) The Asia Value Formula Fund was authorized by the SFC on 7 May 2007 and was launched as an SAM product on 15 October 2007.
- (5) The Value Partners China Greenchip Fund Limited, which was previously a non-authorized fund, became authorized by the SFC on 26 March 2007. The AUM and annual return figures of the Value Partners China Greenchip Fund Limited from 2002 to 30 June 2007 are included in the figures for authorized funds.
- (6) The SAM Greater China Equity Fund, which was previously a non-authorized fund, became authorized by the SFC on 14 September 2007. The AUM and annual return figures of the SAM Greater China Equity Fund from 2002 to 30 June 2007 are included in the figures for non-authorized funds.
- (7) These comprise (i) a non-authorized fund for which we provide investment advisory services, (ii) our private equity funds; and (iii) a private equity fund managed/advised by DPL and/or its subsidiaries, for which we have ceased to provide investment management and advisory services as a result of our disposal of 60% interest in DPL in October 2007.

As at the Latest Practicable Date, the total committed capital of Value Partners Strategic Equity Fund is approximately US\$150 million. Value Partners Strategic Equity Fund, the first closing of which occurred only in June 2007, primarily invests in unlisted securities but may also acquire other investments including listed securities and convertible bonds of companies having their main operations or the majority of assets in, or deriving the majority of their income from, the Asia-Pacific Region.

- (8) The closed accounts are accounts or funds which have been closed.
- (9) Total AUM includes a private equity fund managed/advised by DPL and/or its subsidiaries, which we have ceased to provide investment management and advisory services as a result of our disposal of 60% interest in DPL in October 2007.
- (10) We have included data on the performance of these China related indexes performance (source: Bloomberg) for reference only.
- (11) "TR" or Total Return Index means an index that calculates the performance of a group of stocks assuming that all dividends and distributions are reinvested.

## 2. OUR STRENGTHS

### 2.1 Sustained strong investment performance

Our Company has a strong investment performance track record and our funds have won a number of awards from Lipper, Asia Hedge and Standard and Poor's (formerly known as Micropal). See the paragraph headed "Awards & Recognition" in the "Our Business" section. Our Directors believe that the strong investment performance has been a principal driver of the growth in AUM. According to HSBC Institutional Trust Services (Asia) Limited and Standard & Poor's, our Value Partners Classic Fund has an annualized volatility of 19.6% and annualized return of 22.1% over the period from April 1993 to August 2007 which places our fund at the lowest volatility and highest return amongst the peer group (which are funds in Equity China, Equity Greater China and Equity Hong Kong launched before April 1993) selected and analyzed by Standard & Poor's.

### 2.2 A highly experienced investment team with a distinctive investment culture

We believe that the strength of our fund management team is a distinctive factor in our ability to adhere to our investment strategies. Our value investing discipline has developed and strengthened in the 14 years since our Group commenced business and we started to build our team. Our CIO and five senior fund managers have an average of more than eleven years in the industry of which an average of more than eight years have been spent as full time employees of our Company. See the "Directors and Senior Management" section.

Four of our five senior fund managers have been promoted internally from within our pool of associate fund managers and analysts. We hired a highly experienced, well recognized fund manager in 2005, and we expect that our reputation and distinctive culture will enable us to attract and retain talent in the future.

### 2.3 Long track record and performance through investment cycles

During our 14-year history, our Company has navigated through a number of financial market cycles by focusing on our core value investing principles grounded in company research.

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## OUR BUSINESS

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We believe that the primary macro economic cycles during the course of our business have been, in chronological order: (i) the 1993 emerging market boom and resulting 1994 Tequila crisis; (ii) the pre-1997 Hong Kong handover and H-share appreciation followed by the Asian crisis combined with the 1998 Long-Term Capital Management and Russian Government defaults; (iii) the 1999-2000 technology dotcom boom and subsequent 2001 bust; and, (iv) the 2003 market downturn which coincided with the outbreak of SARS in Greater China, and the following market recovery in 2004.

We believe that our Company's value investing philosophy and investment culture has been tested during these past economic cycles, adding credibility to the strength of our investment principles and team. Our Directors further believe that Value Partners, as a boutique fund manager focused on value investing in Greater China and the Asia-Pacific Region, is one of only a few homegrown fund managers in the region that has experienced all of these investment cycles over the past decade.

### 2.4 Exceptional brand strength and client loyalty

Our Directors believe that the performance of our funds has resulted in considerable client loyalty and brand recognition.

### 2.5 Our performance fee structure is aligned with the interests of our clients

We believe that the investment performance of our funds is a key driver of our growth in AUM and our ability to sustain fee levels. In order to align our interests with those of our clients, the fee structure for our Value Partners series of funds typically comprises both a management fee and a performance fee. The management fee of the majority of our authorized funds is 1.25% per annum. For the remainder of our funds, this may differ depending upon the nature of the fund, the management style, investment theme, branding and other factors. The performance fee of our authorized funds is 15% payable on positive returns subject to a high watermark principle.

### 2.6 Significant management and employee ownership

As at the Latest Practicable Date, approximately 51% of our Shares were held by Mr. Cheah Cheng Hye, Ms. Chau Yee Man, Mr. Choi Nga Chung, Mr. Ho Man Kei, Ms. Hung Yeuk Yan Renee, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki and Ms. Woo Lai Nga, or trustees of which certain Directors and/or certain members of their family are beneficiaries. These Shares will continue to be subject to a lock-up for six months following Listing. Our Directors believe that this high degree of share ownership by management and employees ensures an alignment of the interests of our management with our investors in the Global Offering and other shareholders. As at 30 June 2007, our Directors had approximately US\$24.1 million (at market value as at 30 June 2007) of their own personal wealth invested in our funds. Every employee is able to take advantage of our investment success as our employee year-end bonuses are directly linked to our level of profits.

### 2.7 Efficient operations

We focus on efficiency throughout our organisation. Total operating expenses as a percentage of fee income were 48.7%, 43.1% and 37.8% in each of the years ended 31 December 2004, 2005 and 2006, respectively. Total operating expenses as a percentage of fee income were 46.3% and 38.5% for each of the six months ended 30 June 2006 and 2007, respectively.

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### 2.8 Focus on compliance and risk management

We place significant emphasis on the importance of regulatory compliance and internal controls. In the last seven years we have commissioned four external reviews, three of which focused on compliance and one on IT and infrastructure. For further details on our compliance policies, please refer to the paragraph headed "Compliance" in the "Our Business" section.

## 3. OUR STRATEGY

### 3.1 Create shareholder value through continuing to achieve strong investment performance

Our primary objective is to deliver returns to our shareholders as a leading independent asset manager with continuing strong investment performance.

We seek to achieve our performance objectives through continuing to identify compelling value investment opportunities in Greater China and the Asia-Pacific Region. Our Directors believe that such opportunities will continue to become available due to ongoing development of regional economies and their respective capital markets.

### 3.2 Our commitment to value investing principles

Our strategy is to maintain our value investing principles to generate returns for investors in our funds, which in turn helps us to develop as a brand name synonymous with disciplined value investing in Greater China and the Asia-Pacific Region.

### 3.3 Diversification of our suite of products

We plan to maintain the Value Partners brand for classic value investing but with a focus on non-mainstream or small to mid-cap stocks and an emphasis on absolute return or hedge fund strategy investments while using the SAM brand to take advantage of opportunities which use the same value investing principles but involve other techniques such as quantitative analysis.

We believe in expanding our client base by cross-selling existing complementary products to our existing clients and new clients. We plan to achieve this by continuing to develop investment products firmly rooted in our Company's value investing philosophy, while utilising appropriate branding and fee structures.

We also seek to capitalise on other investment opportunities which we identify through our extensive company visits and due diligence yet which are not appropriate for our authorized funds. These would include investments in unlisted companies through techniques such as private equity.

### 3.4 Maintenance of our distinctive investment culture

We aim to maintain our investment culture which we believe is a distinctive factor in our ability to adhere to our fundamental investment strategies.

### 3.5 Further institutionalisation of our business model

In line with our strong business growth since our Group's inception, we are dedicated to further institutionalising our firm's operations and control structure to ensure that our front and back-office fund management platform and associated administration approaches are consistent with best practice. With the hirings of Mr. Ngan Wai Wah and Mr. Law Ka Kin in 2004, who are now our CEO and COO, respectively, and

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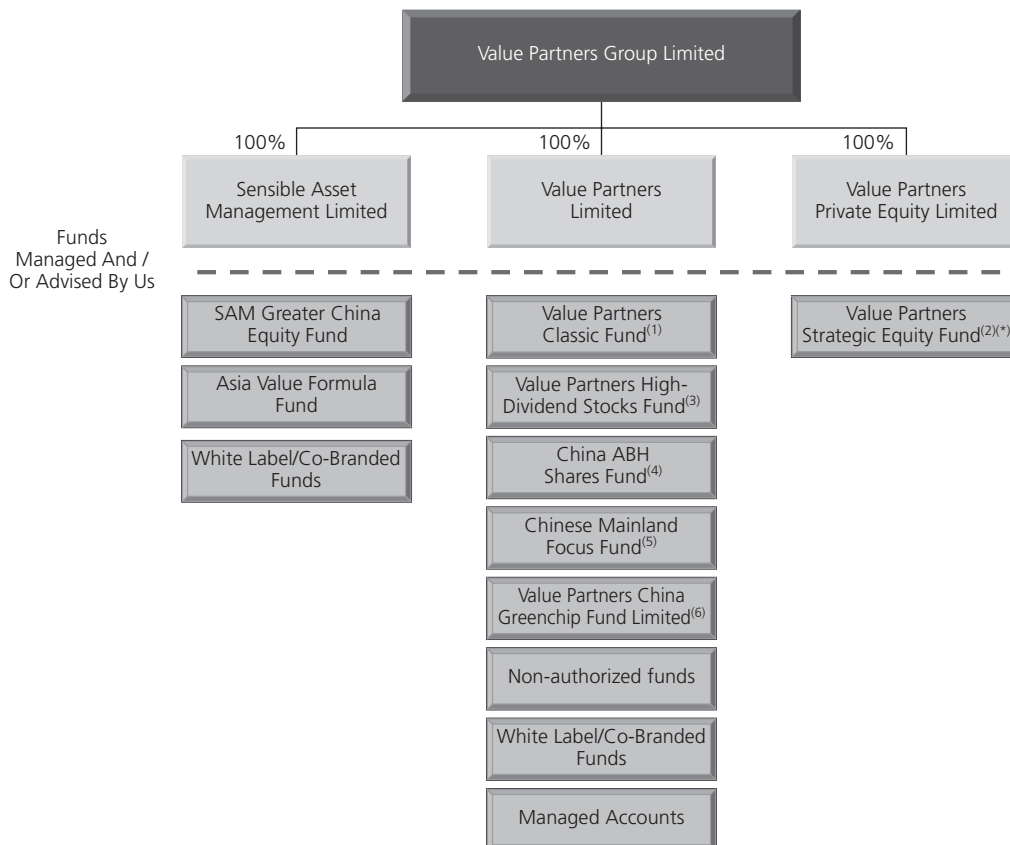
the recruitment of Mr. Mark Dickens in July 2007 as CRO, our Group has strategically invested in key management to drive the development of our business strategy, marketing, administration, finance, technology, risk management and legal and compliance infrastructure. The addition of employees to support these efforts and the establishment of a number of key departments to support the core fund management activities of the Group have strengthened the Group's franchise and operating activities. Led by the CEO and COO, the Group has also undertaken a number of compliance and technology reviews with professional third party consultants and advisors to assess development areas as its business expands. Our Directors believe that these important efforts in institutionalising the business will allow the Group to sustain its measured growth.

### 3.6 Further development and ability to respond to market needs

We have already demonstrated our ability to identify market needs and investment themes and respond through the establishment or creation of new product lines and funds. We aim to continue to utilize the market knowledge of our investment team to attract new business and to expand our product range.

## 4. OUR PRODUCTS

The diagram below shows a simplified business structure of our Group and the funds that we manage or advise:



(\*) Non SFC authorized funds

## OUR BUSINESS

*Notes:*

- (1) As at 31 August 2007, we held 9,636 units in Value Partners Classic Fund which represent approximately 0.15% of the units then in issue.
- (2) As at 31 August 2007, in addition to all the voting management shares, we held 250,000 non-voting shares in Value Partners Strategic Equity Fund which represents approximately 5.50% of the shares then in issue.
- (3) As at 31 August 2007, we held 40,025 units in Value Partners High-Dividend Stocks Fund which represents 0.44% of the units then in issue.
- (4) As at 31 August 2007, we held 19,744 units in China ABH Shares Fund which represents 0.48% of the units then in issue.
- (5) As at 31 August 2007, we held 69,121 units in Chinese Mainland Focus Fund which represents 0.91% of the units then in issue.
- (6) As at 31 August 2007, we held 200,000 shares in Value Partners China Greenchip Fund Limited which represents 0.87% of the shares then in issue.

As at 31 August 2007, we also held 0.85% and 0.97% in two of our non-authorized funds and 0.07% in one of our white label/co-branded funds.

### 4.1 Authorized funds

As at 30 June 2007, we manage six<sup>(5)</sup> SFC authorized funds as follows:

Name of Fund	Date of launch	Date of authorization by SFC	AUM as at 30 June 2007 (US\$ million)
Value Partners Classic Fund <sup>(1)</sup>	1 April 1993	19 July 1994	1,059.5
Value Partners High-Dividend Stocks Fund <sup>(2)</sup>	2 September 2002	30 January 2003	375.8
Value Partners Intelligent Funds — Chinese Mainland Focus Fund	27 November 2003	10 November 2003	183.4
Value Partners Intelligent Funds — China ABH Shares Fund <sup>(3)</sup>	14 July 2000	23 October 2001	386.5
Value Partners China Greenchip Fund Limited <sup>(4)</sup>	8 April 2002	26 March 2007	157.9
Asia Value Formula Fund	15 October 2007	7 May 2007	—
<b>TOTAL</b>			<b>2,163.1</b>

*Notes:*

- (1) Previously Value Partners "A" Fund.
- (2) Previously Value Partners Asian High Yield Fund.
- (3) Previously China B Share Fund and China B and H Share Fund launched in July 2000.
- (4) The Value Partners China Greenchip Fund Limited, which was previously a non-authorized fund, became authorized by the SFC on 26 March 2007.
- (5) The SAM Greater China Equity Fund, which was previously a non-authorized fund, became authorized by the SFC on 14 September 2007.

As at 30 June 2007, our authorized funds represented approximately 37.7% of our total AUM.

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### 4.2 Non-authorized funds

We manage five non-authorized funds. The aggregate AUM of our non-authorized funds as at 30 June 2007 was approximately US\$719.3 million.

### 4.3 White label/co-branded funds

We have entered into advisory and management agreements with third parties who have established their own funds. White label funds are those funds which are operated entirely under the name of the third party which established the funds. Co-branded funds are those funds which include the Value Partners name in the name of the fund. In selecting appropriate partners for co-branded funds, we look at various factors, including but not limited to, the reputation, industry perception and integrity of a potential partner, client portfolio of the potential partner, its investment strategy and geographical focus, and possibility of future business cooperation with the potential partner. As at the Latest Practicable Date, we provided management or sub-management services to four white label or co-branded funds. The aggregate AUM of these funds as at 30 June 2007 was approximately US\$1,775.7 million.

### 4.4 Managed accounts

We manage the assets of discretionary investors including statutory authorities, university endowment funds, charitable foundations and high net worth individuals. We currently manage the assets of seven discretionary clients. The aggregate AUM of these accounts as at 30 June 2007 was approximately US\$959.6 million.

We manage our white label/co-branded funds and managed accounts according to the relevant investment management agreements we entered into with our clients. Most of our white label/co-branded funds and managed accounts may be terminated by our clients by prior written notice of a specified period. As at 30 June 2007, approximately 2.3% of our total AUM is attributable to managed accounts which can be terminated immediately by written notice.

### 4.5 Private equity funds and others

Our Group currently manages the following two private equity funds: (1) Value Partners Strategic Equity Fund; and (2) a close-ended fund established before VPPE became the Company's subsidiary. Please refer to the paragraph headed "Our Private Equity Funds" on page 66 for further details on our private equity funds.

We also provide investment advisory services to a non-authorized fund in relation to a portfolio mainly comprising investments in A shares.



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## OUR BUSINESS

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### 5. FEE STRUCTURE

#### 5.1 Authorized funds

All of our funds charge an annual management fee and a performance fee. The management fees are derived as a percentage of the net asset value of the relevant fund. The performance fees are charged based on absolute performance of the funds, typically calculated on a high watermark principle by reference to the net asset value of the relevant fund. During the Track Record Period, we have been able to charge performance fees for our authorized funds. Customers of authorized funds are primarily comprised of institutional investors. The performance fees and management fees of our authorized funds are due immediately at the end of the relevant valuation period of the fund, and are mostly denominated in U.S. dollars. The performance fee valuation days of our authorized funds are concentrated in December.

A summary of our authorized funds' management fee and performance fee structure is set out as follows:

#### Value Partners Classic Fund

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##### Performance Fee

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Performance fees are payable out of the assets of the fund in respect of any financial year if the net asset value per undivided share in the fund as at the last Dealing Day (currently each Wednesday and/or such other day or days as the manager may, with the trustee's approval, determine in its absolute discretion) of that financial year exceeds the net asset value per undivided share on the last Dealing Day of the last previous financial year in respect of which a performance fee was paid to the manager (adjusted to take account of the payment of that performance fee).

The current rate of performance fee is 15% of the product of such excess and the average of the numbers of undivided shares represented by all units in issue immediately after each Dealing Day in the relevant financial year.

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##### Management Fee

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Management fees are currently payable out of the assets of the fund monthly in arrears, at the rates of 0.75% per annum of that portion of the net asset value of the fund attributable to the "A" Units and 1.25% per annum of that portion of the net asset value of the fund attributable to the "B" Units.

The manager may increase the rate of its management fee in relation to either class of units up to a maximum of 2% per annum of the net asset value of the fund of either class of units by giving the trustee and the unit holders of the relevant class not less than three months' prior notice in writing.

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### Value Partners High-Dividend Stocks Fund

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#### Performance Fee

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An annual performance fee, calculated on a high watermark principle, is payable if the net asset value per unit as at the Performance Fee Valuation Day, which is the last Valuation Day<sup>(1)</sup> of each calendar year (prior to the deduction of any provision for any performance fee and any distribution declared or paid in respect of that performance period) exceeds the higher of (a) US\$10; and (b) the net asset value per unit as at the Performance Fee Valuation Day of the preceding performance period in respect of which a performance fee was last paid to the Manager (after deduction of all fees including any performance fee and any distribution declared or paid in respect of that preceding performance period).

The current rate of performance fee payable is 15% and is calculated by multiplying this fee rate by the product of such excess of the net asset value per unit and the average of the number of units of the trust in issue on each Valuation Day in the relevant performance period.

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#### Management Fee

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The current management fee is 1.25% per annum based on the net asset value of the trust as at each Valuation Day. This fee accrues daily and will be calculated as at each Valuation Day and is payable monthly in arrears out of the trust.

The management fee payable may be increased up to a maximum of 2% per annum of the net asset value of the trust by the manager giving not less than three months' prior written notice of such proposed increase to the trustee and unitholders.

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*Notes:*

- (1) "Valuation Day" is generally defined as each Monday of every week and/or a business day which the manager may from time to time determine in its absolute discretion, provided always that there will be at least one Valuation Day in each calendar month.

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### Value Partners Intelligent Funds — Chinese Mainland Focus Fund

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#### Performance Fee

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An annual performance fee, calculated on a high watermark principle, in respect of units of the sub-fund is payable if the net asset value per unit as at the last Valuation Day<sup>(2)</sup> of an accounting period, being the period from 1 January to 31 December in each year, (prior to the accrual of any performance fee for that accounting period) exceeds a hurdle which is the higher of (a) US\$10; and (b) the net asset value per unit as at the last Valuation Day of the last accounting period in respect of which a performance fee was paid to the manager (taking into account the performance fee paid for that accounting period).

The current rate of performance fee payable is 15%, and is calculated by multiplying this fee rate by the product of such excess of the net asset value per unit and the average of the number of units of the sub-fund in issue immediately after each Valuation Day in the relevant accounting period and is payable as soon as reasonably practicable after the end of such accounting period.

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#### Management Fee

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The current management fee is 1.25% per annum based on the net asset value of the sub-fund as at each Valuation Day. This fee will be accrued daily and calculated as at each Valuation Day and is payable monthly in arrears out of the sub-fund.

The management fee payable may be increased up to a maximum of 2% per annum of the net asset value of the sub-fund by the manager giving not less than three months' prior written notice of such proposed increase to the trustee and the relevant unitholders.

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*Notes:*

- (2) "Valuation Day" is generally defined as the fifteenth day of each calendar month and the last business day of each calendar month, and/or such business day as the manager may from time to time determine in its absolute discretion, provided always that there will be at least one Valuation Day in each calendar month.

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### Value Partners Intelligent Funds — China ABH Shares Fund

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#### Performance Fee

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An annual performance fee, calculated on a high watermark principle, in respect of units of the sub-fund is payable if the net asset value per unit as at the last Valuation Day<sup>(3)</sup> of a financial year (prior to the accrual of any performance fee for that financial year) exceeds the higher of (a) US\$10; and (b) the net asset value per unit as at the last Valuation Day of the last financial year in respect of which a performance fee was paid to the manager (taking into account the performance fee paid for that financial year).

The current rate of performance fee payable is 15% and is calculated by multiplying this fee rate by the product of such excess of the net asset value per unit and the average of the number of units of the sub-fund in issue immediately after each Valuation Day in the relevant financial year.

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#### Management Fee

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The current management fee is 1.25% per annum based on the net asset value of the sub-fund as at each Valuation Day. This fee will be accrued daily and calculated as at each Valuation Day and is payable monthly in arrears out of the trust fund.

The management fee payable may be increased up to a maximum of 2% per annum of the net asset value of the sub-fund by the manager giving not less than three months' prior written notice of such proposed increase to the trustee and the relevant unitholders.

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*Notes:*

- (3) "Valuation Day" is generally defined as the fifteenth day of each calendar month and the last business day of each calendar month, and/or such business day as the manager may from time to time determine in its absolute discretion, provided always that there will be at least one Valuation Day in each calendar month.

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### Value Partners China Greenchip Fund Limited

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#### Performance Fee

A performance fee will be payable to the manager if the Net Asset Value per Share (as defined below), calculated on the relevant Performance Fee Valuation Day<sup>(4)</sup>, is greater than the Base Net Asset Value per Share (as defined below). The fee payable shall be 15% of the appreciation in the Net Asset Value per Share (as defined below), calculated as at the Valuation Point<sup>(5)</sup> on the relevant Performance Fee Valuation Day over the Base Net Asset Value per Share (as defined below) for each share then in issue, calculated as follows:

$$\frac{(A-B) \times C \times D}{E}$$

Where:

“A” is the Net Asset Value per Share, calculated on the relevant Performance Fee Valuation Day, before the deduction of any provision for the performance fee and provided that for the purpose of this calculation only the net asset value shall be calculated by including any distribution which has been declared or paid during the Relevant Performance Period<sup>(6)</sup>.

“B” is the Base Net Asset Value per Share which shall be the greater of the Net Asset Value per Share on the day dealing in shares of the fund on the Hong Kong Stock Exchange commences (which is HK\$10) and the highest value for “A” as at the Valuation Point for any preceding Relevant Performance Period in relation to which a performance fee was last calculated and paid (after deduction of all fees including any performance fee in respect of such preceding Relevant Performance Period).

“C” is the aggregate number of shares in issue during the Relevant Performance Period, calculated by adding the total number of shares in issue as at the Valuation Point on each Valuation Day<sup>(7)</sup> of the Relevant Performance Period.

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#### Management Fee

The maximum management fee payable to the manager is 2% per annum of the net asset value of the fund.

The current management fee is 1.5% per annum of the net asset value of the fund, calculated and accrued daily and payable in arrears to the manager at the end of each calendar month.

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### Performance Fee

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"D" is 15% or, subject to the approval of the shareholders by ordinary resolution in general meeting (which approval shall, for the avoidance of doubt, only be required in connection with a proposal to increase such rate), such other percentage figure agreed from time to time between the manager and the directors.

"E" is the number of Valuation Days in the Relevant Performance Period.

Any performance fee payable shall be paid as soon as practicable after the end of the Relevant Performance Period. The performance fee shall be deemed to accrue daily throughout the Relevant Performance Period.

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### Management Fee

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*Notes:*

- (4) "Performance Fee Valuation Day" means the last business day of each calendar year.
- (5) "Valuation Point" means the official close of trading on the market on each Valuation Day on which any security, commodity or futures contract comprised in the fund's portfolio is traded and, if assets comprising the fund's portfolio are traded on more than one market, the official close of trading on the last market to close or such other time or times as determined by the Manager from time to time provided that there shall always be a Valuation Point on each Valuation Day.
- (6) "Relevant Performance Period" initially means the period between the day on which dealings in shares commence and 31 December 2007 (both dates inclusive), following 31 December 2007 the term means the period commencing 1 January to 31 December (both dates inclusive) on each successive calendar year.
- (7) "Valuation Day" means the last business day of each calendar month, and/or such business day or business days as the manager may from time to time determine with the approval of the custodian and one month's prior written notice to shareholders, provided always that there will be at least one Valuation Day in each calendar month.

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## OUR BUSINESS

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### Asia Value Formula Fund

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#### Performance Fee

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An annual performance fee, calculated on a high watermark principle, is payable if the net asset value per unit as at the last Valuation Day<sup>(8)</sup> of each financial year (prior to the deduction of any provision for any performance fee and any distribution declared or paid in respect of that performance period) (the "Performance Fee Valuation Day") exceeds the higher of (a) US\$10; and (b) the net asset value per unit as at the Performance Fee Valuation Day of the preceding performance period in respect of which a performance fee was last paid to the manager (after deduction of all fees including any performance fee and taking into account the subscription and realisation instructions received in respect of the trust as of the Performance Fee Valuation Day and any distribution declared or paid in respect of that preceding performance period).

Performance fee is payable annually and is calculated by multiplying the relevant performance fee rate applicable at the time by the product of such excess of the net asset value per unit and the average of the number of units in issue on each Valuation Day in the relevant performance period.

Currently, the performance fee has been waived. However, the performance fee may be re-introduced at any time up to the permitted maximum of 15% by the manager giving not less than three months' prior written notice of such proposed reintroduction to the trustee and the unitholders.

It is currently intended that performance fees will continue to be waived until such time as it is considered appropriate for performance fees to be re-introduced.

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#### Management Fee

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The manager is entitled to receive a management fee of up to 2% per annum of the net asset value of the trust.

The current management fee is 1.5% per annum based on the net asset value of the trust as at each Valuation Day. This fee accrues daily and will be calculated as at each Valuation Day and is payable monthly in arrears out of the trust.

The management fee payable may be increased up to a maximum of 2% per annum of the net asset value of the trust by the manager giving not less than three months' prior written notice of such proposed increase to the trustee and unitholders.

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*Notes:*

(8) "Valuation Day" is generally defined as each business day or other days as the manager may from time to time determine in its absolute discretion, provided always that there will be at least one Valuation Day in each calendar month.

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## OUR BUSINESS

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### SAM Greater China Equity Fund

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#### Performance Fee

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An annual performance fee, calculated on a high watermark principle, is payable if the net asset value per unit of the relevant class as at the last Valuation Day<sup>(9)</sup> of each financial year (prior to the deduction of any provision for any performance fee and any distribution declared or paid in respect of that performance period) (the "Performance Fee Valuation Day") exceeds the higher of (a) the initial offer price of the relevant class; and (b) the net asset value per unit as at the Performance Fee Valuation Day of the preceding performance period in respect of which a performance fee was last paid to the manager (after deduction of all fees including any performance fee and taking into account the subscription and realisation instructions received in respect of the trust as of the Performance Fee Valuation Day and any distribution declared or paid in respect of that preceding performance period).

The current rate of performance fee payable is 15.0% and is calculated by multiplying this fee rate by the product of such excess of the net asset value per unit of the relevant class and the average of the number of units of that class in issue on each Valuation Day in the relevant performance period.

For each of the years ended 31 December 2004, 2005 and 2006, each of the authorized funds were able to charge performance fees for each calendar year. However, past performance of our funds are not indicative of future performance, and the fact that our authorized funds were able to charge performance fees in the past does not necessarily mean performance fees will be charged in the future.

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Notes:

- (9) "Valuation Day" means each business day or such other day or days as the manager may from time to time determine to be a valuation day with the approval of the trustee and one month's prior written notice to unitholders, provided always that there will be at least one Valuation Day in each calendar month.

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#### Management Fee

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The manager is entitled to receive a management fee of up to 2% per annum of the net asset value of the relevant class of units.

The current management fee is 1% to 1.25% per annum based on the net asset value of the relevant class of units as at each Valuation Day. This fee accrues daily and will be calculated as at each Valuation Day and is payable monthly in arrears out of the trust.

The management fee payable may be increased up to a maximum of 2.0% per annum of the net asset value of the relevant class of units by the manager giving not less than three months' prior written notice of such proposed increase to the trustee and unitholders.



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## OUR BUSINESS

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### 5.2 Non-authorized funds

Our non-authorized funds currently charge a management fee of up to 2% and a performance fee of up to 20%. The performance fees of our non-authorized funds are charged based on the performance of the funds and may be absolute or relative to a defined benchmark.

The valuation days used for the purpose of calculating performance fees of three of the Company's non-authorized funds are set in December of each financial year. Performance fees for the Company's remaining two non-authorized funds are calculated on a quarterly basis (i.e. in March, June, September and December of each financial year).

### 5.3 White label/co-branded funds and managed accounts

Clients of our white label or co-branded funds and managed accounts are charged according to the size of the funds or accounts, the complexity of the mandate, the extent of reporting requirements and other factors. The valuation days used for the purpose of calculation of performance fees of two of the Company's four white label/co-branded funds are set in March and June respectively of each financial year, whereas performance fee valuation days for the remaining two are calculated on a quarterly basis (i.e. in March, June, September and December of each financial year). For the Company's seven managed accounts, the performance fee valuation days for two of them are set in December, two set in August and one set in June. Performance fees for the remaining two managed accounts are calculated on a quarterly basis (i.e. in March, June, September and December of each financial year).

### 5.4 Front-end and back-end fees

We also derive income from front-end fees and back-end fees which are one-off payments payable at the time of subscription to or redemption from a fund. While the former apply to many of our funds the latter apply only to a few of our funds.

### 5.5 Private equity funds and others

Our private equity funds have varying fee structures centered around an annual management fee and other performance related incentives. Our performance related incentives may be structured as management share special dividends or performance bonuses, payable by the fund periodically or on each divestment of each investment of the fund. Under such arrangements, we would be entitled to receive an amount which is calculated as a percentage of the amount of net investment gain by the fund or in respect of each investment, as at the date when the incentive payment is to be determined. We charge both management fees and performance fees for the provision of investment advisory services to the non-authorized funds as set out in paragraph 4.5 headed "Private equity funds and others" above. Such fees are calculated on a semi-annual basis (i.e. in June and December of each financial year).

## 6 THE STRUCTURE AND THE PROMOTION OF OUR FUNDS

### 6.1 Our funds

Typically, our funds are corporate entities or are set up as unit trusts. In line with industry practice, we often invest in our house funds, a practice which helps align our interests with those of our investors. Particulars of our investments in our funds during the Track Record Period are set out in note 28.2 to the Accountant's Report found in Appendix I to this prospectus.

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## OUR BUSINESS

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In the case of our funds other than our private equity funds, we invest in shares or units which are also available for investment by external investors. Subscribers of shares or units are required to make full payment on subscription. In the case of our private equity funds which are typically close-ended funds, we typically hold 100% of the management shares, giving us full voting rights and also preferential distribution rights on liquidation of the fund. These rights provide us remuneration by reference to our performance, or what is known in the industry as our “carried interest”. Both we and investors will also invest in non-voting shares. When investors subscribe for the non-voting shares they commit to making specified committed payments for those shares, and will be required to pay up a specified portion (typically 10% of their commitment) upon the issue of the shares. Our private equity funds will make cash calls on the holders of its non-voting shares up to the maximum amount of their commitment, as and when they require the cash for their investment.

Our funds are promoted to investors generally through private placements to existing clients and other investors. In the case of non-authorized funds, potential placees are limited to “professional investors” (as defined in the SFO) or to persons outside Hong Kong.

### 6.2 Relationship with our funds, or white label/co-branded funds and managed accounts

Our relationships with our funds and managed accounts are governed by trust deeds, investment management agreements and/or investment advisory agreements with the relevant funds, trustees or clients (as the case may be) (which can typically be terminated by notice in writing by the relevant funds, trustees or clients (as the case may be)), pursuant to which we receive fees by reference to the net asset value of the relevant funds (calculated as specified in the relevant trust deed, investment management agreement and/or investment advisory agreement). Through the trust deeds, investment management agreements and/or investment advisory agreements (subject to investment restrictions and/or prohibitions therein), we can provide the services through which we earn our fee income. Typically, under investment management agreements, advisory agreements or trust deeds between the relevant fund, trustee or client and us, we are given the contractual right at our discretion to make investment decisions on behalf of the fund and/or the managed account, subject to investment restrictions or prohibitions set out in the investment management/advisory agreement or trust deeds. We do not control the majority of the voting rights in our funds (other than one of our house private equity funds).

### 6.3 Third party administrators and/or custodians and our relationship with them

In line with general market practice, investment funds are administered by independent third party professionals. Professional custodians are appointed to hold its assets (whether cash or investments). Where the fund is in the form of a unit trust, a professional trustee would be appointed as trustee under the deed that constitutes the trust.

When we set up our house funds, we select and arrange for the appointment by us or by the fund of the relevant custodians, administrators and/or trustees (as the case may be). To manage credit risk, we select custodians, administrators and/or trustees which are or belong to reputable financial institutions with good credit ratings. Under our investment management agreements or trust deeds with the funds or trustees (as the case may be), we typically have the discretion to make investment decisions for the relevant funds. The moneys for the investment or the proceeds of sale, and the shares or other securities purchased or sold, are held by the custodians. Administrators are appointed typically to be responsible for the general administration of the relevant funds which includes arranging for the issue and redemption of units/shares, calculation of asset valuations and fees, maintaining the books and records. We are authorized to instruct the custodians or administrators to release the funds or investments. Payments of fees to which we are entitled under our investment management agreements or trust deeds (as the case may be) are made by such custodians or administrators to us under our instructions.

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## OUR BUSINESS

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In the case of co-branded or white label funds or managed accounts, the structure described above is typically set up by our relevant clients, but our relationship with such funds' custodians or administrators is similar to that described above. For credit risk purposes, in such circumstances we also need to be satisfied that the custodian or administrator is reputable. Payments of fees to which we are entitled under such investment management/advisory agreements or trust deeds (as the case may be) are generally made by the custodians or administrators of the relevant funds or client, at our request and generally after they have received confirmation to do so from the management of our relevant client.

### 6.4 Our customers

For each of the years ended 31 December 2004, 2005 and 2006, and for the six months ended 30 June 2007, total fee income from our largest customer (in terms of AUM as at the end of the respective year/period) was approximately 10.6%, 3.3%, 3.6% and 28.0%, respectively, of the Group's total fee income, and the total fee income from our five largest customers (in terms of AUM as at the end of the respective year/period) in aggregate was approximately 32.8%, 23.9%, 27.6% and 59.5%, respectively, of the Group's total fee income. The Group's five largest customers are primarily comprised of institutional investors. None of the Directors or their respective associates (as defined in the Listing Rules) or existing shareholders of the Company (who, to the knowledge of the Directors own more than 5% of our issued share capital) has any interest in any of the five largest customers of the Company.

Our top five customers (in terms of AUM as at 30 June 2007) have been with us for more than five years on average, of which the longest and shortest of these relationships have been nine years and two years, respectively.

As at 30 June 2007, we have more than 3,000 customers in total, of which the majority are investors in our authorized funds, and of which around 6% are investors in our other funds and products. We mitigate, so far as is practicable, the risk of the loss of business from key customers and key investors by formulating strategies to expand and diversify investor base for our authorized funds.

## 7. AWARDS & RECOGNITION

### VPL

- Best of the Best Awards 2006 — Hong Kong — Most Improved Institutional Fund House — *Asia Asset Management Journal*
- Enterprise Award 2005 — Hong Kong Business Awards — *DHL/South China Morning Post*
- 2004 Fund Management Team of the Year — *Global Money Management*, London (an *Institutional Investor* Publication)
- Most Astute Investor title goes to Mr. Cheah Cheng Hye, Chairman & CIO of Value Partners in The Asset Benchmark Survey in 2003
- Ranked No. 2 and No. 5 in fund management group for Hong Kong & China Equities in the Reuters Survey 1999 and 2000 respectively
- Ranked as the second largest hedge fund manager in Asia after Sparx Group Co. of Japan in the July-August 2007 edition of Alpha Magazine

### Value Partners Classic Fund (formerly known as Value Partners "A" Fund)

- Ranked No. 1 in the Lipper Equity Greater China sector sold in Hong Kong in terms of annualized total return, Risk-return Ratio and Absolute Return for the period 1 April 1993 to 31 May 2007 — *Lipper*

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## OUR BUSINESS

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- Ranked No. 1 amongst its peer group in Greater China Equity sector sold in Hong Kong in terms of 13-year annualized total return, Risk-return Ratio and Absolute Return ending by 31 March 2006 — *Lipper*
- Best Greater China Equity Fund over Five Years — Lipper Fund Awards Hong Kong 2005
- Fund of the Year — Asia Excluding Japan — The Asia Hedge Awards 2004
- Ranked No. 1 the best performing Greater China Equity funds in terms of annualized total return, Risk-return Ratio and Absolute Return for the period from 31 March 1994 to 31 March 2004 — *Lipper*
- Fund Manager of the Year 2003 for Equity China (Greater) Five-Year Award — *South China Morning Post*
- Fund of the Year Awards 2003 in Equity Greater China (3 Years) category — *Benchmark/Lipper*
- Fund of the Year Awards 2003 in Equity Greater China (5 Years) category — *Benchmark/Lipper*
- Ranked No. 1 the best performing Hong Kong and China Equity funds in terms of annualized total return, Risk-return Ratio and Absolute Return for the period from 31 March 1993 to 31 October 2002 — *Lipper*
- Fund Manager of the Year 2002 for Equity Hong Kong Three-Year Award — *South China Morning Post*
- Fund Manager of the Year 2002 for Asia Equity — *Morning Star*
- Fund of the Year Awards 2002 in Equity Greater China (3 Years) category — *Benchmark/Lipper*
- Fund of the Year Awards 2002 in Equity Greater China (5 Years) category — *Benchmark/Lipper*
- Ranked No. 1 the best performing Hong Kong and China Equity funds in terms of Risk-return Ratio, Absolute Return and lowest volatility for the period from 31 March 1993 to 31 May 2001 — *Lipper*
- Fund of the Year Awards 2001 in Equity Hong Kong & China (3 Years) category — *Benchmark/Lipper*
- Rated 'frAA' and Ranked No. 1 in three-year volatility adjusted ranking — South East Asia — *Standard & Poor's Fund Research*, 1998
- Fund Manager of the Year Awards 1997 — Hong Kong Equity (January 1995 — December 1997) — *South China Morning Post*
- 1995 Offshore Fund Awards - Best Far East Fund (Excl Japan) One Year — *The International and Offshore Financial Review*
- No. 1 in Lipper Overseas Fund Table for a 2 years period ending 31 December 1995 in the Equity Asset Type category with a Geographical Focus of Hong Kong — *Lipper*
- Fund Manager of the Year Awards 1994 — Hong Kong Equity Funds (3 January 1994 — 2 January 1995) — *Sunday Morning Post*
- The Micropal Awards 1994 — First Place in the Micropal One Year Offshore Territories Hong Kong EQ Sector out of 28 funds — *Micropal*

### **Value Partners Intelligent Funds-China ABH Shares Fund (formerly known as China B Share Fund and China B and H Share Fund)**

- Ranked No. 2 the second best performing Greater China Equity funds in terms of annualized total return, and is the second from the lowest risk fund amongst all Greater China Equity funds authorized by the SFC for the period from 28 February 2001 to 27 February 2004 — *Lipper*
- Fund of the Year Awards 2001 in Equity Hong Kong & China (1 Year) category — *Benchmark/Lipper*

### **Value Partners High-Dividend Stocks Fund (formerly known as Value Partners Asian High Yield Fund)**

- Ranked No. 1 the best performing Asia Pacific Equity funds in terms of annualized total return for the period from 31 March 2003 to 31 March 2004 — *Lipper*
- Fund of the Year — New Fund (Excluding Japan) — The Asia Hedge Awards 2003
- Fund of the Year Awards 2003 in Equity Asia Pacific (1 Year) category — *Benchmark/Lipper*

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## OUR BUSINESS

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### 8. SALES, MARKETING DISTRIBUTION SOFT COMMISSION ARRANGEMENTS

#### 8.1 Sales and Marketing

The strong performance of our funds and increasing recognition in the market has led to an increase in the number of new and potential investors who approach us directly. Accordingly, we have established a direct sales, marketing and client services function headed by our Director of Investment Services, Ms. Teng Kooi See, who reports to the CEO. The Director of Investment Services is responsible for direct marketing of significant discretionary mandates from institutional and select high net worth individuals, as well as providing overall leadership and direction for the Group's third party distribution arrangements. The investment services team is also responsible for ongoing communication with clients that the Group has sold products to directly, as well as distributors if and when they have questions, redemptions, subscriptions or other requirements from the clients to whom they have distributed the Group's products.

#### 8.2 Distribution

Apart from direct sales and marketing, we have traditionally also relied on external distributors to sell our products to institutional and retail clients. We have partnered with over 20 local or overseas distributors to distribute most of our authorized funds and some of our non-authorized funds in Hong Kong and other jurisdictions. These distributors are mainly retail and private banks, insurance companies or investment services companies. Through these distributors we are able to access a wider range and greater number of investors.

Our distributors are responsible for obtaining the licenses, authorizations or exemptions they require in order to distribute our funds. Many of them also have internal procedures to satisfy relevant "know your client" requirements and discharge all their duties relating to anti-money laundering under local laws and regulations.

We continue to look for opportunities to partner with strong and reputable distributors to capture market segments which we may not be able to access efficiently ourselves.

#### 8.3 Our top suppliers

Our suppliers primarily comprise of external distributors, introducers and/or finders of our products. For each of the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, the Group's largest supplier accounted for approximately 13.8%, 24.0%, 17.5% and 20.1%, respectively, of the Group's distribution fees. For each of the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, the Group's five largest suppliers in aggregate accounted for approximately 50.7%, 59.1%, 68.0% and 58.1%, respectively, of the Group's distribution fees. Our five largest suppliers primarily comprise of brokerage houses and banks. None of the Directors or their respective associates (as defined in the Listing Rules) or the existing shareholders of the Company (who, to the knowledge of the Directors, own more than 5% of our issued share capital) have any interest in any of the five largest suppliers of the Company.

It should be noted that using distributors is only one of our several channels for reaching our funds' customers, as we also market our funds with our own marketing team.

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## OUR BUSINESS

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### 8.4 Typical distribution fee structure

In return for the distributors' services, we share with them our initial charges and management fees and, in some cases, also performance fees. Initial charges, management fees and, where applicable, performance fees payable to each distributor vary. Payment of these fees are usually subject to a minimum holding threshold which a distributor must exceed in order to generate its fee. We do not share any back-end fee income with our distributors.

### 8.5 Soft commission arrangements

We have entered into soft commission arrangements with brokers which are arrangements whereby the relevant brokers, who receive brokerage from the funds and managed accounts we manage or advise, will settle on our behalf, or reimburse to us expenses that we have incurred for goods and services received by us to facilitate us in making our investment decisions. These goods and services must be of demonstrable benefit to the funds and managed accounts and may include research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications.

The income as represented by the goods and services received under this arrangement offsets the expenses that we would otherwise have to settle in respect of such goods and services. Soft commission income in respect of goods and services received by the Group under soft commission arrangements are recognised upon the receipt of goods and services from the brokers or despatch of relevant invoices to the brokers, as appropriate. Given that the amounts involved are not considered to be material, the soft commission income and related expenses have not been separately disclosed on a gross basis in the Group's financial statements during the Track Record Period. However, the said income and expenses are recorded and accounted for in the Group's financial statements on a net basis (i.e. the soft commission income netted-off the related expense).

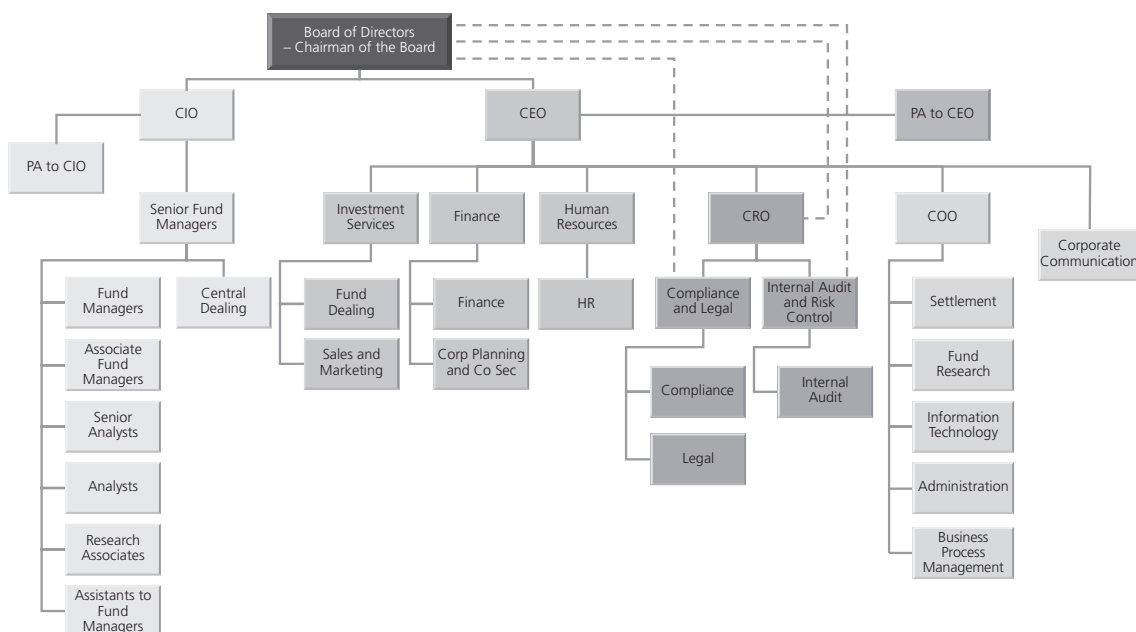
As our business continues to develop, we are marketing or seeking to market our funds increasingly to overseas markets where regulations regarding soft commission arrangements have recently been changed, or are expected to change, generally to impose greater restrictions on such arrangements. Instead of incurring substantial resources to ensure compliance with the plethora of regulatory requirements of the different jurisdictions to which we may offer our funds for soft commissions the amounts of which has not been material to us, we have terminated such soft commission arrangements (except for arrangements where execution and research are bundled together in the same commission rate). We do not expect the termination of such arrangements to have any material adverse impact on our business operations.

## OUR BUSINESS

### 9. OUR ORGANISATION STRUCTURE AND HUMAN RESOURCES

#### 9.1 Our organisation structure

Our internal organisation structure as at the Latest Practicable Date is shown below.



#### 9.2 Our employees

Our Company has seen steady growth in headcount since 1993. This has allowed us to effectively manage an increasing AUM and customer base. A large number of our personnel are employed in our investment team, a fact which demonstrates the emphasis we place on fund performance and return.

Set out below is the number of employees employed by members of our Group as at dates indicated:

	Number of Employees <sup>(1)</sup>
As at 31 December 2004	34
As at 31 December 2005	45
As at 31 December 2006	62
As at 30 June 2007	78

Notes:

(1) These numbers include VPL, SAM and VPPE but do not include DPL and its subsidiaries.

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Set out below is a breakdown of our Group's employees by business function as at the Latest Practicable Date.

<b>Business Function</b>	<b>Number of Employees<sup>(1)</sup></b>
Investment Professionals	24
Central Dealing	3
Marketing and Client Relationship Management	15
Business Management	3
Legal, Risk Management and Internal Control and Compliance	8
Finance and Human Resources	7
Settlement	8
IT	4
General Administration	12
<b>Total</b>	<b>84</b>

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Notes:

(1) These numbers include VPL, SAM and VPPE.

### 9.3 Employee benefits

We have a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for all our employees in Hong Kong and contributions are made based on a percentage of the employee's basic salaries. We also make contributions to basic medical insurance for our employees. In addition, all executive Directors, full time employees and/or their spouses are entitled to a waiver of all fees (including all manager's fees, performance fees, front end and back end fees, if any) for investments they make with our house products and such fees are reimbursed to our employees after the end of each of our financial years.

In line with our emphasis on recognition for performance and human capital retention, we reward our employees with year-end discretionary bonuses which are directly linked to our level of profits for that financial year. In each financial year during the Track Record Period, we have allocated for discretionary bonus payments to our employees 25% of a net profit pool. The net profit pool is the net profit before discretionary bonuses and taxation but after an adjustment for average shareholders funds multiplied by the average prime rate for the relevant financial year. We have agreed with Mr. Cheah Cheng Hye under his service contract as our Chairman and CIO, that we will make available up to 25% (or such greater percentage as may be approved by our remuneration committee) of such net profit pool each year as a management bonus, for distribution amongst our staff (including our executive Directors) and that Mr. Cheah will be entitled to receive up to 60% of that management bonus pool or such smaller percentage as he may agree. In order to retain and attract talent, our remuneration committee may decide in the future to increase the percentage of net profit pool that is available as management bonus.

### 9.4 The growth of our investment team

We emphasize growing our investment team through internal promotions of team members who are key contributors to our success. Apart from Ms. Chau Yee Man, who was a lateral hire, the four senior fund managers who are also our Directors have been promoted through our ranks, having established and proven their skills and expertise as successful fund managers. Similarly, our other fund managers, associate fund managers and analysts have opportunities to be promoted through our ranks as they gain experience successfully managing fund.



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If any of the “cluster” leaders of our investment team ceases to be an employee of the Group or otherwise for whatever reason can no longer perform his or her role, the other “clusters” (together with the team that supports the retiring leader) can take over the management of the relevant funds and/or clients. We recognise that if Mr. Cheah Cheng Hye, founder and CIO suddenly departs, retires or otherwise ceases to perform his role, we can be affected by the associated loss of goodwill that Mr. Cheah has established in those roles. We believe, however, that we will still be able to continue our operations with the support of our remaining senior fund managers and clusters.

### 10. COMPLIANCE

#### 10.1 Introduction

We operate in a highly regulated industry and place a strong emphasis on internal controls and compliance. Our CRO, Mr. Mark Dickens, who had previously served as the Executive Director of Supervision of Markets in the SFC, joined us in July 2007. Mr. Dickens has been in the financial regulatory sector in Hong Kong and Australia for 23 years, and had served at the SFC for over 14 years. Our Director of Legal and Compliance, Ms. Woo Lai Nga, who is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a CFA charterholder, was recruited in October 2002. She is supported by a senior manager, Ms. Vivienne Lee, who is a member of the Australian Society of Certified Practising Accountants and joined in May 2004. Ms. Woo and Ms. Lee each have over eight years of experience in the financial industry. Please refer to the “Directors and Senior Management” section. The CRO and the Director of Legal and Compliance have direct access to our CEO and to our Board.

The CRO position was a newly created role taken up by Mr. Mark Dickens after his recruitment. The primary role of the CRO is to oversee our existing legal, compliance, internal audit and risk management functions (including market, operational, regulatory, legal, credit and reputational risks to the Group). Prior to the creation of the CRO position (i) our Director of Legal and Compliance, Ms. Woo Lai Nga, with the support of a senior manager, Ms. Vivienne Lee, oversaw the legal and compliance function of the Group; and (ii) Ms. Ella Wong, our Senior Manager, Internal Audit and Risk Control, oversaw internal audit and risk control matters. Prior to the creation of the CRO position, both Ms. Woo and Ms. Wong had reported directly to the CEO, but now report directly to the CRO and with direct access to our board of Directors.

The primary role of the compliance department is to assist our board of Directors in ensuring that our Group complies with all relevant rules and regulations. It achieves this by organizing and operating compliance controls and procedures, and ensuring their effectiveness by implementing a regular risk-based compliance monitoring programme. Such controls and procedures include, by way of example, monitoring compliance with our personal account dealing rules and fair allocation policy to minimize the risks of conflicts of interest and to help ensure fair treatment of investors. The department also acts as a resource for the prompt resolution of compliance queries, ensuring that such queries are resolved in a manner which protects customers, minimizes financial loss and protects the good name and reputation of our Group.

Over time, our Group has developed policies which our Directors believe are adequate to enable us to comply in material respects with current regulations and laws, to protect our integrity and to act fairly in the conduct of our businesses.

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### 10.2 Compliance manual

Our compliance department is also responsible for the preparation and enforcement of our compliance manual. Our Group's internal manuals are updated on an ongoing basis as necessary to incorporate procedures covering all relevant laws and regulations including insider dealing regulations, which may affect or restrict the ability of any member of our Group, or any employee, to engage in any particular course of action. All members of staff are required to undergo compliance training and must sign a declaration that they have received and read the compliance manual and are aware of their obligations under the applicable regulations.

### 10.3 Anti-money laundering

We have implemented procedures to ensure that we comply with Hong Kong and other applicable anti-money laundering regulations. These procedures are set out in our "Prevention of Money Laundering and Terrorist Financing" manual.

### 10.4 Personal dealing

We have internal policies relating to share dealing by staff and their associates so as to avoid any conflicts between employee and client interests. These policies were developed in accordance with advice received from a firm of professional accountants.

### 10.5 Compliance failures

VPL and Mr. Cheah Cheng Hye were publicly reprimanded as a result of a number of buy orders placed by us on three trading days in December 1998, as more particularly described in the announcement of the SFC dated 5 October 2000 reproduced below:

*"The Securities and Futures Commission (SFC) announced today that it has publicly reprimanded Value Partners Limited (Value Partners), a registered securities dealer and investment adviser under the Securities Ordinance, and one of its dealing directors and investment adviser directors, Cheah Cheng Hye (Cheah).*

*The action stemmed from an investigation into Value Partners' dealing in 5 stocks on 28, 29 and 31 December 1998. It was found that on each of these days Value Partners had, near the close of trading, placed a number of buy orders which resulted in the market price of the stocks closing a level higher than they might otherwise have been. It was also found that during the days in question Cheah was the person responsible for investment decisions. The SFC found that, although unintentional Cheah should have known that trading in this manner had the potential to affect the closing prices of the stocks and could therefore have been prejudicial to the integrity of the market.*

*A number of inadequacies in Value Partners' internal procedures and breaches of various regulatory requirements were also discovered. These were found to be the result of lack of staff training and inadequate knowledge and understanding of the regulatory requirements on the part of Value Partners' senior management. Value Partners and Cheah, as the person with responsibility for these inadequacies, have therefore been publicly reprimanded.*

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*In deciding on the reprimand, the SFC took into account that Value Partners has:*

- *fully co-operated with the SFC and taken immediate remedial action where possible;*
- *engaged a leading firm of accountants to review its business operations and internal controls;*
- *appointed a new Compliance Officer to be responsible for compliance matters;*
- *undertaken to fully implement all the recommendations of the SFC and the accountants."*

As mentioned in the announcement above, a firm of professional accountants was engaged to conduct an internal control review of our operations. The objectives of the review were primarily to:

- assess the extent of non-compliance by our Company with the applicable codes and regulations identified by the SFC in 2000;
- review and comment on certain specified deficiencies in internal control procedures; and
- assess the adequacy of efforts to rectify the inadequacies and breaches identified by the SFC in 2000.

The report identified a number of areas in which our internal controls could be improved. These recommendations included:

- streamlining arrangements with respect to soft dollar commissions;
- appointing an experienced compliance officer;
- separating the role of Managing Director into distinct fund management and general management roles;
- advice on training of staff;
- advice on the proper implementation of policies to regulate personal dealing; and
- advice on the proper procedures to ensure compliance with certain codes and regulations.

We received a follow up report from the above firm of professional accountants in 2001, which stated that they were satisfied that we had appropriately implemented their recommendations.

In the United States, VPL is registered as an investment adviser under the U.S. Investment Advisers Act and our activities in the United States are subject to regulation under that act and related rules and regulations by the SEC.

In 1997 and 2000, the SEC, in conjunction with the SFC, carried out two routine on-site visits of our premises. These visits identified various areas which we were asked to address, including non-compliance with restrictions on the collection of performance fees and weaknesses in our insider trading policy and record-keeping practices. We undertook measures to implement corresponding changes and duly notified the SEC of the changes. No reprimand, fine or any other action was taken by either regulator and there has been no further review conducted since then.

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## OUR BUSINESS

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We were fined in April 2004 for failing to make initial disclosure of interest, and a subsequent disclosure of a decrease of interest, in a listed corporation as required under the Securities (Disclosure of Interests) Ordinance in connection with certain acquisitions and disposals of shares in that listed corporation by funds under our management in April 2002. The text of the SFC's announcement in respect of this matter is set out below:

*"The SFC has successfully prosecuted Value Partners Limited under the Securities (Disclosure of Interests) Ordinance.*

*Value Partners Limited pleaded guilty to four summonses in relation to its failure to make both initial disclosure of its interest in Bright International Group Limited when the funds under its management acquired an interest in Bright totalling 10.78% of the company's total issued share capital on 16 April 2002 and subsequent disclosure of a decrease of interest in Bright to below 10% on 24 April 2002.*

*Mr. Johnny Chan, a Magistrate at Eastern Magistracy, fined Value Partners Limited a total of \$16,000 and ordered it to pay investigation costs of \$29,225 to the SFC.*

*The SFC noted that the contravention stemmed from a calculation error on the part of Value Partners Limited. The SFC regards this as the end of the matter and has warned Value Partners Limited about its obligations as a licensee to have adequate systems to comply with the law and regulations."*

We had since then engaged a leading firm of accountants to undertake a further compliance review of our internal control and operational systems, further details of which are set out in section 10.6 below.

We initiated an internal review of our offshore legal compliance status in late 2006 which, under the auspices of our CRO continued through 2007, with the assistance of external legal counsels from offshore jurisdictions. As a result of this review, we have identified certain offshore legal compliance failures that arose because we had misunderstood or had not been aware of the applicable offshore regulatory requirements, as described more particularly below:

- Our counsel as to matters of BVI law advised us in December 2006 that two of our subsidiaries, VPL and SAM had not been correctly licensed to provide management services for "open-ended" funds under the Mutual Funds Act. Both companies have since applied for, and on 22 June 2007 received, appropriate licences from the FSC. The FSC has powers of enforcement under the Mutual Funds Act and it is reviewing the position of VPL and SAM in this respect. We have been advised by our BVI legal advisers that on summary conviction the amount of the fine (if any) under the Mutual Funds Act would not be more than US\$50,000 for each company.
- In June 2007 we were advised by our Japanese legal advisers retained for this purpose that amendments which we made on 30 March 2007 to a supplemental trust deed relating to two of our non-SFC authorized funds offered in Japan should have been submitted to the Prime Minister of Japan through the Commissioner of Financial Services Agency, or FSA, pursuant to Article 29 of the Law concerning Investment Trust and Investment Company (Law No. 198 of 1951) prior to execution of the amendments. Our Japanese legal advisers have consulted with the government officials of the FSA concerning the delay and have filed to the FSA on 29 June 2007 the required registration statement together with a letter setting out reasons for, and futures measures to be taken to avoid, such delay. We have been advised by our Japanese legal advisors that the penalty (if any) for the above breach would not be more than JPY500,000.

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## OUR BUSINESS

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- we received advice from a U.S. legal counsel retained by us for this purpose in September 2007 that certain filings relating to our funds that we sold into the United States under transactions that were exempt from registration under the Securities Act and the U.S. Investment Company Act of 1940 had not been made in a timely fashion with the SEC and the relevant state securities regulators. While failure to make such filings may subject the funds to late filing fees in some states in the United States (such filing fees vary from state to state and are typically de minimus in amount) and/or an order suspending any future offer or sale of the securities within a particular state in the United States, such failures would not likely result in rescission of the sale of the securities in the funds. We have made the necessary filings with the SEC and will ensure that necessary filings in the relevant states in the United States are made based on advice received.

Having taken the remedial steps described above and based on legal advice we have received in respect of the compliance events involving BVI, Japan and the US regulations, we are confident that those three events would not affect our operations or our operating licences in any material respect, although these compliance events remain unresolved.

We do not consider the aggregate costs we have incurred up to the Latest Practicable Date in respect of the above cases in Japan, the BVI and the US to be material, and we do not expect to incur substantial further expenses given that the circumstances of the relevant events have been fully communicated with the relevant regulatory authorities. In view of the above, and in light of the fact that the compliance failures did not arise because of actions or inactions on the part of the Company's shareholders (in their capacity as such), the Directors do not consider that an indemnity from some or all of its shareholders to be necessary.

In late May 2007, due to an inadvertent human error, we were late in filing the appropriate notice of an increase in our fund's shareholding in a listed corporation. This exception was identified by our compliance team in early June 2007 during a routine review and was shortly thereafter rectified by appropriate filing and notification to the SFC. We have been advised by the SFC that it does not propose to take any further action against us in respect of this late filing based on information known to it at the time when it advised us of its decision. We have, as a result of this incident, implemented additional training to the personnel concerned, and also introduced additional automated system functionality to our computer system.

As part of the Group's business, certain funds managed/advised by VPL invest in securities listed on the Singapore Stock Exchange. Under relevant regulations in Singapore, an investor, and any beneficial owner holding more than 20% of such investor, who is interested in 5% or more in a listed company is required to disclose and file its interests. As part of our ongoing compliance review, we became aware in October 2007 that while VPL had complied fully with requisite filing requirements, similar filings had not been made in relation to Mr. Cheah's deemed interest in the relevant listed securities given his holding more than 20% in VPL. We understand, from consultation with our Singapore legal counsel as to the maximum fine that can be imposed under Section 137 of the Securities and Futures Act (Chapter 289 Singapore Statutes), and after taking into account the number of filings previously made, the applicable maximum fine against Mr. Cheah is S\$2.8 million. To the extent that there are current legal obligations to file, the necessary filings have been made. In light of the above compliance incident, we have instituted procedures to ensure that all necessary filings in Singapore in relation to the Group and its operations will be made in the future.

We believe both we and our staff (in their capacity as such) are in compliance in material respects with all the applicable laws and regulations in the jurisdictions in which we operate, except for those compliance failures which are described above. Apart from the compliance failures described above, so far as we are aware, no securities regulators have taken any action against us or any of our officers (in their capacity as such) in the past 5 years.

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## OUR BUSINESS

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Having considered the nature of the compliance failures described above, the fact that those failures had not resulted in any restriction by the relevant regulators on the Company's operating licences, the remedial steps taken by the Company to address those failures, the legal advice received by the Group (as set out above) and the nature and size of the penalties imposed in relation to the compliance failures, the Joint Sponsors are of the view that the above compliance failures have not resulted in any material adverse effect on the financial condition and results of the Group's operations during the Track Record Period.

As at the Latest Practicable Date, the Group has the relevant licences or permits it requires from the SFC, the SEC and the FSC, the details of which are set out in the table on page 63 of this prospectus. VPL is registered with the SEC as an investment advisor under the U.S. Investment Advisors Act.

### 10.6 External reviews on compliance

In accordance with recommended best practice for licensed financial intermediaries, we have commissioned firms of professional accountants to conduct regular reviews of our compliance functions to help us to achieve best practice across our operation and have implemented their recommendations. Two such reviews have been conducted since 2003, the most recent being conducted in late 2006 to early 2007.

In 2003, we commissioned a firm of professional accountants to conduct a review of our internal compliance. The scope of this review was primarily to:

- assess whether our systems, controls and procedures are in compliance with the applicable codes and regulations to which we are subject; and
- recommend any areas for improvement.

The report concluded that no significant non-compliance with applicable rules and regulations was found during the review.

We received recommendations on how documentation, procedures and processes could be tightened or improved to bring them up to best practice. In summary, these included recommendations to improve our compliance with the Financial Resources Rules; to improve our documentation and communication to our staff of existing practices contained in our staff handbook; to increase our compliance testing and the frequency of formal reports to senior management; to enhance our staff and house dealing policies and procedures; to prepare management information on cumulative portfolio turnover; to increase the frequency, and improve documentation, of reconciliation of valuation of funds; and to better document our "suitability" review of institutional clients.

We received a follow up report from the above firm in 2004 which stated that they were satisfied that we had appropriately implemented their recommendations.

In December 2006, we commissioned a firm of professional accountants to conduct a review of our internal compliance following the last review in 2004. This report covered the following key operations:

- Personal dealing;
- House dealing;
- Trade allocation;

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## OUR BUSINESS

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- Soft dollar arrangements;
- Licensing;
- Disclosure of interests; and
- Review of the compliance manual against the applicable rules and regulations.

The report concluded that no significant deficiencies or weaknesses were identified which would suggest that the existing internal control systems would fail to provide reasonable comfort to management on our Company's compliance with its regulatory obligations.

We received recommendations for enhancing our compliance monitoring program, improving documentation standards including more specific documentation of our compliance procedures and elaboration of regulatory requirements in our compliance handbooks, enhancing the information in our documentary records, simplifying our order allocation policy, and introducing greater automation to reduce manual procedures as our business and operations grow.

### 10.7 Legal Support

We have our own in-house legal advisors who work closely with the compliance department and senior management to ensure compliance with all applicable laws and regulations affecting our business. Our legal advisors are supported by a number of leading local and international law firms who provide us with advice in Hong Kong, the jurisdictions in which our funds invest and other applicable jurisdictions, e.g. the BVI, the Cayman Islands, the PRC, Japan, Australia and the United States.

### 10.8 Ongoing compliance

Our compliance team and our in-house legal team monitor changes of regulatory requirements in Hong Kong and (to the extent relevant to the activities of our Group) in other jurisdictions. The CRO and his team, with the support of external professional advisers where appropriate, monitor whether and the extent to which additional regulatory requirements apply as a result of the growth or expansion of our business and operations. They also determine whether risks identified by our Risk Management Committee need to be addressed through adjustments in operating or other procedures or policies. We regularly update our compliance manual and staff policies to include any new requirements necessary to ensure compliance with applicable laws and regulations and notify our staff of such changes. In view of the compliance failures identified in our offshore legal compliance review described in paragraph 10.5 above, we will continue to recruit appropriate personnel to bolster and increase capacity in our compliance and in-house legal team and will work more closely with our overseas legal counsels to ensure compliance with applicable overseas regulatory requirements. We have also stepped up our internal control measures to monitor and better ensure that funds managed or advised by us will be offered and sold in compliance with the requirements of the relevant overseas jurisdictions, including sales to the United States or to U.S. persons.

All new staff members are provided with, and are required to review, copies of our compliance manuals and staff policies. New hires are assessed by reference to their previous work experience and generally work under the supervision of senior staff members who are fully appraised of our internal control requirements. Staff who are registered persons under the SFO are required to attend continuous professional training and their training

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## OUR BUSINESS

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records are monitored by our compliance team. Our in-house legal team also attends continuing legal training as required by the Law Society of Hong Kong. They are also encouraged to attend external courses related to their work, at our cost. To the extent that there are changes to procedures and requirements which are relevant to all or some of the remainder of our staff, we organise ad hoc seminars and training sessions.

Our CRO prepares and submits a report on internal control status to our Audit Committee quarterly. This report specifies any internal issues that may have been identified, details how those issues have been dealt with and offers a recommendation as to whether or not any external professional review on our internal systems is warranted. We are considering commissioning a follow up review in 2008 to assess the extent of implementation of recommendations that were made in connection with our December 2006 internal control review by external professional accountants.

### 11. RISK MANAGEMENT

Our Risk Management Committee, chaired by our CRO, consists of six members including our CRO, CIO, or his designated investment officer, our Duty Officer who is appointed by rotation from amongst the senior fund managers, our CEO, COO and Compliance Director. Its objective is to establish and maintain effective policies and guidelines to ensure proper management of risks to which our Group and our clients are exposed and to take appropriate and timely action to manage such risks. Its functions include:

- reviewing and approving risk management policies and guidelines;
- deciding on risk levels and related resource allocation;
- discussing newly identified risk areas and related control measures;
- reviewing and monitoring results on risk measures reported by the Senior Manager, Internal Audit and Risk Control; and
- agreeing on rectification action if any policy or guideline is breached and reporting any material breaches to the Board.

The Risk Management Committee has the power to report directly to the Board of Directors. The Risk Management Committee meets at least four times a year and ad-hoc meetings will be held whenever necessary.

Effective risk management is critical to the operation of our fund business. In addition to using both bottom-up analysis (such as independent reviews) and top-down analysis (such as risk mapping and scenario analysis) to assess risks, the Group adopts certain policies and procedures in managing the various risks applicable to its operations (other than legal and compliance risks set out in other parts of this prospectus) including:

- Credit risk
  - (i) concentration limits are set for counterparties based on their credit ratings and other considerations;
  - (ii) such limits are reviewed periodically;
- Liquidity risk:
  - (i) monthly and ad-hoc liquidity tests are conducted;
  - (ii) concentration limits are set for single positions (in terms of proportion of fund size and proportion of issued capital of the investee company) and reviewed periodically;



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## OUR BUSINESS

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- Operational risk:
  - (i) detailed written policies and procedures for order handling, allocation, execution and settlement;
  - (ii) clear reporting lines and segregation of duties between investment decision making, dealing, settlement, compliance and risk management;
  - (iii) adequate staff with relevant and sufficient skills/experience to minimize the risk of loss due to the absence or departure of key staff members;
  - (iv) business continuity planning;
- Market risk:
  - (i) setting of position limits;
  - (ii) close monitoring of investments and positions supported by price movement alerts;
  - (iii) stress testing and regular VaR calculation;
- Investment/product risk:
  - (i) consent from compliance must be obtained before investing in any new products;
  - (ii) quantitative investment restrictions checking is pre-set in the automated fund management system coupled with periodic checking against investment restrictions for each individual fund; and
  - (iii) a restricted list is maintained to avoid potential conflicts of interest and insider dealing.

To ensure effective risk management, Ms. Ella Wong, our Senior Manager, Internal Audit and Risk Control, oversees internal audit and control matters. The roles and functions of the Senior Manager, Internal Audit and Risk Control include:

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

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## OUR BUSINESS

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### 12. SETTLEMENT AND BACK OFFICE

We operate a centralized settlement and back office function which provides support to all of the entities within the Group. This is a cost effective model which is reflected in the fee structure of our products. The various parts of the back office function are segregated from each business area so as to ensure impartiality and appropriate controls.

### 13. INFORMATION TECHNOLOGY

Value Partners has a fully secure suite of custom designed and off-the-shelf IT systems covering dealing and trading, settlement and reporting, client relationship management, attribution analysis and accounting functions. Our Company, through our four full-time IT staff, is constantly reviewing the IT systems to ensure that it adequately delivers all of the required functionality.

We make use of a number of external data sources to provide up to date and accurate market information as well as a number of benchmarking tools. We have an off-site backup facility and tape backups are taken daily at close of business to ensure business continuity in the event of a restriction of access to our main office.

### 14. COMPETITION

#### 14.1 Competitive landscape

Our Directors believe that we compete for client money with the following market participants:

- ***International independent fund management companies***

These are large international, stand-alone fund management houses which may be publicly listed or private institutions. These companies primarily focus on investing overseas funds into Asian markets, or additionally source Asian funds as well for regional and international funds and investment mandates.

- ***Global or regional asset management subsidiaries***

These are fund management companies owned in part or wholly by universal banks or other global or regional financial services groups. These companies generally manage overseas funds in Asia, offer local fund products, and may additionally distribute foreign products on-shore.

- ***Specialist or boutique fund managers***

These are local or international fund managers, usually privately owned, specialising in certain investment styles, industry sectors, geography, and/or products.

#### 14.2 Direct competitors

Our Directors believe that Value Partners is in direct competition with these specialist fund managers, and in indirect competition with international independent and global or regional subsidiary asset management companies.

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## OUR BUSINESS

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Our Directors believe that we have a number of advantages over our direct and indirect competitors:

- Experience coming from being a pioneer in value-investing investing in Greater China;
- Proven award-winning track record and established reputation;
- Strong investment discipline complemented by excellent in-house research resources;
- Institutionalised platform to ensure stability whilst preserving the entrepreneurial culture;
- Highly motivated client service resulting from the interest alignment between us and our clients because we are being majority-owned by management and fund managers; and
- Specialized knowledge of the Greater China markets and investment process.

### 14.3 Limitations on competitive strengths

Our Directors believe that the following factors could limit our competitive strengths against our competitors:

- We are reliant on our key personnel;
- Our infrastructure and operational capacity are limited and capable of servicing a limited number of clients;
- We have limited access to investors through our selective range of distributors; and
- We have access to limited capital resources to build new businesses and sustain a prolonged business slowdown.

## 15. LITIGATION

No member of our Group is, or has at any time in the last 12 months immediately preceding the date of this prospectus, been engaged in any governmental, legal or arbitration proceedings which is material to us. We are not aware of any material governmental, legal or arbitration proceedings pending or threatened by or against us or any other member of our Group. We are not aware of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document, in each case which may have, or may have had in the recent past, a significant effect on our financial position or profitability.

VPL has purchased investment management insurance that provides coverage up to US\$10 million for claims arising from wrongful acts committed by VPL's directors, officers or employees. The Group has also purchased directors and officers liability insurance that provides coverage up to US\$10 million for the Group and up to US\$10 million for two of its funds.

## 16. PROCEEDS OF THE GLOBAL OFFERING

The Company is not issuing any new Shares in this Global Offering and will not receive any proceeds from it. The Selling Shareholders will receive all of the net proceeds from the Global Offering, which will be approximately HK\$2,677 million (or approximately HK\$2,890 million, if the Over-allocation Option is exercised in full), assuming an Offer Price of HK\$7.21 per Share, the midpoint of the range set forth on the cover page of this prospectus, after deducting the underwriting commissions (not taking into account any incentive fee that may be paid to the Joint Global Coordinators by the Selling Shareholders) and estimated expenses payable by the Selling Shareholders.

The Selling Shareholders will bear all underwriting commissions and fees, SFC transaction levy, Hong Kong Stock Exchange trading fee and taxes (including stamp duty) in connection with the Global Offering. Any interest accrued on the Hong Kong Public Offering application monies will be retained for the benefit of the Selling Shareholders but will be applied towards payment of the balance of other offering expenses. We will bear any such offering expenses to the extent that the interest is not sufficient to cover such balance. We

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## OUR BUSINESS

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consider such an arrangement to be reasonable as we believe that becoming listed on the Hong Kong Stock Exchange will benefit us by enhancing our public profile, advancing our business development and facilitating employee equity ownership, while creating liquidity for such ownership. In view of the benefits to the Company derived from its being listed on the Hong Kong Stock Exchange, and considering the recent market conditions, the Directors and the Joint Sponsors are satisfied that the above arrangements are fair and reasonable to the shareholders of the Company as a whole.

### 17. RELATIONSHIPS WITH OUR CONTROLLING SHAREHOLDERS AND OUR CONNECTED PERSONS

#### 17.1 Independence of operations

Our controlling shareholder is Mr. Cheah Cheng Hye. We are not financially dependent on Mr. Cheah as Mr. Cheah does not provide any loans or financing to us. He has invested in certain funds managed by us, as is common practice within the fund management industry, but we do not rely on his investments (which are not substantial in the context of the AUM of the Group). Apart from his role as Chairman and CIO, the Group does not rely on Mr. Cheah for the supply of customers, investment ideas, investment funds or investee companies. These are all sourced by our management team as a whole. For the above reasons, we are capable of carrying on our business independently of our controlling shareholder (within the meaning of the Listing Rules) after Listing.

#### 17.2 Non-competition undertaking

Mr. Cheah Cheng Hye, our controlling shareholder (within the meaning of the Listing Rules), is not currently engaged or interested in any business that competes or may compete with that of our Group. For the benefit of our Group, Mr. Cheah Cheng Hye has undertaken in our favour that for so long as he remains the controlling shareholder of the Company (as defined in the Listing Rules) and our Shares remain listed on the Hong Kong Stock Exchange, he will not, whether as principal or agent, whether directly or indirectly (including through any body corporate, partnership or joint venture) carry on or engage in any other asset management business other than through our Group. The undertaking excludes, however, any sale, purchase or holding of less than 10% of securities in issue of a company directly or indirectly engaged in the asset management business or less than 10% of securities in issue of any investment fund, by him or any entity or business (whether or not incorporated) or trust, the beneficial owners or beneficiaries of which are (i) Mr. Cheah Cheng Hye and/or his family members or (ii) any person from the preceding category and one or more charitable organisations (if any) and any transactions effected between any or all them for the foregoing purposes. It also excludes any sale, purchase or holding of securities by or on behalf of any one or more charitable organisations by Mr. Cheah Cheng Hye (on a "not for profit" basis) after he ceases to be a director or employee of any member of our Group.

Mr. Cheah Cheng Hye has undertaken to us that, if at any time we or our independent non-executive Directors have reasonable cause to believe that Mr. Cheah Cheng Hye may be in breach of the non-competition undertaking, he will at our or our independent non-executive Directors' request provide all such information that he possesses and may lawfully disclose pertaining to such request so as to enable us or our independent non-executive Directors to make an informed assessment as to whether there has in fact been a breach of the non-competition undertaking. Mr. Cheah Cheng Hye has also undertaken to us that he will give us an annual declaration that he has complied with the non-competition undertaking given above.

During the term of the non-competition undertaking, we will include in our annual report information relating to whether Mr. Cheah Cheng Hye has delivered at the end of the financial year to which that annual report relates an annual declaration to the effect that he has complied with the terms of the non-competition undertaking and, if he fails to comply, the steps being taken to enforce the terms of his undertaking in our favour.

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## OUR BUSINESS

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In addition, during the term of the non-competition undertaking, our independent non-executive Directors will, based on the information provided by Mr. Cheah Cheng Hye, review at least on an annual basis his compliance with the non-competition undertaking and, if he has failed to comply, the steps being taken to enforce the terms of his undertaking. We will disclose in our next annual report or (where appropriate) by public announcement decisions made by our non-executive Directors in connection with such reviews.

### 17.3 Disclosures under Rule 8.10 of the Listing Rules

Mr. Cheah Cheng Hye is a non-executive director of Target Asia Fund Limited, or TAF, a fund which is not authorized by the SFC and therefore not generally available for purchase by the public in Hong Kong (such type of fund is referred to below as "non SFC-authorized fund"). It is a long-only fund investing in Asia ex-Japan equities (and therefore can potentially compete with us for investors in our funds or investment targets). As of 31 December 2006, TAF had a total AUM of approximately US\$1,064 million. TAM (in which we own 7.5% shares) is the discretionary fund manager of the fund. Mr. Cheah is TAF's director because of our shareholding interest in TAM.

We have not otherwise had any other business relationships with any of the companies referred to above during the Track Record Period or thereafter. We do not share our resources with them nor do we rely on them for our customers or suppliers. Apart from Mr. Cheah's non-executive directorship in TAF, none of our Directors or senior management are also directors or employees of any of the companies named above. Those companies operate independently of us and vice versa.

### 17.4 Possible future connected transactions

The private equity investment funds managed by our subsidiaries also constitute our subsidiaries (for the purposes of Rule 1.01 of the Listing Rules) because we hold 100% of the voting rights in those fund companies. Consequently, future issues of shares by those fund companies to our connected persons and, in certain circumstances, acquisition or disposals of interests in those companies by us will constitute our connected transactions under Chapter 14A of the Listing Rules. We will comply with the applicable requirements of the Listing Rules when such circumstances arise.

## 18. PROPERTY

The properties occupied by the Group are set out below. Please refer to Appendix II to this prospectus for further details.

Address	Current Use	Term	Lease Rate	Approximate Area (Square Footage)
Level 14, Three Pacific Place, 1 Queen's Road East, Hong Kong	Offices	3 years from 1 July 2006 to 30 June 2009	HK\$705,000 per calendar month	15,000
Workshop Unit 9, 25th Floor, Corporation Park, No. 11 On Lai Street, Shatin, New Territories, Hong Kong	Storage of computer equipment uses	2 years from 28 March 2006 to 27 March 2008	HK\$7,902 per calendar month	878

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## OUR BUSINESS

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### 19. INTELLECTUAL PROPERTY

Our Group is the registered trademark holder of certain trademarks under Class 36 in Hong Kong and Singapore and we are currently applying to register certain trademarks under Class 36 in various jurisdictions which are relevant to the Group's business. We are the registered owner of the domain name "valuepartnersgroup.com.hk", the name of our homepage website. The information contained in this website is not part of this prospectus.

We seek to register the marks used by us to protect the goodwill associated to these names that we have created through our business and performance. Our Group is not materially dependent on any intellectual property rights. Further details of the intellectual property rights of our Group are set out in the paragraph headed "Intellectual Property of the Group" under Appendix IV of this prospectus. Please also refer to paragraph 2.3 headed "Lack of trademark registrations in overseas markets could limit our physical expansion or potentially expose us to litigation" in the "Risk Factors" section.

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## DIRECTORS AND SENIOR MANAGEMENT

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### 1. LIST OF DIRECTORS

Name	Age		Position
Cheah, Cheng Hye	53	Chairman and CIO	Executive Director
Choi, Nga Chung	36	Senior Fund Manager	Executive Director
Ho, Man Kei	41	Senior Fund Manager	Executive Director
Hung, Yeuk Yan Renee	33	Senior Fund Manager	Executive Director
Law, Ka Kin	47	COO	Executive Director
Ngan, Wai Wah	34	CEO	Executive Director
So, Louis Chun Ki	31	Senior Fund Manager	Executive Director
Chen, Shih Ta Michael	62	—	Independent Non-Executive Director
Lee, Siang Chin	59	—	Independent Non-Executive Director
Oyama, Nobuo	54	—	Independent Non-Executive Director

### 2. DIRECTORS

#### **Chairman**

#### **Cheah, Cheng Hye**

*Chairman and CIO*

Mr. Cheah Cheng Hye, 53, co-founded VPL in February 1993 with a partner, Mr. Yeh V-Nee. He has been the firm's CIO from the start, and also served simultaneously as Managing Director, in charge of the firm's business and corporate activities, during the 1990s. Mr. Cheah is also a director of VPL, one of our subsidiaries. Under him, Value Partners AUM have reached about US\$5.7 billion as at 30 June 2007, building up a global client base. In the process, Mr. Cheah transformed Value Partners from a start-up boutique firm into a full-fledged, major asset management firm. Value Partners received the Enterprise Award in the 2005 Hong Kong Business Awards competition organised by DHL/South China Morning Post.

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

During the three years preceding the date of this document, Mr. Cheah has been a director on the board of one listed company namely, Value Partners China Greenchip Fund Limited (which has since March 2007 been delisted).

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## DIRECTORS AND SENIOR MANAGEMENT

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In 1998, Mr. Cheah and VPL (our subsidiary in which Mr. Cheah is a director of) were publicly reprimanded by the SFC for placing a number of buy orders which resulted in the market price of certain stocks closing higher than they might otherwise have been and in April 2004, VPL was fined for failing to make the relevant disclosures of interest under the Securities (Disclosure of Interests) Ordinance, further details of which are set out in paragraph 10.5 headed "Compliance Failures" in the "Our Business" section. The SFC licensing web-site discloses Mr. Cheah as having no outstanding disciplinary record.

### ***Executive Directors***

#### **Choi, Nga Chung**

*Senior Fund Manager*

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

During the three years preceding the date of this document, Mr. Choi has been a director on the board of one listed company, namely, Value Partners China Greenchip Fund Limited (which has since March 2007 been delisted).

#### **Ho, Man Kei, CFA**

*Senior Fund Manager*

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

#### **Hung, Yeuk Yan Renee**

*Senior Fund Manager*

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



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## DIRECTORS AND SENIOR MANAGEMENT

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### **Law, Ka Kin**

COO

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

Mr. Law has also served as a trustee of the Hong Kong Council of Social Service Trust Fund, a trust fund established by the Hong Kong Council of Social Service, a non-governmental organisation, since November 2006.

### **Ngan, Wai Wah, CFA**

CEO

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

During the three years preceding the date of this document, he has been a director on the board of one listed company, namely, Value Partners China Greenchip Fund Limited (which has since March 2007 been delisted).

### **So, Louis Chun Ki**

*Senior Fund Manager*

Mr. So Louis Chun Ki, aged 31, is involved in all aspects of Value Partners' investment process, including responsibility for portfolio management. He joined Value Partners in May 1999 as an analyst and was promoted to Fund Manager and Senior Fund Manager during his career at Value Partners. Mr. So also serves as Chairman of the board of Value Partners China Greenchip Fund Limited, and is a director of SAM. He graduated from the University of Auckland with a degree in Commerce in April 1997 and from the University of New South Wales with a Masters degree in Commerce in October 1998.

During the three years preceding the date of this document, he has been a director on the board of one listed company, namely, Value Partners China Greenchip Fund Limited (which has since March 2007 been delisted).

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## DIRECTORS AND SENIOR MANAGEMENT

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### ***Independent Non-Executive Directors***

#### **Chen, Shih Ta Michael**

Dr. Chen Shih Ta Michael, aged 62, was appointed as an independent non-executive director in 22 October 2007 and is the Chairman of our remuneration committee and a member of our audit committee. Dr. Chen is currently an executive director of the Harvard Business School Asia Pacific Research Center, the first international research office established by the Harvard Business School in Asia.

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

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

#### **Lee, Siang Chin**

Mr. Lee Siang Chin, aged 59, was appointed as an independent non-executive director in 22 October 2007 and is the Chairman of our audit committee and a member of our remuneration committee. Mr. Lee is an independent non-executive director of the Social Security Organisation of Malaysia, a member of its investment panel and chairman of its audit committee. Mr. Lee also serves as an independent non-executive director for AmInvestment Services Bhd, AmFutures Sdn Bhd, Uni.Asia Life Assurance Bhd and AmFraser Securities Pte. Ltd.

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

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

#### **Oyama, Nobuo**

Mr. Nobuo Oyama, aged 54, was appointed as an independent non-executive director in 22 October 2007 and is a member of our audit and remuneration committees. Mr. Oyama is the founder and Managing Director of Asiavest Co., Ltd. which is an independent investment research and advisory firm in Tokyo, Japan. He has over 30 years of experience in offshore treasury operations for Japanese institutional investors across Japan, UK and HK and he has worked for Nichimen and Sojitz.

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

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## DIRECTORS AND SENIOR MANAGEMENT

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### Other Rule 13.51(2) Disclosures

Save as disclosed above, none of the Directors have any other directorship in any other listed companies during the three years preceding the date of this prospectus. Save and except for the relationship arising from each Director's position as a Director of the Company and/or as a shareholder or controlling shareholder of the Company (as the case may be), none of the Directors have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. Details of breaches of securities law, rule or regulation in relation to the relevant Group company in which a Director is a controlling shareholder, director or officer (as the case may be) or in which a Director is involved is set out in paragraph 10.5 headed "Compliance Failures" in the "Our Business" section. Details of the service contracts of the Directors are set out in paragraph 5.3 headed "Directors' Service Contracts and Remuneration and terms of appointment of non-executive honorary chairman" in Appendix IV to this prospectus.

As disclosed in paragraph 10.5 headed "Compliance Failures" in the "Our Business" section, VPL was publicly reprimanded by the SFC in 1998 for placing a number of buy orders which resulted in the market price of certain stocks closing higher than they might otherwise have been and was fined in April 2004 for failing to make the relevant disclosures of interest under the Securities (Disclosure of Interests) Ordinance. Each of Mr. Cheah Cheng Hye, Mr. Choi Nga Chung, Mr. Ho Man Kei, Ms. Hung Yeuk Yan Renee, Mr. So Chun Ki, Louis and Mr. Ngan Wai Wah are directors or officers of VPL. However, none of them (except Mr. Cheah Cheng Hye and Mr. Ho Man Kei) were directors of VPL at the relevant time of the reprimand and none of them (except Mr. Cheah Cheng Hye, Mr. Ho Man Kei and Mr. Ngan Wai Wah) were directors of VPL at the relevant time when it was fined.

Save as disclosed in this paragraph 2 headed "Directors", paragraph 10.5 headed "Compliance Failures" in the "Our Business" section and paragraph 5.3 headed "Directors' Service Contracts and Remuneration" in Appendix IV to this prospectus, there is no other information required to be disclosed in relation to any of the Directors pursuant to Rule 13.51(2) of the Listing Rules.

### 3. SENIOR FUND MANAGERS

#### Chau, Yee Man, CFA

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

#### Choi, Nga Chung

See paragraph headed "Executive Directors" above.

#### Ho, Man Kei, CFA

See paragraph headed "Executive Directors" above.

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Hung, Yeuk Yan Renee**

See paragraph headed "Executive Directors" above.

### **So, Louis Chun Ki**

See paragraph headed "Executive Directors" above.

## **4. OTHER SENIOR MANAGEMENT**

### **Dickens, Mark**

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

### **Kong, Hing Keung**

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

### **Teng, Kooi See**

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

### **Tse, Wai Ming, CFA**

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

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Tsien, Pak Cheong, David**

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

### **Valadao, Mark**

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

### **Woo, Lai Nga**

Ms. Woo Lai Nga, aged 31, is the Director of Legal and Compliance of VPL. Ms. Woo joined the Group in October 2002 and oversees the compliance and legal department. Prior to joining our Group, she was a senior associate of PricewaterhouseCoopers. Ms. Woo graduated in December 1998 from The Chinese University of Hong Kong with a Bachelor degree in Business Administration. She became a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in February 2002 and June 2002. Ms. Woo also became a CFA charterholder in September 2003.

## **5. COMPANY SECRETARY AND QUALIFIED ACCOUNTANT**

Mr. Tse Wai Ming is our qualified accountant for the purposes of Rule 3.24 of the Listing Rules and works for the Company on a full-time basis. Mr. Tse is a member of the Hong Kong Institute of Certified Public Accountants. For further information on Mr. Tse, see the paragraph headed "Other Senior Management" above.

## **6. BOARD PRACTICES**

In the absence of extraordinary events, it is the practice of the Board to meet at least once every quarter. At such meetings, the Directors conduct, among other things, an operational review of our business.

## **7. AUDIT COMMITTEE**

We established our audit committee on 24 October 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The primary duties of our audit committee are to review and supervise our financial reporting process and internal control systems.

Our audit committee comprises, Mr. Lee Siang Chin, Mr. Nobuo Oyama and Dr. Chen Shih Ta Michael. The Chairman of our audit committee is Mr. Lee Siang Chin.

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## DIRECTORS AND SENIOR MANAGEMENT

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### 8. REMUNERATION OF DIRECTORS

All Directors receive reimbursements from the Company for expenses which are necessarily and reasonably incurred by them for providing services to the Company or in the execution of their duties. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses, other allowances and benefits in kind (including waiver of fees for investments they or their spouse make with our house products mentioned in paragraph 9.3 headed "Employee benefits" in the "Our Business" section in their capacity as employees of the Company). Our non-executive and independent non-executive Directors will be paid a fixed annual fee. Further particulars of the service contracts which we have entered into with our executive Directors and the remuneration of our Directors are set out in paragraph 5.3 of Appendix IV to this prospectus.

Save as otherwise disclosed in Note 18.2 to the Accountant's Report in Appendix I of this prospectus, none of the Directors in office during the three years ended 31 December 2004, 2005 and 2006 received any salaries, bonuses, housing allowances, pension scheme contributions, other allowances and benefits in kind from the Company.

### 9. REMUNERATION COMMITTEE

We established our remuneration committee on 24 October 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The primary duties of our remuneration committee are to determine the salaries and compensation packages of our Directors and senior management personnel. Members of the remuneration committee include Mr. Cheah Cheng Hye, our Chairman and CIO, Mr. Ngan Wai Wah, our CEO and Mr. Lee Siang Chin, Mr. Nobuo Oyama and Dr. Chen Shih Ta Michael, all being our independent non-executive directors. Dr. Chen Shih Ta Michael is the Chairman of our remuneration committee.

### 10. COMPLIANCE ADVISER

We have appointed J.P. Morgan Securities (Asia Pacific) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company pursuant to the requirements thereunder. J.P. Morgan Securities (Asia Pacific) Limited has agreed to, inter alia, provide advice to the Company with due care and skill on a timely basis when consulted by our Company in, inter alia, the following circumstances:

- (i) before the publication by our Company of any announcement, circular or financial report, whether required under the Listing Rules or applicable laws, rules, codes or guidelines or requested by the Hong Kong Stock Exchange or otherwise;
- (ii) where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated by our Company including share issues and share repurchases;
- (iii) where the Hong Kong Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

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## DIRECTORS AND SENIOR MANAGEMENT

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In addition, our compliance adviser will also provide, inter alia, the following services to our Company:

- (a) if required by the Hong Kong Stock Exchange, deal with the Hong Kong Stock Exchange in respect of, inter alia, any or all matters listed in paragraphs (i) to (iii) above;
- (b) in relation to an application by our Company for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise our Company on its obligations and in particular the requirement to appoint an independent financial advisor; and
- (c) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, to the extent the compliance adviser forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps such as training.

The term of the appointment will commence on the date of Listing and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the date of Listing or until the relevant compliance adviser agreement is terminated pursuant to the terms thereof.

### 11. SHARE OPTION SCHEME

We have adopted a Share Option Scheme which will be effective upon Listing. Potential participants will include Directors and employees of any member of our Group, as well as certain other persons that the Board considers have contributed or will contribute to the Group. Under this scheme, the maximum amount of options that may initially be granted cannot exceed 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Hong Kong Stock Exchange (subject to such 10% limit being refreshed at a Shareholders' meeting, and the overall 30% on-going limit on all share option schemes as imposed by the Listing Rules). Options under this scheme may only be granted after Listing.

The principal terms of the Share Option Scheme are summarized in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus.

### 12. SHARE OPTIONS IN RELATION TO VPPE

Pursuant to an employment contract dated 26 June 2006, Mr. Tsien Pak Cheong, David of House 16, 11 Cheung Fu Street, Butterfly Crest, Cheung Sha, Lantau, New Territories, Hong Kong was granted rights to acquire up to 5% of the total issued share capital of VPPE by allotment of new shares in two tranches after the financial year ends of 2009 and 2012 of VPPE, as part of his remuneration package. The rights are exercisable at the then prevailing net asset value of VPPE and shall expire upon termination of employment of Mr. Tsien Pak Cheong, David with VPPE. On exercise in full of the option and assuming no further change to the share capital of VPPE, VPPE will become our 95% owned subsidiary. Such rights are personal to Mr. Tsien and are not transferable or subject to any lock-up arrangement.

Assuming that the option had been exercised in full (notwithstanding that it is not currently exercisable) and the 5% shares of VPPE which fall to be issued as a result were in issue throughout our financial year ended 31 December 2006, the basic earnings per Share attributable to equity holders of our Company for that financial year would not have suffered any material dilution. The impact of the option if any will be accounted for in our consolidated financial statements for the financial year ending 31 December 2007. Our Directors estimate that the expenses to be charged to our consolidated income statement in relation to the issue of such option will be negligible (assuming that the options were exercised during that year).

## DIRECTORS AND SENIOR MANAGEMENT

### 13. PRE-IPO SHARE OPTION

Pursuant to an option agreement dated 29 October 2007 between the Company and Mr. Law Ka Kin, as an employee pre-IPO option arrangement, Mr. Law Ka Kin of Flat D, 3/F, Block 2, Flora Garden, 7 Chun Fai Road, Hong Kong was granted the right to subscribe for 525,000 new Shares at the Offer Price. The option may only be exercisable for a period of 6 months after the expiry of the first six months after the Listing Date. Assuming no other changes to the share capital of our Company, the 525,000 Shares represent approximately 0.03% of the enlarged issued share capital of the Company immediately after Listing and both before and after the exercise in full of the share option granted to Mr. Law Ka Kin. As at the date of this prospectus, save for the share option granted to Mr. Law Ka Kin, no other employee pre-IPO option has been granted.

Assuming that the option granted to Mr. Law Ka Kin had been exercised in full (notwithstanding that it is not currently exercisable) and the 525,000 Shares which fall to be issued as a result were in issue throughout our financial year ended 31 December 2006, the basic earnings per Share attributable to equity holders of our Company for that financial year would not have suffered any material dilution. The impact of the option on our financial results will be accounted for in our consolidated financial statements for the financial year ending 31 December 2007.

The shareholding structure of our Company before and after the full exercise of the option granted to Mr. Law Ka Kin is as follows (assuming no exercise of the Over-allocation Option):

Name of Shareholders	Shareholding structure immediately after Listing but before the exercise of the option by Mr. Law Ka Kin in full <sup>(1)</sup>		Shareholding structure immediately after Listing and after the exercise of the option by Mr. Law Ka Kin in full (assuming that there is no other changes in the shareholding structure of our Company) <sup>(1)</sup>	
	Number of Shares	Percentage (%)	Number of Shares	Percentage (%)
CCML	570,468,484	35.65	570,468,484	35.64
Mr. Yeh V-Nee	292,523,324	18.28	292,523,324	18.28
Mr. Choi Nga Chung	57,655,209	3.60	57,655,209	3.60
Mr. Ho Man Kei	57,655,209	3.60	57,655,209	3.60
Bright Starlight Limited	40,358,583	2.52	40,358,583	2.52
Mr. Law Ka Kin	—	—	525,000	0.03
Mr. Ngan Wai Wah	30,690,691	1.92	30,690,691	1.92
Mr. So, Louis Chun Ki	40,358,583	2.52	40,358,583	2.52
<i>Public Shareholder</i>				
J.H. Whitney III, L.P.	18,400,000	1.15	18,400,000	1.15
Value Holdings, LLC	92,333,542	5.77	92,333,542	5.77
Ms. Woo Lai Nga	17,336,984	1.08	17,336,984	1.08
Ms. Chau Yee Man	619,391	0.04	619,391	0.04
IPO Investors	381,600,000	23.85	381,600,000	23.84
	1,600,000,000	100.00	1,600,525,000	100.00

Notes:

(1) Subject to rounding adjustments.



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## NON-EXECUTIVE HONORARY CHAIRMAN

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Mr. Yeh V-Nee, aged 48, co-founded VPL in February 1993 with Mr. Cheah Cheng Hye and was appointed as our non-executive honorary chairman on 22 October 2007. He is also a non-executive honorary chairman of VPPE, one of our wholly-owned subsidiaries which he had founded. As non-executive honorary chairman of the Company and VPPE, we may call upon Mr. Yeh for consultation on corporate affairs of the Company and VPPE from time to time. Mr. Yeh will not receive any remuneration for his appointment. Mr. Yeh is not a director of any member of our Group. He does not have any management role in respect of any member of our Group and will not participate in board meetings of the relevant companies. To the extent that we seek to consult Mr. Yeh in relation to our corporate affairs, we may provide Mr. Yeh with information relating to ourselves (to the extent that we regard such information to be necessary for him properly to provide us with his informed views on the relevant matter) which may not be available to the public. Mr. Yeh has confidentiality obligations towards us in respect of any such information provided.

As at the Latest Practicable Date, Mr. Yeh is the chairman of Hsin Chong Construction Group Limited Ltd., a company listed on the main board of the Hong Kong Stock Exchange. Mr. Yeh graduated from Williams College and Columbia University School of Law in September 1980 and May 1984 respectively, and became a member of the California Bar Association in June 1985. Prior to co-founding VPL, he was a partner at Lazard Brothers Capital Markets in London. He was also a Council Member of The Stock Exchange of Hong Kong Limited until its merger into Hong Kong Exchanges and Clearing Limited. He was a member of the Listing Committee of the CSRC but retired at the end of 2003 and also was a member of the Hong Kong Stock Exchange Listing Committee. Mr. Yeh is a member of the SFC Takeovers Panel and the MPF Advisory Panel.

Mr. Yeh has shareholding interests and/or directorships in various other fund management companies, including (i) ASM, a fund management company which has a special focus on managing funds which invest in distressed assets (such as non-performing loans, defaulted debt, residual private equity portfolio assets and secondary limited partnership interests), (ii) subsidiaries and associates of CGH which operate primarily in the alternative investment fund industry (including hedge funds, real estate and private equity funds), (iii) AFM, a fund manager with a special focus on managing funds of funds, and (iv) CFM, also a fund manager with special focus on managing funds of funds. Mr. Yeh also has non-executive directorships in certain of the funds managed by the fund managers referred to above other than ASM.

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## SUBSTANTIAL SHAREHOLDERS

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So far as our Directors were aware as at the Latest Practicable Date, immediately following completion of the Global Offering, but taking no account of any Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Option granted to Mr. Law Ka Kin or any options that may be granted under the Share Option Scheme, the following persons will be directly or indirectly interested in 10% or more of the issued Shares:

Name	Number of Shares	Approximate % of Voting Power
CCML <sup>(1)</sup>	570,468,484	35.65%
Mr. Yeh V-Nee	292,523,324	18.28%
Hang Seng Bank Trustee International Limited <sup>(1)(2)</sup>	610,827,067	38.18%

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*Notes:*

- (1) CCML is wholly-owned by Cheah Company Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. Cheah Cheng Hye and certain members of his family. For the purposes of the SFO, Mr. Cheah is the founder of this trust.
- (2) 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.

We are not aware of any existing arrangement which may at a subsequent date result in a change of control of our Company.

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## SHARE CAPITAL

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### 1. OUR SHARE CAPITAL

As at the Latest Practicable Date, our share capital was:

	<u>HK\$</u>
<b>Authorized share capital:</b>	
5,000,000,000 Shares	500,000,000
<b>Issued share capital:</b>	
1,600,000,000 Shares	160,000,000
<b>Total: 1,600,000,000 Shares</b>	<b>160,000,000</b>

#### 1.1 Assumptions

The table above does not take into account any of the Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, or the general mandate referred to in paragraph 1.5 below or which may be repurchased by the Company under the mandate referred to in paragraph 1.6 below.

#### 1.2 Ranking

The Shares to be issued will rank equally with all Shares currently in issue or to be issued, and in particular will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

#### 1.3 Share Option Scheme

We have adopted a Share Option Scheme which will be effective upon Listing. Potential participants will include Directors and employees of any member of our Group, as well as certain other persons that the board of Directors considers have contributed or will contribute to our Group. Under this scheme, the maximum amount of options that may initially be granted cannot exceed 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Hong Kong Stock Exchange (subject to such 10% limit being refreshed at a shareholders' meeting, and the overall 30% on-going limit on all share option schemes as imposed by the Listing Rules). Options under this scheme may only be granted after Listing.

The principal terms of the Share Option Scheme are summarized in paragraph 6 headed "Share Option Scheme" in Appendix IV to this prospectus.

#### 1.4 Pre-IPO Share Option

Pursuant to an option agreement dated 29 October 2007, the principal terms of which are summarized in the paragraph headed "Pre-IPO Share Option" in the "Directors and Senior Management" section, we have granted to Mr. Law Ka Kin a right to acquire 525,000 Shares at the Offer Price exercisable during the six months period from the date falling on the six months after the Listing Date.

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## SHARE CAPITAL

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### 1.5 General Mandate to Issue Shares

Conditional on the conditions as stated in the paragraph headed “Conditions of the Hong Kong Public Offering” in the “Structure of the Global Offering” section, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Global Offering; and
- (b) the aggregate nominal value of the share capital of the Company repurchased by the Company (if any).

This general mandate to issue Shares will remain in effect until:

- (i) the conclusion of the Company’s next annual general meeting;
- (ii) the expiration of the period within which the Company’s next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- (iii) it is varied or revoked by an ordinary resolution of the Company’s shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “Written Resolutions of the Sole Shareholder” in Appendix IV to this prospectus.

### 1.6 General Mandate to Repurchase Shares

Conditional on conditions as stated in the paragraph headed “Conditions of the Hong Kong Public Offering” in the “Structure of the Global Offering” section, the Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Hong Kong Stock Exchange or on any other Hong Kong Stock Exchange which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose) with a total nominal value of not more than 10% of the aggregate nominal value of the Company’s share capital in issue immediately following the completion of the Global Offering.

This mandate only relates to repurchases made on the Hong Kong Stock Exchange, or on any other Stock Exchange in Hong Kong on which the Shares are listed (and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose), and made in connection with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in paragraph 2 headed “Purchase by the Company of its own Securities” in Appendix IV to this prospectus.

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## SHARE CAPITAL

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The general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of the Company's next annual general meeting;
- (ii) the expiration of the period within which the Company's next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- (iii) it is varied or revoked by an ordinary resolution of the Company's shareholder(s) in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "Written Resolutions of the Sole Shareholder" in Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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*The following discussion and analysis should be read in conjunction with the financial information included in the Accountant's Report in Appendix I and the selected financial data, in each case together with the accompanying notes, included elsewhere in this prospectus. The financial information has been prepared in accordance with accounting policies in conformity with the HKFRS. The figures in this section have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row.*

### 1. OVERVIEW

Value Partners is an independent, value-oriented asset management group with a focus on Greater China and the Asia-Pacific Region. As at 30 June 2007, our Group has total AUM of US\$5.7 billion. Under our Value Partners brand and, to a lesser extent, our SAM brand, we manage seven authorized funds and manage or sub-manage five non-authorized funds and provide management or sub-management services to four white label or co-branded funds, including one MPF fund. We also provide account management services to seven managed accounts and manage or advise on other products including structured notes. We manage two private equity funds. Our investor base comprises institutions, corporates, statutory authorities, university endowment funds, charitable foundations, high net worth individuals and retail investors.

As at 30 June 2007, our Group had a total AUM of approximately US\$5.7 billion, of which approximately US\$2.2 billion of AUM was represented by our SFC authorized funds (including the Value Partners China Greenchip Fund Limited, which became authorized by the SFC in March 2007). As at 30 June 2007, the Group had net current assets of HK\$629.8 million, which comprise of current assets of HK\$970.1 million and current liabilities of HK\$340.3 million.

For each of the years ended 31 December 2004, 2005 and 2006, our total fee income was HK\$366.6 million, HK\$485.0 million and HK\$1,489.6 million, respectively, and our net profit attributable to the equity holders of the Company was HK\$167.5 million, HK\$237.0 million and HK\$856.3 million, respectively. For each of the six months ended 30 June 2006 and 2007, our total fee income was HK\$246.2 million and HK\$562.3 million, respectively, and our net profit attributable to the equity holders of the Company was HK\$127.4 million and HK\$335.2 million, respectively.

As at 30 June 2007, the Group's current assets comprise primarily of cash and cash equivalents of HK\$488.5 million and fees receivable of HK\$424.2 million. The Group's cash and cash equivalents are held in the form of cash and short-term bank deposits, which as at 30 June 2007 amounted to HK\$327.7 million and HK\$160.8 million, respectively.

As at 30 June 2007, the Group's current liabilities comprise primarily of current tax liabilities of HK\$203.4 million and accrued bonuses of HK\$105.1 million.

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## FINANCIAL INFORMATION

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### 2. FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations may be affected by a number of factors. These include the type of funds that we operate, the level of AUM in those funds at any given time, the net level of subscription and redemption activity in our funds and the performance of the investments within those funds, our current fee arrangements with distributors and other operating cost levels.

#### 2.1 The principal factors that affect our results are:

- ***Size and mix of AUM and management fee levels***

The size and mix of AUM are drivers of fee income as management fee income is based on the value of AUM. Fee rates differ between fund types and products. Aggregated management fee income as a percentage of AUM may change over time. Management fee income for the years ended 31 December 2004, 2005 and 2006 was approximately HK\$157.0 million, HK\$164.4 million and HK\$246.5 million, respectively. Management fee income for each of the six months ended 30 June 2006 and 2007 was approximately HK\$102.8 million and HK\$180.9 million, respectively. As at the Latest Practicable Date, management fees of our seven authorized funds are currently set at up to 1.5% per annum.

- ***Retention and attraction of AUM***

Our ability to attract and retain AUM has a significant impact on our financial results. In the years ended 31 December 2004 and 2006, net subscriptions (which is calculated based on total subscriptions less total redemptions for such period) were approximately US\$367.7 million and US\$749.0 million, respectively. In the year ended 31 December 2005, there were net redemptions of approximately US\$151.4 million. These redemptions resulted from our decision to temporarily slow down sales and marketing due to a temporary shortage of suitable investment opportunities. In 2006, we resumed active marketing of our products. For each of the six months ended 30 June 2006 and 30 June 2007, there were net subscriptions of approximately US\$468.0 million and US\$9.5 million, respectively. The decrease in net subscription during the six months ended 30 June 2007 was mainly attributable to increased redemption in our funds in general during this period.

- ***Market and investment performance***

Our profitability is heavily impacted by investment performance, which drives the value of AUM on which both management fees and performance fees are calculated. Investment performance is affected by general economic conditions and fluctuations in the equity markets. Performance fees are usually earned, subject to a high watermark principle, when investment performance is positive. The level of performance fees can have a significant impact on our financial results. In the years ended 31 December 2004, 2005 and 2006, the increase in AUM due to fund performance was approximately US\$66.6 million, US\$313.0 million and US\$1,282.7 million, respectively. For each of the six months ended 30 June 2006 and 30 June 2007, the increase in AUM due to fund performance was approximately US\$448.9 million and US\$1,211.2 million, respectively. The level of performance fees we earn is directly linked to increases in AUM due to fund performance. As at the Latest Practicable Date, the rate of performance fees for Value Partners branded authorized funds was 15%.

Performance fee income for the years ended 31 December 2004, 2005 and 2006 was approximately HK\$166.4 million, HK\$304.6 million and HK\$1,234.2 million, respectively. Performance fee income for each of the six months ended 30 June 2006 and 30 June 2007 was approximately HK\$139.1 million and HK\$367.3 million, respectively.

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## FINANCIAL INFORMATION

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- ***Recognition of performance fees on performance fee valuation days***

Our performance fees are generally calculated annually with reference to a performance fee valuation day for each investment fund and managed account. We earn a performance fee if the net asset value per share/unit of the relevant fund as at such valuation day exceeds the relevant reference benchmark. Our performance fees are recognized only when they are earned by our Group. Hence, performance fees in respect of investment funds and managed accounts for which the performance fee valuation day did not fall within the corresponding accounting period are not recognized during that period. These performance fees are receivable in cash only in the event of positive performance on the relevant performance fee valuation day and are payable at their respective performance fee valuation day. As performance fees are usually calculated on the basis of annual performance of the relevant fund, half-year or interim performance figures may not be indicative of the final performance fee level of the relevant fund.

- ***Cost levels***

Operating expenses vary according to funds and product types and the different distribution arrangements within each fund. For each of the years ended 31 December 2004, 2005 and 2006, distribution fees were approximately HK\$76.9 million, HK\$67.5 million and HK\$122.0 million, respectively. For each of the six months ended 30 June 2006 and 2007, distribution fees were approximately HK\$24.9 million and HK\$33.2 million, respectively.

The largest portion of our operating expenses comprises bonuses for our investment professionals and other employees. For each of the years ended 31 December 2004, 2005 and 2006, we provided for the payment of aggregate annual variable compensation of 30.2%, 30.8% and 30.2% of profit before tax, respectively. For each of the six months ended 30 June 2006 and 2007, the payment of aggregate annual variable compensation was 31.5% and 26.5% of profit before tax, respectively. Bonus costs tend to increase with increases in profitability. Our other operating expenses for the Track Record Period were kept as a relatively small component of our total expenses. Total operating expenses as a percentage of fee income were 48.7%, 43.1% and 37.8% in each of the years ended 31 December 2004, 2005 and 2006, respectively. Total operating expenses as a percentage of fee income were 46.3% and 38.5% for each of the six months ended 30 June 2006 and 2007, respectively. The decrease in the ratio of operating expenses to fee income for each of the subsequent periods was mainly attributable to an increase in performance fees for such periods, which resulted from strong fund performance. The Group cannot project the ratios that can be sustained in the future as the ratios vary considerably according to fund performance for the relevant financial year.



## FINANCIAL INFORMATION

### 3. AUM

#### 3.1 Our AUM

The following table provides a breakdown, by fund type, of AUM in US dollars at the dates indicated.

#### AUM Breakdown

Fund Account/Classification	Year ended 31 December 2002 <sup>(1)</sup>		Year ended 31 December 2003 <sup>(1)</sup>		Year ended 31 December 2004 <sup>(1)</sup>		Year ended 31 December 2005 <sup>(1)</sup>		Year ended 31 December 2006 <sup>(1)</sup>		Six months ended 30 June 2007 <sup>(1)</sup>		4.5 Years Compound Annual Growth Rate of AUM <sup>(3)</sup>	4.5 Years Compound Annual Return <sup>(3)</sup>
	AUM	Annual Return <sup>(2)</sup>	AUM	Annual Return <sup>(2)</sup>	AUM	Annual Return <sup>(2)</sup>	AUM	Annual Return <sup>(2)</sup>	AUM	Annual Return <sup>(2)</sup>	AUM	Semi- Annual Return		
US\$ million														
<b>Fund Account/Classification</b>														
<b>Value Partners/SAM Branded Funds</b>														
Authorized <sup>(4)</sup>														
Value Partners Classic Fund	270.3	18.1%	937.9	84.3%	1,215.8	5.5%	1,162.6	13.4%	1,727.5	45.3%	2,163.1	26.6%	58.7%	36.5%
Value Partners High-Dividend Stocks Fund	201.0	21.2%	536.6	83.6%	545.0	5.8%	546.6	15.9%	868.6	41.8%	1,059.5	22.4%	44.7%	35.4%
China ABH Shares Fund	3.5	10.5%	153.9	79.7%	257.2	8.9%	285.2	12.1%	305.5	35.0%	375.8	25.3%	182.0%	33.8%
China Mainland Focus Fund	26.4	1.1%	122.3	92.1%	145.7	0.8%	77.3	3.9%	241.6	86.9%	386.5	37.5%	81.5%	44.1%
Chinese Mainland Focus Fund	—	—	51.9	3.9%	193.6	8.4%	167.4	11.6%	187.7	48.1%	183.4	25.4%	—	—
Value Partners China Greenchip Fund Limited <sup>(5)</sup>	39.4	0.2%	73.2	85.6%	74.3	1.5%	86.1	16.1%	124.1	43.7%	157.9	36.2%	36.1%	38.2%
Non-Authorized <sup>(6)</sup>	30.5	2.0%	75.9	77.9%	160.2	1.8%	183.0	11.6%	509.9	42.3%	719.3	25.2%	101.8%	32.9%
<b>White Label/Co-Branded Funds</b>	74.9	18.5%	479.5	90.0%	493.4	4.1%	554.0	15.1%	1,358.7	50.5%	1,775.7	23.5%	102.1%	37.8%
<b>Managed Accounts</b>	83.6	28.3%	221.8	106.0%	368.2	1.7%	457.5	17.3%	770.3	50.5%	959.6	27.6%	72.0%	41.1%
<b>Private Equity Funds and others<sup>(7)</sup></b>	—	—	—	—	—	—	10.8	(4.1)%	46.2	12.2%	118.4	106.2%	—	—
<b>Closed Accounts<sup>(8)</sup></b>	71.0		172.7		84.5		115.8		102.8		—		—	—
<b>Total AUM<sup>(9)</sup></b>	<u>530.3</u>		<u>1,887.8</u>		<u>2,322.1</u>		<u>2,483.7</u>		<u>4,515.4</u>		<u>5,736.1</u>		<u>69.7%</u>	
<b>Selected China Related Indices Performance<sup>(10)</sup></b>														
Hang Seng Index <sup>(TRX11)</sup>	(18.2)%		34.9%		13.2%		8.4%		39.0%		11.0%			23.2%
Hang Seng China Enterprises Index <sup>(TRX11)</sup>	13.2%		152.2%		(5.6)%		15.9%		98.2%		17.3%			51.1%
MSCI Daily <sup>(TRX11)</sup> Net Emerging Markets														
China USD	(14.0)%		87.6%		1.9%		19.8%		82.9%		21.6%			43.6%
Shanghai China Composite	(17.5)%		10.3%		(15.4)%		(8.3)%		130.4%		42.8%			25.9%
Shenzhen China Composite	(18.3)%		(2.6)%		(16.6)%		(11.7)%		97.5%		95.8%			25.4%
MSCI Daily <sup>(TRX11)</sup> Net AC Asia Pacific Ex														
Japan USD	(5.6)%		47.7%		22.2%		20.1%		32.4%		18.1%			31.2%

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## FINANCIAL INFORMATION

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*Notes:*

- (1) In respect of authorized, non-authorized and white label/co-branded funds, AUM figures are calculated as at the last dealing date reported by the administrator or custodian of each fund, which date may or may not be the last business day of the year/period. In line with general market practice, subscriptions and redemptions on the last dealing date are not taken into account in AUM figures.  
  
In respect of managed accounts, AUM figures are calculated as at the last valuation date of the year/period which date is the last business day of the year/period.
- (2) Annual return represents changes in the NAV per unit of the relevant fund.  
  
For funds that were launched during a year, annual return is calculated by comparing changes in the NAV per unit as at the last dealing date of the year with that as of the fund inception date.  
  
For fund categories, annual return represents the asset-weighted average of the monthly return for all funds falling within that category.  
  
The fluctuations in annual return of each of the funds set out in this table were mainly attributable to performance of the respective funds and the general market trends during the corresponding period.
- (3) 4.5 Years Compound Annual Return and 4.5 Years CAGR of AUM are calculated based on data from 31 December 2002 to 30 June 2007.
- (4) The Asia Value Formula Fund was authorized by the SFC on 7 May 2007 and was launched as an SAM product on 15 October 2007.
- (5) The Value Partners China Greenchip Fund Limited, which was previously a non-authorized fund, became authorized by the SFC on 26 March 2007. The AUM and annual return figures of the Value Partners China Greenchip Fund Limited from 2002 to 30 June 2007 are included in the figures for authorized funds.
- (6) The AUM and annual return figures of the SAM Greater China Equity Fund from 2002 to 30 June 2007 are included in the figures for non-authorized funds. The SAM Greater China Equity Fund became authorized by the SFC on 14 September 2007.
- (7) These comprise (i) a non-authorized fund for which we provide investment advisory services, (ii) our private equity funds, and (iii) a private equity fund managed/advised by DPL and/or its subsidiaries, for which we have ceased to provide investment management and advisory services as a result of our disposal of 60% interest in DPL in October 2007.  
  
As at the Latest Practicable Date, the total committed capital of Value Partners Strategic Equity Fund is approximately US\$150 million. Value Partners Strategic Equity Fund, the first closing of which occurred only in June 2007, primarily invests in unlisted securities but may also acquire other investments including listed securities and convertible bonds of companies having their main operations or the majority of assets in, or deriving the majority of their income from, the Asia-Pacific Region.
- (8) The closed accounts are accounts or funds which have been closed.
- (9) Total AUM includes a private equity fund managed/advised by DPL and/or its subsidiaries, which we have ceased to provide investment management and advisory services as a result of our disposal of 60% interest in DPL in October 2007.
- (10) We have included data on the performance of these China related indexes performance (source: Bloomberg) for reference only.
- (11) "TR" or Total Return Index means an index that calculates the performance of a group of stocks assuming that all dividends and distributions are reinvested.

## FINANCIAL INFORMATION

### 3.2 Changes in AUM

The following table provides a breakdown of changes in AUM for the years ended 31 December 2003, 2004, 2005 and 2006, and for the six months ended 30 June 2007.

	Year ended 31 December <sup>(1)</sup>				Six months ended 30 June <sup>(1)</sup>
	2003	2004	2005	2006	2007
US\$ million					
<b>Value Partners/SAM Branded Funds</b>					
<b>Authorized</b>					
Beginning AUM	270.3	937.9	1,215.8	1,162.6	1,727.5
Subscriptions	485.6	590.6	261.7	481.9	264.8
Redemptions	(123.5)	(352.9)	(464.3)	(443.0)	(279.1)
Performance <sup>(3)</sup>	305.5	40.2	149.4	526.0	449.9
Ending AUM	<u>937.9</u>	<u>1,215.8</u>	<u>1,162.6</u>	<u>1,727.5</u>	<u>2,163.1</u>
<b>Non-Authorized</b>					
Beginning AUM	30.5	75.9	160.2	183.0	509.9
Subscriptions	70.0	111.1	108.1	316.7	196.1
Redemptions	(54.7)	(30.5)	(101.5)	(96.5)	(138.9)
Performance <sup>(3)</sup>	30.1	3.7	16.2	106.7	152.2
Ending AUM	<u>75.9</u>	<u>160.2</u>	<u>183.0</u>	<u>509.9</u>	<u>719.3</u>
<b>White Label/Co-Branded</b>					
Beginning AUM	74.9	479.5	493.4	554.0	1,358.7
Subscriptions	335.8	257.0	170.1	633.9	396.5
Redemptions	(69.0)	(254.0)	(178.1)	(194.1)	(319.0)
Performance <sup>(3)</sup>	137.8	10.9	68.6	364.9	339.5
Ending AUM	<u>479.5</u>	<u>493.4</u>	<u>554.0</u>	<u>1,358.7</u>	<u>1,775.7</u>
<b>Managed Accounts</b>					
Beginning AUM	83.6	221.8	368.2	457.5	770.3
Subscriptions	51.3	139.5	25.0	111.1	—
Redemptions	(40.0)	—	(1.0)	(42.0)	(26.5)
Performance <sup>(3)</sup>	126.9	6.9	65.3	243.7	215.8
Ending AUM	<u>221.8</u>	<u>368.2</u>	<u>457.5</u>	<u>770.3</u>	<u>959.6</u>
<b>Private Equity Funds and others</b>					
Beginning AUM	—	—	—	10.8	46.2
Subscriptions	—	—	11.3	31.8	20.0
Redemptions	—	—	—	—	(0.9)
Performance <sup>(3)</sup>	—	—	(0.5)	3.6	53.1
Ending AUM	<u>—</u>	<u>—</u>	<u>10.8</u>	<u>46.2</u>	<u>118.4</u>
<b>Closed Accounts<sup>(2)</sup></b>					
Beginning AUM	71.0	172.7	84.5	115.8	102.8
Subscriptions	32.7	6.2	32.9	25.1	—
Redemptions	(8.8)	(99.3)	(15.6)	(75.9)	(103.5)
Performance <sup>(3)</sup>	77.8	4.9	14.0	37.8	0.7
Ending AUM	<u>172.7</u>	<u>84.5</u>	<u>115.8</u>	<u>102.8</u>	<u>—</u>
<b>Total Beginning AUM</b>	<b>530.3</b>	<b>1,887.8</b>	<b>2,322.1</b>	<b>2,483.7</b>	<b>4,515.4</b>
Subscriptions	975.4	1,104.4	609.1	1,600.5	877.4
Redemptions	(296.0)	(736.7)	(760.5)	(851.5)	(867.9)
Performance <sup>(3)</sup>	678.1	66.6	313.0	1,282.7	1,211.2
<b>Ending AUM</b>	<b><u>1,887.8</u></b>	<b><u>2,322.1</u></b>	<b><u>2,483.7</u></b>	<b><u>4,515.4</u></b>	<b><u>5,736.1</u></b>

## FINANCIAL INFORMATION

Notes:

- (1) In respect of authorized, non-authorized and white label/co-branded funds, AUM figures are calculated as at the last dealing date reported by the administrator or custodian of each fund, which date may or may not be the last business day of the year/period. In line with general market practice, subscriptions and redemptions on the last dealing date are not taken into account in AUM figures.
- In respect of managed accounts, AUM figures are calculated as at the last valuation date of the year which date is the last business day of the year/period.
- (2) The closed accounts are accounts or funds which have been closed.
- (3) "Performance" is calculated as follows: Ending AUM less Beginning AUM less Subscriptions plus Redemptions. "Performance" means the portion of Ending AUM related to performance of our funds but does not form the basis for calculating our performance fees.

The following table shows the quarterly change in AUM for the three months ended 31 March, 30 June, 30 September and 31 December 2006 and 31 March and 30 June 2007.

	Q1 2006 <sup>(1)</sup>	Q2 2006 <sup>(1)</sup>	Q3 2006 <sup>(1)</sup>	Q4 2006 <sup>(1)</sup>	Q1 2007 <sup>(1)</sup>	Q2 2007 <sup>(1)</sup>
	US\$ million					
<b>Total Beginning AUM</b>	2,483.7	3,231.7	3,400.6	3,676.9	4,515.4	4,820.2
Total Subscriptions	343.2	521.2	275.5	460.6	449.7	427.7
Total Redemptions	(156.1)	(240.3)	(179.6)	(275.5)	(458.5)	(409.4)
Total Performance <sup>(2)</sup>	560.9	(112.0)	180.4	653.4	313.6	897.6
<b>Total Ending AUM</b>	<u>3,231.7</u>	<u>3,400.6</u>	<u>3,676.9</u>	<u>4,515.4</u>	<u>4,820.2</u>	<u>5,736.1</u>

Notes:

- (1) In respect of authorized, non-authorized and white label/co-branded funds, AUM figures are calculated as at the last valuation date reported by the administrator or custodian of each fund, which date may or may not be the last business day of the year/period. In line with general market practise, subscriptions and redemptions on the last dealing date are not taken into account in AUM figures.
- (2) "Performance" is calculated as follows: Ending AUM less Beginning AUM less Subscriptions plus Redemptions. "Performance" means the portion of Ending AUM related to performance of our funds but does not form the basis for calculating our performance fees.

We have experienced steady growth in AUM over the Track Record Period. Our AUM was approximately US\$1.9 billion as at 31 December 2003, approximately US\$2.3 billion as at 31 December 2004, approximately US\$2.5 billion as at 31 December 2005, approximately US\$4.5 billion as at 31 December 2006, and approximately US\$5.7 billion as at 30 June 2007.

Total subscriptions decreased from approximately US\$1,104.4 million in 2004 to approximately US\$609.1 million in 2005, and increased to approximately US\$1,600.5 million in 2006. Total subscriptions for each of the six months ended 30 June 2006 and 2007 were approximately US\$864.4 million and US\$877.4 million, respectively. Total redemptions increased from approximately US\$736.7 million in 2004 to approximately US\$760.5 million in 2005, and further increased to approximately US\$851.5 million in 2006. Total redemptions for each of the six months ended 30 June 2006 and 2007 were approximately US\$396.4 million and US\$867.9 million, respectively. Growth in AUM due to performance increased significantly, from US\$66.6 million in 2004 to approximately US\$313.0 million in 2005, and further increased to US\$1,282.7 million in 2006. Growth in AUM due to performance for each of the six months ended 30 June 2006 and 2007 were approximately US\$448.9 million and US\$1,211.2 million, respectively.

## FINANCIAL INFORMATION

Net redemptions in 2005 mainly resulted from our decision to temporarily slow down sales and marketing due to a temporary shortage of suitable investment opportunities. The high net subscription in 2006 is mainly driven by our resuming active marketing of our products and by high levels of subscription in our white label/co-branded funds which represented approximately 40% of total subscriptions in 2006. The low net subscription for the six months ended 30 June 2007 is mainly attributable to increased redemption in our funds in general during this period.

We believe that the growth in AUM reflects increased recognition of our investment performance track record.

### 4. COMPONENTS OF INCOME

The following table shows a breakdown of our fee income for the years ended 31 December 2004, 2005 and 2006, and for each of the six months ended 30 June 2006 and 30 June 2007.

	Year ended		Year ended		Year ended		Six months ended		Six months ended	
	31 December 2004		31 December 2005		31 December 2006		30 June 2006 (Unaudited)		30 June 2007	
	HK\$'000	% of total fee income	HK\$'000	% of total fee income	HK\$'000	% of total fee income	HK\$'000	% of total fee income	HK\$'000	% of total fee income
<i>Performance Fees</i>	166,417	45.4%	304,615	62.8%	1,234,173	82.9%	139,067	56.5%	367,278	65.3%
<i>Management Fees</i>	157,039	42.8%	164,404	33.9%	246,482	16.5%	102,797	41.8%	180,889	32.2%
<i>Front-end Fees</i>	30,182	8.2%	4,702	1.0%	5,669	0.4%	2,577	1.0%	2,796	0.5%
<i>Back-end Fees</i>	13,011	3.6%	11,281	2.3%	3,294	0.2%	1,714	0.7%	11,287	2.0%
<b>Total fee income</b>	<b>366,649</b>	<b>100.0%</b>	<b>485,002</b>	<b>100.0%</b>	<b>1,489,618</b>	<b>100.0%</b>	<b>246,155</b>	<b>100.0%</b>	<b>562,250</b>	<b>100.0%</b>

For each of the years ended 31 December 2004, 2005 and 2006, and for the six months ended 30 June 2007, total fee income from our largest customer (in terms of AUM as at the end of the respective year/period) was approximately 10.6%, 3.3%, 3.6% and 28.0%, respectively, of the Group's total fee income, and the total fee income from our five largest customers (in terms of AUM as at the end of the respective year/period) in aggregate was approximately 32.8%, 23.9%, 27.6% and 59.5%, respectively, of the Group's total fee income. The significant increase in the percentage of total fee income derived from our largest customer from 31 December 2006 to 30 June 2007 is mainly attributable to the fact that while performance fee valuation days applicable to our customers are mostly set at year end, the performance fee valuation day of our largest customer is set in June of each year. Hence as most of our performance fee income will not have been earned as at 30 June of a relevant year, the performance fee income from our largest customer will have been earned at that point and these fees will therefore comprise a significant percentage of the Group's total fee income for the year to date.

In accordance with general market practice, our fees are generally paid by professional custodians or administrators of the funds or managed accounts out of the assets of the funds, which reduces credit risk to us for such payments.

#### 4.1 Performance Fees

For the three years in the Track Record Period, the largest component of our income is performance fees. Performance fees are typically calculated as a percentage of a fund's positive investment performance for the relevant year and are subject to a high watermark principle. In some instances, performance fees may be calculated in relation to the amount by which such funds performance surpasses a designated benchmark.

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Performance fee rates vary according to the funds, but are set at 15% for the seven authorized funds. The performance fee may be partially rebated to large clients depending on negotiations. As for the other funds (excluding private equity funds), the performance fee rates vary from fund to fund but can be up to 20%. During the Track Record Period, we have not decreased our general performance fee rates but some very large clients have negotiated partial rebates of their individual performance fee. Any increase in our performance fee income is a direct result of an increase in our funds' performance.

Net performance fees are performance fees net of distribution fees and advisory fees attributable to performance fees.

The majority of our funds generate performance fees that are recognized at year end. As performance fees are usually calculated on the basis of annual performance of the relevant fund, interim figures are not indicative of the final performance fee level for the relevant year.

The following table sets out our performance fees, on both a reported and net basis, and net performance fee margin for the periods indicated.

	Year ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006 (Unaudited)	Six months ended 30 June 2007
	HK\$'000				
<b>Performance Fee (gross)</b>					
<b>Value Partners/SAM Branded Funds</b>					
Authorized <sup>(3)</sup>	95,480	206,278	721,019	—	—
Non-Authorized	12,623	25,657	167,085	24,959	28,701
<b>White Label/Co-Branded Funds</b>	45,892	24,725	141,774	77,140	228,094
<b>Managed Accounts</b>	6,290	29,447	150,472	36,875	104,203
<b>Private Equity Funds and others</b>	—	—	3,015	77	5,401
<b>Closed accounts</b>	6,132	18,508	50,808	16	879
<b>Total</b>	<u>166,417</u>	<u>304,615</u>	<u>1,234,173</u>	<u>139,067</u>	<u>367,278</u>
<b>Performance Fee (net)</b>					
<b>Value Partners/SAM Branded Funds</b>					
Authorized <sup>(3)</sup>	80,723	180,968	684,315	—	—
Non-Authorized	8,764	20,488	136,049	17,092	17,068
<b>White Label/Co-Branded Funds</b>	39,495	17,514	99,129	60,348	194,514
<b>Managed Accounts</b>	5,718	26,092	133,386	36,876	110,370
<b>Private Equity Funds and others</b>	—	—	3,015	77	5,401
<b>Closed accounts</b>	5,358	18,208	50,438	16	590
<b>Total</b>	<u>140,058</u>	<u>263,270</u>	<u>1,106,332</u>	<u>114,409</u>	<u>327,943</u>
<b>Net Performance Fee Margin<sup>(1)(4)</sup>(%)</b>	<u>0.83%</u>	<u>1.39%</u>	<u>4.03%</u>	<u>0.46%<sup>(2)</sup></u>	<u>0.83%<sup>(2)</sup></u>

Notes:

(1) Net performance fee margin is the net performance fee (performance fees net of distribution fees and advisory fees attributable to performance fees) divided by the average AUM for the period indicated. Average AUM is the sum of the month-end AUM divided by the number of months in the given period.

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(2) Figures are not annualized.

(3) As at 30 June 2007, we manage six SFC authorized funds. The SAM Greater China Equity Fund, which was previously a non-authorized fund, became authorized by the SFC on 14 September 2007. The performance fee figures of the SAM Greater China Equity Fund from 2002 to 30 June 2007 are included in the figures for non-authorized funds.

(4) The following average exchange rates for the year/period were adopted for calculation:

For the year ended 31 December 2004: HK\$7.79 to US\$1

For the year ended 31 December 2005: HK\$7.79 to US\$1

For the year ended 31 December 2006: HK\$7.75 to US\$1

For the six months ended 30 June 2006: HK\$7.75 to US\$1

For the six months ended 30 June 2007: HK\$7.78 to US\$1

Performance fee income for each of our authorized and non-authorized funds, managed accounts, private equity funds and other funds increased significantly from 2004 to 2006. This increase was mainly driven by the growth in AUM and strong fund performance.

Unlike the rest of our funds, performance fees from the majority of our white label/co-branded funds are recognized at mid-year; the performance fee pattern of these funds therefore differs from the pattern of the rest of our funds.

### 4.2 Management Fees

The second largest component of our income is management fees. Management fees are typically calculated as a fixed percentage of the AUM of the relevant fund at the dealing date specified in the relevant fund's organizational or offering documents. Management fees of our seven authorized funds are currently set at up to 1.5% per annum. Management fees for other funds and accounts are mutually agreed with our clients depending on size of AUM and fund type.

Net management fees are management fees net of distribution fees and advisory fees attributable to management fees.

The increase in management fees from 2004 to 2006 largely reflects the underlying increase in AUM.

Net management fee margin increased significantly in 2006. For further details, please refer to paragraph 7.3 headed "Management Fees" below.

The following table provides our management fees, on both a reported and net basis, and net management fee margins for the periods indicated:

	Year ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006 (Unaudited)	Six months ended 30 June 2007
	HK\$'000				
<b>Management Fee (gross)</b>					
<b>Value Partners/SAM Branded Funds</b>					
Authorized <sup>(3)</sup>	83,152	86,811	122,078	51,246	93,638
Non-Authorized	13,657	26,501	39,114	14,440	31,812
<b>White Label/Co-Branded Funds</b>	24,895	25,983	45,318	19,118	33,032
<b>Managed Accounts</b>	28,902	17,642	27,778	11,806	21,726
<b>Private Equity Funds and others</b>	—	—	186	18	365
<b>Closed accounts</b>	6,433	7,467	12,008	6,169	316
<b>Total</b>	<u>157,039</u>	<u>164,404</u>	<u>246,482</u>	<u>102,797</u>	<u>180,889</u>

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	Year ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006 (Unaudited)	Six months ended 30 June 2007
	HK\$'000				
<b>Management Fee (net)</b>					
<b>Value Partners/SAM Branded funds</b>					
Authorized <sup>(3)</sup>	63,308	67,733	101,859	42,117	76,661
Non-Authorized	6,591	16,990	28,723	9,899	25,133
<b>White Label/Co-Branded Funds</b>	16,837	17,590	32,707	13,448	24,564
<b>Managed Accounts</b>	23,439	14,486	23,336	9,410	18,508
<b>Private Equity Funds and others</b>	—	—	186	18	365
<b>Closed accounts</b>	5,895	7,343	11,738	6,021	304
<b>Total</b>	<u>116,070</u>	<u>124,142</u>	<u>198,549</u>	<u>80,913</u>	<u>145,535</u>
<b>Net Management Fee Margin<sup>(1)(4)</sup> (%)</b>	<u>0.68%</u>	<u>0.66%</u>	<u>0.72%</u>	<u>0.33%<sup>(2)</sup></u>	<u>0.37%<sup>(2)</sup></u>

*Notes:*

- (1) Net management fee margin is net management fee (management fees net of distribution fees and advisory fees attributable to management fees) divided by the average AUM for the period indicated. Average AUM is the sum of the month-end AUM divided by the number of months in the given period.
- (2) Figures are not annualized.
- (3) As at 30 June 2007, we manage six SFC authorized funds. The SAM Greater China Equity Fund, which was previously a non-authorized fund, became authorized by the SFC on 14 September 2007. The management fee figures of the SAM Greater China Equity Fund from 2002 to 30 June 2007 are included in the figures for non-authorized funds.
- (4) The following average exchange rates for the year/period were adopted for calculation:
  - For the year ended 31 December 2004: HK\$7.79 to US\$1
  - For the year ended 31 December 2005: HK\$7.79 to US\$1
  - For the year ended 31 December 2006: HK\$7.75 to US\$1
  - For the six months ended 30 June 2006: HK\$7.75 to US\$1
  - For the six months ended 30 June 2007: HK\$7.78 to US\$1

### 4.3 Front-end and Back-end Fees

We also derive income from front-end fees and back-end fees, which are one-off payments payable at the time of subscription to and redemption from a fund, respectively. While the former applies to many of our funds, the latter applies only to a few of our funds.

All of our authorized funds carry front-end fees, a portion of which is retained by the distributors. The typical rate of front-end fees on our authorized funds is up to 5%. Our front-end fees are recognized on a straight line basis over the estimated holding periods of the investors in the investment funds. The estimated holding period is determined on the basis of comparing total redemptions in a given year with the total AUM at the beginning of such year.

Back-end fees are only payable to us in relation to four of our funds, namely China ABH Shares Fund, Chinese Mainland Focus Fund, Value Partners China Greenchip Fund Limited and one non-authorized fund. An investor in these four funds is only required to pay a back-end fee if he redeems his units in the fund within two years of subscription. The back-end fee rates for first year redemption and second year redemption range as high as 5% and 3%, respectively.



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### 4.4 Other Income

Other income, excluding management fees, performance fees, front-end and back-end fees discussed above accounted for an aggregate of approximately 1.8%, 1.7% and 1.9% of our total income for the years ended 31 December 2004, 2005 and 2006, respectively. Other income accounted for an aggregate of approximately 4.3% and 3.5% of our total income for each of the six months ended 30 June 2006 and 2007, respectively. Our other income consists of the following:

#### *Interest Income*

Our Group's cash is typically held on bank deposit. Historically, we have held significant cash balances. Interest income primarily reflects interest earned on surplus cash balances.

#### *Dividend Income*

Another source of income is dividends received from house investments.

## 5. COMPONENTS OF EXPENSES

### 5.1 Distribution Fees

Distribution fees represent the portion of fees paid to intermediaries for marketing and distributing our funds. Distributors receive a proportion of one or more of management fees, performance fees and front-end fees. Most distributors receive a portion of front-end fees in the funds they distribute. The percentage of such fees payable to each distributor varies.

### 5.2 Compensation and Benefits

Our compensation is highly variable. Bonuses are directly linked to our level of profits for the relevant financial year. In each financial year during the Track Record Period, we have allocated for discretionary bonus payments to our employees (including our Directors) 25% of a net profit pool. The net profit pool is the net profit before discretionary bonuses and taxation but after an adjustment for average shareholders funds multiplied by the average prime rate for the relevant financial year. We have agreed with Mr. Cheah, Cheng Hye under his service contract that as our Chairman and CIO that we will make available up to 25% (or such greater percentage as may be approved by our remuneration committee) of such net profit pool each year as a management bonus for distribution amongst our staff (including our executive Directors) and that Mr. Cheah will be entitled to receive up to 60% of that management bonus pool or such smaller percentage as he may agree. In order to retain and attract talents, subject to market conditions, our remuneration committee may decide in the future to increase the percentage of net profit pool that is available as management bonus.

### 5.3 Advisory Fees

Advisory fees comprise fees paid to our overseas partners for the provision of advisory services in relation to fund investment policies and strategies.

### 5.4 Other Operating Expenses

Other operating expenses include premises-related expenses, IT and communications, information and data service providers and general operating expenses of which the more significant items are marketing, travel costs, insurance expense and legal and professional fees.

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### 6. COMPONENTS OF OTHER GAINS/LOSSES (NET)

Our other gains/losses (net) for the three years ended 31 December 2004, 2005 and 2006 were approximately HK\$1.4 million, HK\$0.3 million and HK\$80.6 million, respectively, and for each of the six months ended 30 June 2006 and 2007 were approximately HK\$3.0 million and HK\$30.8 million, respectively. These amounts mainly comprise of gains on other investments or financial assets at fair value through profit and loss and gains on disposal of available-for-sale financial assets. The increase in 2006 was mainly attributable to the disposal of a substantial proportion of our house investments via market trades at market value to independent third parties of the Group. Our other gains/losses (net) for the six months ended 30 June 2007 were mainly attributable to the liquidation of one of our house investments.

It is common practice in the asset management industry for management companies from time to time to provide initial capital to assist the launch of new funds. The initial investment capital from the asset management company allows for the immediate set-up and initiation of a new fund while the company's marketing department and distributors raise additional AUM subsequent to the fund launch. During the Track Record Period, the percentage of the Group's total interest in funds managed by itself (including its subsidiaries, associates and joint ventures) is less than 1% of the Group's total AUM. For each of the years ended 31 December during the Track Record Period, the amount of the Group's income attributable to its investments in funds under its management is approximately 1.5%, 1.5% and 8.9% of its total net profit. The higher percentage in 2006 is mainly due to the one-off disposal of house investments.

We may continue to use some of our cash deposits to seed our own funds in the future, for which we do not set out a specific time-frame for recalling the seed capital. We will also continue to invest in our funds and other investments as appropriate. As at 30 June 2007, Value Partners had HK\$108.4 million invested in its own funds.

### 7. RESULTS OF OPERATIONS

#### 7.1 Combined results

Set out below are our combined results of operations for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007.

	Year ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006	Six months ended 30 June 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
<b>Income</b>					
<b>Fee income</b>					
<i>Performance fees</i>	166,417	304,615	1,234,173	139,067	367,278
<i>Management fees</i>	157,039	164,404	246,482	102,797	180,889
<i>Front-end fees</i>	30,182	4,702	5,669	2,577	2,796
<i>Back-end fees</i>	13,011	11,281	3,294	1,714	11,287
<b>Total fee income</b>	<u>366,649</u>	<u>485,002</u>	<u>1,489,618</u>	<u>246,155</u>	<u>562,250</u>

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	Year ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006	Six months ended 30 June 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
<b>Other income</b>					
<i>Interest income</i>	2,610	5,455	11,101	5,352	14,387
<i>Dividend income</i>	3,782	2,053	16,818	5,411	5,364
<i>Others</i>	489	847	588	339	557
<b>Total other income</b>	<u>6,881</u>	<u>8,355</u>	<u>28,507</u>	<u>11,102</u>	<u>20,308</u>
<b>Total income</b>	<u>373,530</u>	<u>493,357</u>	<u>1,518,125</u>	<u>257,257</u>	<u>582,558</u>
<b>Expenses</b>					
<i>Distribution fees</i>	(76,850)	(67,469)	(122,025)	(24,870)	(33,230)
<i>Compensation and benefit expenses</i>	(77,637)	(113,269)	(358,095)	(59,956)	(125,253)
<i>Operating lease rentals</i>	(1,888)	(1,897)	(6,153)	(994)	(4,758)
<i>Advisory fees</i>	(14,456)	(15,605)	(55,255)	(22,462)	(42,048)
<i>Other expenses</i>	(7,739)	(10,843)	(22,252)	(5,756)	(10,909)
<b>Total expenses</b>	<u>(178,570)</u>	<u>(209,083)</u>	<u>(563,780)</u>	<u>(114,038)</u>	<u>(216,198)</u>
<b>Other gains/(losses) — net</b>	<u>1,386</u>	<u>271</u>	<u>80,599</u>	<u>2,972</u>	<u>30,794</u>
<b>Operating profit</b>	196,346	284,545	1,034,944	146,191	397,154
Share of profit of an associate	125	188	3,514	3,724	—
Share of profit/(loss) of joint ventures	—	(1,002)	(2,138)	(559)	255
<b>Profit before tax</b>	196,471	283,731	1,036,320	149,356	397,409
Tax expense	(28,928)	(46,682)	(180,135)	(21,949)	(62,219)
<b>Profit for the year/period</b>	<u>167,543</u>	<u>237,049</u>	<u>856,185</u>	<u>127,407</u>	<u>335,190</u>
<b>Attributable to</b>					
Equity holders of the Company	167,543	237,049	856,266	127,407	335,190
Minority interests	—	—	(81)	—	—
	<u>167,543</u>	<u>237,049</u>	<u>856,185</u>	<u>127,407</u>	<u>335,190</u>
<b>Other operating data</b>					
<i>AUM at period end (US\$ million)</i>	2,322.1	2,483.7	4,515.4	3,400.6	5,736.1
<i>Average AUM (US\$ million)<sup>(1)</sup></i>	2,177.9	2,430.8	3,544.9	3,198.4	5,054.3
<i>Net fee income margin (%)<sup>(2)(6)</sup></i>	1.62%	2.12%	4.78%	0.80%	1.24%
<i>Net performance fee margin (%)<sup>(3)(6)</sup></i>	0.83%	1.39%	4.03%	0.46%	0.83%
<i>Net management fee margin (%)<sup>(4)(6)</sup></i>	0.68%	0.66%	0.72%	0.33%	0.37%
<i>Net profit margin (fee income)<sup>(5)</sup></i>	45.7%	48.9%	57.5%	51.8%	59.6%

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Notes:

- (1) Average AUM is the sum of the month-end AUM divided by the number of months in the given period.
- (2) Net fee income margin is the total fee income less distribution costs and advisory fee divided by the average AUM for the period indicated.
- (3) Net performance fee margin is the net performance fee divided by the average AUM for the period indicated.
- (4) Net management fee margin is the net management fee divided by the average AUM for the period indicated.
- (5) Net profit margin is the reported net profit divided by reported total fee income.
- (6) The following average exchange rates for the year/period were adopted for calculation:
  - For the year ended 31 December 2004: HK\$7.79 to US\$1
  - For the year ended 31 December 2005: HK\$7.79 to US\$1
  - For the year ended 31 December 2006: HK\$7.75 to US\$1
  - For the six months ended 30 June 2006: HK\$7.75 to US\$1
  - For the six months ended 30 June 2007: HK\$7.78 to US\$1

### 7.2 Performance Fees

Further details on performance fees are set out above in paragraph 4 headed "Components of Income".

#### ***Years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2006 and 2007***

For each of the years ended 31 December 2004, 2005 and 2006, performance fee income was approximately HK\$166.4 million, HK\$304.6 million and HK\$1,234.2 million, respectively. For each of the six months ended 30 June 2006 and 30 June 2007, performance fee income was approximately HK\$139.1 million and HK\$367.3 million, respectively. The performance fees of the Value Partners Classic Fund alone accounted for approximately 25.2%, 37.9% and 26.7% of our total performance fee income in 2004, 2005 and 2006, respectively.

During the Track Record Period, we implemented a series of reorganizations of our fee structure which mainly focused on introducing performance fees on managed accounts which previously did not charge performance fees. The reorganizations of our fee structure resulted in an increase in our performance fee income.

From the end of 2004 to 2006, the increase in performance fees was mainly driven by the growth in AUM and strong fund performance. This is reflected by the increase in net performance fee margin, which increased from 0.83% in 2004 to 1.39% in 2005 and further increased to approximately 4.03% in 2006.

### 7.3 Management Fees

Further details on management fees are set out above in paragraph 4 headed "Components of Income".

#### ***Years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2006 and 2007***

For each of the years ended 31 December 2004, 2005 and 2006, management fees were HK\$157.0 million, HK\$164.4 million and HK\$246.5 million, respectively. For each of the six months ended 30 June 2006 and 2007, management fee income was HK\$102.8 million and HK\$180.9 million, respectively.

The increase in management fees from 2004 to 2006 largely reflects the underlying increase in AUM. Net management fee margin increased significantly in 2006. This is attributable mainly to the change of fee structure in August 2006, which largely focused on the increase of management fees of our authorized funds. Management fee income from the Value Partners Classic Fund for the years ended 31 December 2004, 2005

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and 2006, accounted for approximately 24.4%, 24.7% and 23.6% of the total management fee income of our Group, respectively. In those three years, management fee income for the Value Partners Classic Fund was approximately HK\$38.3 million, HK\$40.6 million and HK\$58.1 million, respectively. Management fee income from the Value Partners Classic Fund for each of the six months ended 30 June 2006 and 2007 accounted for approximately 24.0% and 23.8% of the total management fee income of our Group, respectively. For each of those periods, management fee income for the Value Partners Classic Fund was approximately HK\$24.7 million and HK\$43.0 million, respectively.

### 7.4 Front-end and Back-end Fees

Further details on front-end fees and back-end fees are set out above in paragraph 4 headed "Components of Income".

#### ***Years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007***

For the years ended 31 December 2004, 2005 and 2006, fee income from front-end fees was approximately HK\$30.2 million, HK\$4.7 million and HK\$5.7 million, respectively. For each of the six months ended 30 June 2006 and 2007, fee income from front-end fees was approximately HK\$2.6 million and HK\$2.8 million, respectively. The decrease in front-end fee income in 2005 was attributable to our decision to temporarily slow down sales and marketing due to a temporary shortage of suitable investment opportunities. The increase in front-end fee income in 2006 was attributable to resumption in active marketing of our products in 2006.

For the years ended 31 December 2004, 2005 and 2006, fee income from back-end fees was approximately HK\$13.0 million, HK\$11.3 million and HK\$3.3 million, respectively. For each of the six months ended 30 June 2006 and 2007, fee income from back-end fees was approximately HK\$1.7 million and HK\$11.3 million, respectively. The higher back-end fees in 2005 was mainly attributable to substantial redemptions from our China ABH Shares Fund. The decrease in back-end fees in 2006, despite overall increase in redemptions, reflected the fact that redemptions were primarily made in funds that do not charge back-end fees. The increase in back-end fees for the six months ended 30 June 2007 compared with the corresponding period in 2006 mainly resulted from increased redemption from our funds in general during this period, including redemptions in funds which charge back-end fees.

### 7.5 Other Income

Further details on each of these items of other income are set out above in paragraph 4 headed "Components of Income".

#### ***Years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007***

Interest income for the years ended 31 December 2004, 2005 and 2006 were HK\$2.6 million, HK\$5.5 million and HK\$11.1 million, respectively. Interest income for each of the six months ended 30 June 2006 and 30 June 2007 were approximately HK\$5.4 million and HK\$14.4 million, respectively. The increases in interest income were primarily due to significant increases in our cash balances.

Dividend income represented dividends received from house investments.

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### 7.6 Distribution Fees

Further details on distribution fees are set out above in paragraph 5 headed "Components of Expenses".

#### ***Years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007***

Distribution fees for the years ended 31 December 2004, 2005 and 2006 were approximately HK\$76.9 million, HK\$67.5 million and HK\$122.0 million, respectively, representing approximately 21.0%, 13.9% and 8.2% of our fee income for the respective period. Distribution fees for each of the six months ended 30 June 2006 and 30 June 2007 were approximately HK\$24.9 million and HK\$33.2 million, respectively, representing approximately 10.1% and 5.9% of our fee income for the respective period. The decrease in distribution fees in 2005 was attributable to our decision to temporarily slow down sales and marketing due to a temporary shortage of suitable investment opportunities. The increase in front-end fee income in 2006 was attributable to resumption in active marketing of our products in 2006.

### 7.7 Compensation and Benefits

Further details on compensation and benefits are set out above in paragraph 5 headed "Components of Expenses".

Bonuses, being a variable staff cost, are the most significant component of compensation and benefits expenses.

Other fixed costs, for example personnel expenses, including regular salaries, employer MPF contributions, costs of our Company medical scheme provided to employees, recruitment agency fees and other employee-related expenses comprise a relatively small component of our total expenses.

#### ***Years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007***

For each of the years ended 31 December 2004, 2005 and 2006, bonuses were approximately HK\$59.4 million, HK\$87.4 million and HK\$313.3 million, respectively. For each of the six months ended 30 June 2006 and 2007, bonuses were approximately HK\$47.1 million and HK\$105.3 million, respectively. The increases in bonus payments were attributable to increased performance and management fees, which reflected the underlying increase in AUM and fund return. Such increases or decreases in variable compensation directly reflect our total profit level, which is a direct result of the fluctuation of the performance and management fee income. The accrued bonus which as at 31 December 2006 amounted to approximately HK\$313.6 million has been fully settled in January 2007 by internal resources of the Group.

For the years ended 31 December 2004, 2005 and 2006, other employee benefit expenses were approximately HK\$18.2 million, HK\$25.9 million and HK\$44.8 million, respectively. For each of the six months ended 30 June 2006 and 2007, other employee benefits were approximately HK\$12.9 million and HK\$20.0 million, respectively.

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### 7.8 Advisory Fees

Further details on advisory fees paid are set out above in paragraph 5 headed "Components of Expenses".

#### ***Years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007***

Advisory fees paid for the years ended 31 December 2004, 2005 and 2006 were approximately HK\$14.5 million, HK\$15.6 million and HK\$55.3 million, respectively, representing approximately 3.9%, 3.2% and 3.7% of our fee income for the respective periods. The ratio of advisory fee to fee income from 2004 to 2006 largely remained the same. Advisory fees paid for each of the six months ended 30 June 2006 and 2007 were approximately HK\$22.5 million and HK\$42.0 million, respectively, representing approximately 9.1% and 7.5% of our fee income for the respective period.

From 30 June 2006 to 30 June 2007, the increase in advisory fees paid was mainly driven by the increase in performance fee and management fee of a fund under management for which an advisory fee is charged.

### 7.9 Other Operating Expenses

Further details on other operating expenses are set out above in paragraph 5 headed "Components of Expenses".

#### ***Years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007***

#### *Operating lease rentals*

For each of the years ended 31 December 2004, 2005 and 2006, operating lease rentals were approximately HK\$1.9 million, HK\$1.9 million and HK\$6.2 million, respectively. For each of the six months ended 30 June 2006 and 2007, operating lease rentals were approximately HK\$1.0 million and HK\$4.8 million, respectively. The significant increase in operating lease rentals from the year ended 31 December 2005 to the year ended 31 December 2006 and from the six months ended 30 June 2006 to the six months ended 30 June 2007 was mainly attributable to the Company's moving into its current office premises in October 2006.

#### *Other expenses*

Our other expenses for the years ended 31 December 2004, 2005 and 2006 were approximately HK\$7.7 million, HK\$10.8 million and HK\$22.3 million, respectively. Our other expenses for each of the six months ended 30 June 2006 and 2007 were approximately HK\$5.8 million and HK\$10.9 million, respectively. Our other expenses comprise mainly legal and professional fees, office and travelling expenses, and depreciation. The increase in other expenses from the year ended 31 December 2005 to the year ended 31 December 2006 and from the six months ended 30 June 2006 to the six months ended 30 June 2007 are attributable primarily to the Group's Listing expenses.

### 7.10 Other Gains/Losses (Net)

Other gains/losses (net) for the three years ended 31 December 2004, 2005 and 2006 were approximately HK\$1.4 million, HK\$0.3 million and HK\$80.6 million, respectively. Other gains/losses (net) for each of the six months ended 30 June 2006 and 2007 were approximately HK\$3.0 million and HK\$30.8 million, respectively. The increase in 2006 was mainly attributable to the disposal of a substantial proportion of our house

## FINANCIAL INFORMATION

investments via market trades at market value to independent third parties of the Group. The increase in other gains/losses (net) from the six months ended 30 June 2006 to six months ended 30 June 2007 was mainly attributable to the disposal of a substantial portion of our investments in own investment funds during the six months ended 30 June 2007, which amounted to approximately HK\$28.7 million.

### 8. TAXATION

#### *Years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007*

For the years ended 31 December 2004, 2005 and 2006, our tax expenses were approximately HK\$28.9 million, HK\$46.7 million and HK\$180.1 million, respectively. This equated to an effective tax rate of 14.7%, 16.5% and 17.4%, respectively. For each of the six months ended 30 June 2006 and 2007, our tax expenses were approximately HK\$21.9 million and HK\$62.2 million, respectively. This equated to an effective tax rate of 14.7% and 15.7%, respectively. As at the Latest Practicable Date, the Group has made all required tax filings and has paid all outstanding tax liabilities with the relevant tax authorities. As at the Latest Practicable Date, the Group is not subject to any dispute with the relevant tax authorities.

### 9. LIQUIDITY AND CAPITAL RESOURCES

The principal source of our liquidity is cash generated from management, performance and other fees. For the periods under review, the cash generated from these fees has been more than adequate to finance the Company's working capital requirements and capital expenditures. Accordingly, we have historically maintained significant surplus cash balances.

The following table sets out our summary cash flow data for the periods indicated:

	Year ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	Six months ended 30 June 2006	Six months ended 30 June 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Net cash generated from operating activities	365,739	147,552	340,345	231,411	751,457
Net cash generated from/(used in) investing activities	(5,922)	(23,369)	126,396	(13,353)	13,299
Net cash used in financing activities	(246,557)	(118,021)	(387,500)	(162,750)	(548,490)
Net increase in cash and cash equivalents	113,260	6,162	79,241	55,308	216,266
Cash and cash equivalents at end of year/period	186,841	193,003	272,244	248,311	488,510

#### 9.1 Cash Flow from Operating Activities

Our cash flow from operating activities consists primarily of cash received from the management and performance fees we charge, offset by changes in working capital. For each of the years ended 31 December 2004, 2005 and 2006, cash flows from operating activities were approximately HK\$365.7 million, HK\$147.6 million and HK\$340.3 million, respectively. For each of the six months ended 30 June 2006 and 2007, cash flows from operating activities were approximately HK\$231.4 million and HK\$751.5 million, respectively. The increase in cash flow from operating activities for the six months ended 30 June 2007 was mainly attributable to the increase in performance fees generated for this period, which reflected an underlying increase in fund performance.



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### 9.2 Cash Flow from Investing Activities

Our principal investing activity is the provision of seed capital to our funds on the formation of new funds and short-term investments. For the years ended 31 December 2004 and 2005, we experienced net cash outflows from investing activities. In 2006, we experienced net cash inflow from investing activities.

For each of the years ended 31 December 2004 and 2005, cash flow used in investing activities was approximately HK\$5.9 million and HK\$23.4 million, respectively. The increase in cash flow used in investing activities reflected the injection by our Company of seed money into our funds upon new fund launches. For the year ended 31 December 2006, cash flow received from investing activities was approximately HK\$126.4 million. The net cash inflow in 2006 was attributable to proceeds received from the liquidation of a substantial portion of our house investments. For the six months ended 30 June 2006, the cash flow used in investing activities was approximately HK\$13.4 million. The net cash used in investing activities in the six months ended 30 June 2006 was primarily attributable to our investment in certain equities and bonds. The net cash inflow from investing activities for the six months ended 30 June 2007 was approximately HK\$13.3 million which was primarily attributable to proceeds received from liquidation of some of our house investments.

### 9.3 Cash Flow from Financing Activities

Historically, we have not been materially reliant on financing activities to raise cash. Our cash is largely generated from our operating activities. Net cash used in financing activities largely represented dividends paid.

## 10. FEES RECEIVABLE AND DISTRIBUTION FEES PAYABLE

### 10.1 Fees receivable

Fees due to us are typically deducted from the net asset value of each fund and are paid directly to us by the administrator or custodian of such fund on the last dealing day or valuation day of the relevant valuation period. As a result of this, we have had no bad debt experience in the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007.

For each of the years ended 31 December 2004, 2005 and 2006, fees receivable were approximately HK\$126.4 million, HK\$284.5 million and HK\$1,103.6 million, respectively. The increase in fees receivable is mainly attributable to the increase in performance fees for the corresponding period, which is mainly due to strong fund performance. As at 30 June 2007, fees receivable were approximately HK\$424.2 million. As at the Latest Practicable Date, approximately 99% and over 80% of the amount of our fees receivable as at 31 December 2006 and 30 June 2007 have been settled, respectively.

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An ageing analysis of fees receivable for each of the years ended 31 December 2004, 2005, 2006, and the six months ended 30 June 2007, is set out as follows:

	At 31 December			At 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 — 30 days	125,611	275,960	1,076,644	306,721
31 — 60 days	441	635	2,353	4,487
61 — 90 days	346	557	1,917	2,591
Over 90 days	—	7,353	22,699	110,449
<b>Total fees receivable</b>	<u>126,398</u>	<u>284,505</u>	<u>1,103,613</u>	<u>424,248</u>

Fees outstanding for 30 days or less as at 31 December 2004, 2005, 2006 and 30 June 2007 were approximately HK\$125.6 million, HK\$276.0 million, HK\$1,076.6 million and HK\$306.7 million respectively. Most of the fees receivable are fees outstanding and past due for 30 days or less (please refer to table below) as most of the fees receivable from investment management activities are due immediately at the end of the relevant valuation period of the investment funds and managed accounts as no credit period is granted.

Fees outstanding for more than 90 days as at 31 December 2005, 31 December 2006 and 30 June 2007 were approximately HK\$7.4 million, HK\$22.7 million and HK\$110.4 million respectively. There were no fees outstanding for more than 90 days as at 31 December 2004. The increase in the absolute amount of fees outstanding for more than 90 days were in a large part due to the increase in total fees received by the Group for the periods ending on those dates. In addition, a substantial portion of the amount of fees outstanding for more than 90 days as at 31 December 2006 and 30 June 2007, was also attributable to two managed account clients as a result of longer verification or confirmation process with the relevant clients. As at the Latest Practicable Date, more than 90% of the amount of our fees receivable outstanding for more than 90 days as at 30 June 2007 have been settled. We do not believe, however, that there is any credit risk on recovery of our fees (the majority of which has been settled as at the Latest Practicable Date) nor are there any disputes as to our entitlement to such fees.

While most of the fees receivable from investment management activities are due immediately at the end of the relevant valuation period of the investment funds and managed accounts (e.g. monthly management fee for December 2006 was due as at 31 December 2006), fees receivable from some of the managed accounts are only due after the relevant valuation period of the fee as a credit period is granted to them which is normally within one month. Set out below is an ageing analysis of fees receivable that were past due for each of the years ended 31 December 2004, 2005, 2006, and the six months ended 30 June 2007:

	At 31 December			At 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 — 30 days	120,891	262,526	988,396	225,769
31 — 60 days	375	560	2,260	4,303
61 — 90 days	346	719	14,193	33,089
Over 90 days	—	7,191	10,422	79,767
Fees receivable that were past due	121,612	270,996	1,015,271	342,928
Fees receivable that were within credit period	4,786	13,509	88,342	81,320
<b>Total fees receivable</b>	<u>126,398</u>	<u>284,505</u>	<u>1,103,613</u>	<u>424,248</u>

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For each of the years ended 31 December 2004, 2005, 2006, and the six months ended 30 June 2007, fees receivable that were within credit period were HK\$4.8 million, HK\$13.5 million, HK\$88.3 million and HK\$81.3 million respectively.

### 10.2 Distribution fees payable

For each of the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, distribution fees payable were HK\$18.0 million, HK\$38.8 million, HK\$89.9 million and HK\$25.3 million, respectively. The increase in distribution fees is mainly attributable to the increase in performance fees for the corresponding period, which is mainly due to strong fund performance.

We have yet to settle payment to First Trust Bank Limited, one of our five largest suppliers, for finder services previously provided, due to the request by First Trust Bank Limited for clarification of certain parts of rebate arrangements previously entered into between our Group and First Trust Bank Limited. The Company has recently received final acknowledgement from First Trust Bank Limited about the settlement and is in the process of arranging the settlement.

## 11. PREPAYMENTS AND OTHER RECEIVABLES

At 31 December 2004, 2005 and 2006 and 30 June 2007, our prepayments and other receivables were approximately HK\$3.6 million, HK\$4.5 million, HK\$7.7 million and HK\$12.6 million, respectively. A breakdown of our prepayments and other receivables is set out below:

	<u>As at 31 December 2004</u> HK\$'000	<u>As at 31 December 2005</u> HK\$'000	<u>As at 31 December 2006</u> HK\$'000	<u>As at 30 June 2007</u> HK\$'000
Utility, rent and other deposits	1,025	960	3,448 <sup>(1)</sup>	4,150
Prepayments	1,009	1,196	2,149	1,582
Interest receivables	212	908	1,073	1,025
Other receivables	<u>1,340</u>	<u>1,476</u>	<u>980</u>	<u>5,880<sup>(2)</sup></u>
	<u>3,586</u>	<u>4,540</u>	<u>7,650</u>	<u>12,637</u>

Notes:

- (1) Includes a HK\$2.5 million rental deposit paid for the Company's current office.  
(2) Includes a sum of HK\$4.3 million of cash deposited in securities accounts.

## 12. RELATED PARTY TRANSACTIONS DURING THE TRACK RECORD PERIOD

The Directors consider that the related party transactions referred to in Note 28 of the Accountant's Report set out in Appendix I to this prospectus have been conducted in the ordinary course of the business of the Group and are on normal commercial terms.

At 31 December 2004 and 2005, amounts due to us from an associate were approximately HK\$165,000 and HK\$244,000, respectively. These amounts were sums due from VPPE and have now been fully settled. We have no amounts due from an associate at 31 December 2006 and 30 June 2007. Please refer to Note 28.3 of the Accountant's Report set out in Appendix I to this prospectus.

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At 31 December 2005 and 2006 and 30 June 2007, the amounts due from a joint venture were HK\$1,158,000, HK\$3,357,000 and HK\$3,874,000 respectively, representing advances made to Development Partners Limited and its subsidiaries. Our 60% interest in Development Partners Limited was disposed of in October 2007. Please refer to the paragraph headed "Our Private Equity Funds" in the "Our Business" section for more details about the amounts due from joint ventures upon disposal.

### 13. OTHER PAYABLES AND ACCRUED EXPENSES

At 31 December 2004, 2005 and 2006 and 30 June 2007, our other payables and accrued expenses were approximately HK\$4.5 million, HK\$5.9 million, HK\$20.0 million and HK\$6.5 million, respectively. A breakdown of our prepayments and other receivables is set out below:

	As at 31 December 2004	As at 31 December 2005	As at 31 December 2006	As at 30 June 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued expenses	1,577	2,018	7,131 <sup>(1)</sup>	5,380
Other creditors	—	—	759	87
Provision for long service payment	862	1,022	1,022	1,022
VPL staff rebates payable	<u>2,033</u>	<u>2,864</u>	<u>11,108</u>	<u>—</u>
	<u>4,472</u>	<u>5,904</u>	<u>20,020</u>	<u>6,489</u>

Notes:

(1) Included in this amount is HK\$3.6 million being Listing and related expenses and HK\$1 million accrued rental expenses.

### 14. INDEBTEDNESS

We did not have any outstanding indebtedness or any mortgages or charges against us as at 30 September 2007. We confirm that there has not been any material change in our outstanding indebtedness since 30 September 2007.

### 15. WORKING CAPITAL

We expect to fund our short-term working capital requirements primarily through cash flow from our operations. Our Directors are of the opinion that the cash generated from our operations will be sufficient to finance our working capital needs for our present requirements, and for at least the next 12 months from the date of this prospectus.

Our Group's funding and treasury policies focus mainly on maintaining the Group's liquidity and avoiding significant concentration of credit risk. Funding and treasury activities are controlled based on the main objectives of managing capital to safeguard the Group's ability to continue as a going concern, maintaining its operations and meeting regulatory requirements, and ensuring that cash transactions are limited to high-credit-quality financial institutions.

### 16. CONTRACTUAL OBLIGATIONS

Our only contractual obligations relate to our leases of property. Our operating lease commitments as at each of 31 December 2004, 2005 and 2006 and 30 June 2007, were approximately HK\$3.4 million, HK\$2.5 million, HK\$24.0 million, and HK\$19.7 million, respectively. The significant increase in operating lease commitment in the corresponding period was due to the Company's moving to its current office premise. For further information please refer to paragraph 18 headed "Property" in the "Our Business" section.

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### 17. OFF-BALANCE SHEET ARRANGEMENTS

As at 30 September 2007, we did not have any off-balance sheet arrangements, except for our contractual obligations relating to our leases of property. For further information please refer to paragraph 18 headed "Property" in the "Our Business" section.

### 18. CONTINGENCIES

As at 30 September 2007, the Group has off-balance sheet contingent assets in respect of performance fees and off-balance sheet contingent liabilities in respect of the performance fee element of distribution fees arising in the ordinary course of business. The said contingent assets and contingent liabilities are not reflected in the Group's financial statements.

#### 18.1 Contingent assets

Generally, performance fees are calculated annually with reference to a performance fee valuation day for each investment fund and managed accounts under the Group's management. We earn a performance fee if the net asset value per share/unit of the relevant fund as at such valuation day exceeds the relevant reference benchmark. Performance fees are only recognized when they are earned by the Group.

As a result, at 31 December 2004, 2005 and 2006 and for the six months ended 30 June 2007, performance fees in respect of investment funds and managed accounts with performance fee valuation days not falling within the corresponding year/period have not been recognised. These performance fees may be receivable in cash if a positive performance results on the respective performance fee valuation day. The performance fee valuation days of most of our investment funds and managed accounts are in December of each year.

#### 18.2 Contingent liabilities

The performance fee element of distribution fees is based on the performance fees received by the Group. These distribution fees are recognized when the performance fees are earned by the Group and the Group is obliged to pay the corresponding distribution fees. As a result, at 31 December 2004, 2005 and 2006 and 30 June 2006 and 2007, the performance fee element of distribution fees in respect of investment funds with performance fee valuation days not falling within the corresponding period have not been recognised. These distribution fees may be payable in cash if the performance fees are subsequently earned on the respective performance fee valuation day.

### 19. KEY ACCOUNTING POLICIES

Set forth below is a description of our key accounting policies in conformity with the Hong Kong Financial Reporting Standards, or HKFRS, issued by the Hong Kong Institute of Certified Public Accountants, or HKICPA.

Judgments made in the application of these accounting policies that have a significant effect on the financial information and estimates with a significant risk of material adjustment are also described below. For critical estimates and judgements, please refer to Note 4 to the Accountant's Report in Appendix I.

#### Compensation and benefits

##### (a) Pension obligations

The Group participates in a MPF fund scheme in Hong Kong which is a defined contribution plan generally funded through payments to trustee-administered funds. The Group pays contributions to the MPF fund scheme on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as compensation and benefit expenses when they are due.

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## FINANCIAL INFORMATION

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### (b) **Bonus**

The Group recognizes a liability and an expense for bonuses on a basis that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

### **Income recognition**

Income comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Income is recognized as follows:

#### (a) **Fees from investment management activities**

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

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

#### (b) **Fees from fund distribution activities**

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

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

#### (c) **Interest income**

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

#### (d) **Dividend income**

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

## **20. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

### **20.1 Interest rate risk**

As we do not have any debt obligations, we do not directly expose ourselves to any interest rate risk.

### **20.2 Foreign exchange rate fluctuation risk**

The Group has transactions with counterparties in different locations and is exposed to foreign currency exposures arising from various currency expenses, primarily with respect to the United States Dollar. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. Our fees are largely denominated in US dollars whilst our expenses are mainly denominated in HK dollars.

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## FINANCIAL INFORMATION

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### 20.3 Rule 13.13 to 13.19 disclosures

Our Directors have confirmed that there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### 21. DIVIDEND POLICY

We will not declare or pay any dividends other than from profits and reserves lawfully available for distribution, including share premiums. Our shareholders in a general meeting may approve the distribution of dividends, but the amount may not exceed the amount recommended by our Directors. Our Directors may from time to time also declare interim dividends as appear to our Directors to be justified by our profits and may also declare half yearly (or at other) intervals at a fixed rate if they are of the opinion that the profits available for distribution justify the payment of a dividend. A substantial portion of the profits earned during the Track Record Period have been distributed to our existing shareholders.

Dividends declared will be paid in Hong Kong dollars. The amount of any dividends to be declared or paid in the future will depend on, amongst other things, our Group's results of operations, future profits, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on our articles of association, the Companies Law, applicable laws and regulations and other relevant factors.

Subject to the factors above, we plan to distribute regular dividends after Listing. We currently intend to distribute to our shareholders as dividends (i) for the year ending 31 December 2007, no less than 30% of total distributable profits in respect of the period from the date of Listing to 31 December 2007, and (ii) for each of the following years, no less than 30% of total distributable profits in respect of the relevant year. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in any year.

The payment of dividends may be limited by legal restrictions and by financing agreements that we may enter into in the future.

### 22. SPECIAL DIVIDEND

On 25 October 2007, the directors of VPL passed a resolution authorizing a payment of dividend in respect of the eight months ended 31 August 2007 to shareholders of VPL as at 24 October 2007. The amount of special dividend will be the maximum amount that can satisfy each of the following criteria, namely, (i) it neither exceeds HK\$660 million nor the audited consolidated retained earnings of VPL as at 31 August 2007, and (ii) the audited consolidated retained earnings of the Group as at 31 December 2007 (reduced by the amount of the special dividend) is not less than HK\$690 million (which is to be made available for funding our working capital and future business developments). The special dividend would not be payable until after our Listing and the issue of the audited financial statements of both VPL and the Group. Investors should note that none of the above constitutes a profit forecast by the Group in respect of the year ending 31 December 2007.

The Company will announce the amount of audited consolidated retained earnings of VPL as at 31 August 2007 at the same time as it publishes the Group's audited consolidated financial statements for the year ending 31 December 2007. The dividend will be paid out of operating cash flow of the Group at the time, after the publication of the audited consolidated financial statements of the Group for the year ending 31 December 2007. The resolution for the special dividend and its payment will be made in accordance with the articles of association of VPL and applicable laws in the BVI, which is the jurisdiction in which VPL is incorporated. On the basis of the Directors' confirmation of sufficiency of working capital set out in paragraph 15 headed "Working Capital" in the "Financial Information" section, the Joint Sponsors are satisfied that the said confirmation was given after due and careful enquiry by the Directors.

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## FINANCIAL INFORMATION

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The amount of dividends that we have declared historically are not indicative of the dividends that we may pay in the future.

### 23. DISTRIBUTABLE RESERVES

As at 30 June 2007, the Company did not have any distributable reserves.

### 24. NO SIGNIFICANT INTERRUPTIONS

There have been no interruptions in our business that may have a significant effect on our financial position in the last 12 months.

### 25. NET CURRENT ASSETS

As at 31 August 2007, we had net current assets of approximately HK\$664.8 million, the details of which are set out in the following table.

	<u>As at 31 August 2007</u>
	<u>HK\$'000</u>
	<u>(Unaudited)</u>
<b>Current assets</b>	
Financial assets at fair value through profit or loss	26,857
Fees receivable	343,843
Prepayments and other receivables	12,379
Cash and cash equivalents	686,471
	<u>1,069,550</u>
<b>Current liabilities</b>	
Accrued bonus	148,965
Distribution fees payable	29,461
Other payables and accrued expenses — unsecured	6,016
Current tax liabilities	220,288
	<u>404,730</u>
<b>Net current assets</b>	<u>664,820</u>

### 26. NET TANGIBLE ASSETS

As at 30 June 2007, we had net tangible assets of approximately HK\$761.8 million, which was calculated based on the combined net assets of the Group of approximately HK\$762.2 million as at 30 June 2007 with an adjustment for the intangible assets of the Group of approximately HK\$0.4 million as at 30 June 2007. Assuming total Shares outstanding of 1,600,000,000 Shares, our net tangible assets per Share would be approximately HK\$0.48. On 25 October 2007, the directors of VPL passed a resolution authorizing a payment of a dividend. For further details of this dividend, please refer to the paragraph headed "Special Dividend" in this section.

### 27. NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position since 30 June 2007 (being the date as at which our latest audited combined financial information was prepared as set out in Appendix I).



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## FUTURE PLANS

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### 1. FUTURE PLANS

In addition to our strategies, which are set out in paragraph 3 headed “Our Strategy” in the “Our Business” section, we have the following future plans:

#### 1.1 Our distinctive culture

First and foremost, we intend to maintain our distinctive culture and investment philosophy which our Directors believe has been central to our success over the past 14 years. The focus on both research and a team-oriented investment approach through the fund management clusters is an integral part of our Company’s investment management footprint.

Our Directors believe that the ability to take advantage of the attributes of a small investment team through the cluster structure, supported by an institutionalized managerial and administrative platform, will support further growth of our Company while at the same time creating a working environment that fosters the delivery of the investment team’s optimal performance.

Our distinctive partnership culture and investment management teamwork is embodied in our Company slogan:

*“We, the people of Value Partners, cooperate to build an environment that allows ordinary people to become extraordinary performers.”*

#### 1.2 The value investing model

Our Company’s general investment philosophy will also remain firmly rooted in the value investing model that has served us well in prior years. Therefore, we will continue to place emphasis on our core competence of identifying under-valued investment opportunities, both listed and unlisted, with a view to providing consistent returns for our clients.

#### 1.3 Our goals

Our Company plans to broaden its operations by pursuing the following aims:

- To grow by offering additional products in Greater China and other Asian markets as the Company’s fund managers believe there are many investment opportunities in these markets;
- To cross-sell to the Company’s existing investor base additional products that fulfill different investment needs and requirements in order to maximize client portfolio value;
- To widen our investment focus to other parts of the Asia-Pacific Region in addition to the Company’s focus on Greater China if opportunities exist and can be exploited;
- To incrementally participate in the capital structure of invested companies beyond solely equity by investing in private equity, fixed income convertible into equity and other forms of capital; and
- To enhance and further define the three investment management brands and franchises that Value Partners, SAM and VPPE represent through distinctive product offerings, pricing and fund characteristics.

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## FUTURE PLANS

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### 1.4 Our strategic efforts

To accomplish these goals, specific strategic efforts are being contemplated or are underway:

#### ***The development of the Value Partners fund series***

Our Directors believe that our Company will continue to be approached by pension funds, university endowments, not-for-profit institutions, financial institutions, and other large institutions to run discretionary mandates focused on value investing in Greater China. Our Company will continue to develop future themes, funds, and accept discretionary mandates as appropriate and in-line with our Company's value investment philosophy covering this geographic market.

#### ***Broaden the product set in terms of product type***

Our Company intends to expand its product portfolio under the SAM and Value Partners Private Equity brands over time. In the case of SAM, these products will be more mid to large cap equity funds, as well as the possible introduction of more quant funds. The SAM brand will also consider offering structured fund products depending upon the market climate.

#### ***Broaden the product set in terms of geography***

Our Company has focused its attentions on Greater China due to the ability to apply our value investing principles to this market over the last decade. Although our Directors do not see investment opportunities in Greater China to be subsiding, it is expected that other Asian geographies will be explored as our investment philosophy footprint can be applied in any market that our fund managers see value in.

#### ***Expand strategically in regions with good potential via selected acquisitions***

To generate attractive returns to shareholders, our Company intends to explore selected strategic acquisitions, in addition to organic growth. These acquisitions will either be complementary to or create operational synergies with our existing businesses, with a primary focus on Greater China and other regions with good potential. Given the regulatory uncertainty on various aspects of PRC laws and compliance in respect of certain relevant business opportunities in Greater China, we may face difficulties or regulatory impediments on some of the growth opportunities relevant to our existing businesses in Greater China.

As at the Latest Practicable Date, no commitments or agreements with respect to such acquisitions have been made by our Company. However, our Company will continue to explore acquisition opportunities.

### 1.5 Infrastructure expansion

In support of these objectives, our Company will continue to recruit administration personnel to assist as AUM and fund mandates increase. At the same time, our Company has maintained a culture of cost control and conservative expenditure, and believes that this cost discipline will allow us to sustain our business during inevitable cycles in the financial markets.

As the Value Partners, SAM, and Value Partners Private Equity fund series are expanded, our Company will look to selectively expand its distribution network to new markets and investors through our own team and that of third party distributors.

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## UNDERWRITING

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### 1. HONG KONG UNDERWRITERS

#### **Joint Lead Managers** *(in alphabetical order)*

BNP Paribas Capital (Asia Pacific) Limited

China International Capital Corporation (Hong Kong) Limited

J.P. Morgan Securities (Asia Pacific) Limited

Morgan Stanley Asia Limited

#### **Co-Managers**

Piper Jaffray Asia Securities Limited

BOCOM International Holdings Company Limited

China Everbright Securities (HK) Limited

### 2. UNDERWRITING ARRANGEMENTS

#### 2.1 Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offering, the Selling Shareholders are offering the Hong Kong Offer Shares for sale to the public in Hong Kong on and subject to the terms and conditions of this prospectus and the application forms relating thereto. Subject to the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares and any Share which may be issued pursuant to the Share Option Scheme and the Pre-IPO Share Option and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to purchase, or procure purchasers for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the application forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Purchase Agreement having been signed and becoming unconditional.

#### ***Grounds for termination***

The obligations of the Hong Kong Underwriters to purchase or procure purchasers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including but not limited to conditions in stock and bond markets, money and foreign exchange markets and

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## UNDERWRITING

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inter-bank markets, a change in the system under which the value of Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the United States, the European Union (or any member thereof), the Cayman Islands or the British Virgin Islands; or

- (ii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority of Hong Kong, the PRC, the United States, the European Union (or any member thereof), the Cayman Islands or the British Virgin Islands; or
- (iii) any event or series of events in the nature of force majeure, including without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, acts of war, acts of terrorism (whether or not responsibility has been claimed), riots, public disorder, civil commotion, economic sanctions, labour dispute, accidents or interruption or delay on transportation in or affecting Hong Kong, the PRC, the United States, the European Union (or any member thereof), the Cayman Islands or the British Virgin Islands; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or social crisis in or affecting Hong Kong, the PRC, the United States, the European Union (or any member thereof), the Cayman Islands or the British Virgin Islands; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or a disruption has occurred in securities settlement or clearance services or procedures in or affecting Hong Kong, the PRC, the United States, the European Union (or any member thereof), the Cayman Islands or the British Virgin Islands; or  
  
(B) a general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary and/or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), the PRC, the Cayman Islands, the European Union or the British Virgin Islands; or
- (vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or currency exchange rates in or affecting Hong Kong, the PRC, the United States, the European Union (or any member thereof), the Cayman Islands or the British Virgin Islands; or
- (vii) any litigation or claim being threatened or investigated against the Company, any of the subsidiaries or the Selling Shareholders;

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## UNDERWRITING

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which, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (A) is or may be or is likely to be materially adverse to the business, financial or other condition or prospects of the Group as a whole; or
  - (B) has or might have or is likely to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
  - (C) makes it inadvisable, inexpedient or impracticable to proceed with the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (b) there comes to the notice of the Joint Global Coordinators:
- (i) any statement contained in this prospectus, the application forms, the formal notice and any announcements in the agreed form issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, has or may become untrue, incorrect or misleading in any material respect; or
  - (ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or
  - (iii) any matter or event showing any of the warranties given by the Company, the Controlling Shareholders or the Selling Shareholders in the Hong Kong Underwriting Agreement to be untrue or misleading; or
  - (iv) any event, act or omission which gives or is likely to give rise to any material liability of the Company, the Controlling Shareholders, or the Selling Shareholders pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement which liability has or is likely to have a material adverse effect on the business or financial or trading position of the Group; or
  - (v) any breach on the part of the Company, the Controlling Shareholders or the Selling Shareholders of any of the provisions of the Hong Kong Underwriting Agreement or the International Purchase Agreement which has or will likely to have a material adverse effect on the success of the Global Offering; or
  - (vi) any material adverse change or prospective material adverse change in the business, results of operations, in the financial or trading position or prospects of the Company and its subsidiaries as a whole.

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## UNDERWRITING

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### ***Undertakings pursuant to the Hong Kong Underwriting Agreement***

#### *By the Company*

Pursuant to the Hong Kong Underwriting Agreement, the Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that, except pursuant to options which may be granted under the Share Option Scheme, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date, the Company will not without the Joint Global Coordinators' prior written consent (subject to the requirements set out in the Listing Rules) (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or any securities or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or securities or any interest therein), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions described in (i) or (ii) is to be settled by delivery of share capital or such other securities, in cash or otherwise and the Company further agrees that, in the event of an issue or disposal of any Shares or any interest therein within the six months after the expiry of the above-mentioned period, it will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the Shares.

#### *By the Controlling Shareholders*

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters and the Company that it will not and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) at any time during the period of six months from the Listing Date (the "First Six-month Period"), offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of the Company or any interest therein held by it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of the Company or any interest therein) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

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## UNDERWRITING

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- (b) during the period of six months commencing on the date on which the First Six-month Period expires (the "Second Six-month Period"), offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of the Company or any interest therein held by it (including but not limited to any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive, any such share capital or other securities of the Company or any interest therein) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so if, immediately following such transaction, the Controlling Shareholders would collectively or individually, as the case may be, cease to be our controlling shareholder (as defined in the Listing Rules); and
- (c) in the event of a disposal by it of any share capital or any interest therein during the Second Six-month Period it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of the Company.

### ***Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules***

#### *By the Company*

The Company has undertaken to the Hong Kong Stock Exchange that it will not issue any further shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within 6 months from the date on which the Shares commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within 6 months from the commencement of dealing) except:

- (a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or
- (b) pursuant to options which may be granted under the Share Option Scheme.

#### *By the Controlling Shareholders*

Each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and us that it shall not and shall procure that the relevant registered holder shall not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Hong Kong Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner; or
- (b) in the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be our controlling shareholder for the purpose of the Listing Rules.

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## UNDERWRITING

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Each of the Controlling Shareholders has also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Hong Kong Stock Exchange, it will:

- (a) when it pledges or charges any securities of the Company beneficially owned by it in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), immediately inform us of such pledge or charge together with the number of securities of the Company so pledged or charged; and
- (b) when it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform us of any such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of announcement which is published in the newspapers as soon as possible after being so informed by the Controlling Shareholders.

### ***Commission and expenses***

The Selling Shareholders will pay to the Hong Kong Underwriters an underwriting commission of 2.5% on the Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which the Hong Kong Underwriters will pay any sub-underwriting commission. The Selling Shareholders will pay to the International Underwriters an underwriting commission of 2.5% on the offer price of the International Offer Shares initially offered under the International Offering. For unpurchased Hong Kong Offer Shares reallocated to the International Offering, the Selling Shareholders will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the International Underwriters (but not the Hong Kong Underwriters). In addition, the Selling Shareholders may, in their sole discretion, pay to the Joint Global Coordinators an additional incentive fee of up to 0.5% of the Offer Price multiplied by the total number of Offer Shares.

The aggregate commissions and fees, together with Listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$133 million (assuming the Over-allocation Option is not exercised) in total based on the mid-point of the offer price range of HK\$7.21 per Share and without taking into account any incentive fee that may be paid to the Joint Global Coordinators by the Selling Shareholders. The Selling Shareholders will bear all underwriting commissions and fees, SFC transaction levy, Hong Kong Stock Exchange trading fee and taxes (including stamp duty) in connection with the Global Offering. Any interest accrued on the Hong Kong Public Offering application monies will be retained for the benefit of the Selling Shareholders but will be applied towards payment of the balance of other offering expenses. We will bear any such offering expenses to the extent that the interest is not sufficient to cover such balance.

### ***Hong Kong underwriters' interest in the Company***

Save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any member of our Company.



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## UNDERWRITING

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### 2.2 The International Offering

In connection with the International Offering, it is expected that we and the Selling Shareholders will on or about 14 November 2007 shortly after determination of the Offer Price, enter into the International Purchase Agreement with the International Underwriters. Under the International Purchase Agreement, the International Underwriters to be named therein would severally agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for such International Offer Shares.

### 3. SPONSOR'S INDEPENDENCE

Each of the Joint Sponsors has confirmed to us that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

### 4. STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, agree to purchase or purchase, securities in the secondary market, during a specified period of time, to retard and, if possible, to prevent any decline in the market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong and certain other jurisdictions, the stabilization price must not exceed the Offer Price. In other jurisdictions, the stabilization price may or may not be higher than the initial public offer price.

In connection with the Global Offering, the Stabilizing Manager, on behalf of the Underwriters, may over-allocate Shares or effect any other transactions (including stock borrowing arrangement) with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements and any stabilizing activity will be entered into in accordance with the stabilizing laws, rules and regulations in place in Hong Kong. In covering such over-allocations, the Stabilizing Manager may exercise the Over-allocation Option at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for lodging of application forms under the Hong Kong Public Offering, or make (or agree, offer or attempt to make) open-market purchases in the secondary market. The Stabilizing Manager may also sell or agree to sell any Shares acquired in the course of any stabilization action in order to liquidate any position that has been established by such action. However, there is no obligation on the Stabilizing Manager to conduct any such stabilizing activity which, if taken, may be discontinued at any time at the absolute discretion of the Stabilizing Manager. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be sold upon exercise of the Over-allocation Option, being 30,400,000 Shares, which is approximately 7.97% of the Shares initially available under the Global Offering.

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## UNDERWRITING

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Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilization) Rules includes:

- (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price;
- (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price;
- (iii) purchasing, or agreeing to purchase, shares pursuant to the Over-allocation Option in order to close out any position established under (i) or (ii) above;
- (iv) purchasing, or agreeing to purchase, Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (v) selling or agreeing to sell Shares to liquidate any long position held as a result of those purchases in (iv); and
- (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

The Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares. The size of the long position, and the time period for which the Stabilizing Manager will maintain such a position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilization action by the Stabilizing Manager is not permitted to support the price of the Shares for longer than the stabilizing period which begins on the commencement of trading of the Shares after this prospectus is issued and the Offer Price is announced and ends on the 30th day after the last day of the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to expire on the 30th day after the date of closing of the application lists under the Hong Kong Public Offering and that after this date, when no further stabilizing action may be taken, demand for the Shares, and therefore its price, could fall. A public announcement will be made within seven days after the end of the stabilizing period in accordance with the Securities and Futures (Price Stabilizing) Rules.

Investors should be aware that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action. Stabilization bids for or transactions effected in the course of the stabilizing action by the Stabilizing Manager, or any person acting for it, may be at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers.

The Stabilizing Manager may borrow, whether on its own or through its affiliates, Shares from Value Holdings, LLC and J.H. Whitney III, L.P. pursuant to the Stock Borrowing Agreement for the settlement of over-allocations in the International Offering.

Further details with respect to the Over-allocation Option are set out in "Structure of the Global Offering".

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## STRUCTURE OF THE GLOBAL OFFERING

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### 1. THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The Global Offering consists of:

- (a) the offer by the Selling Shareholders of initially 38,160,000 Shares for sale to the public in the Hong Kong Public Offering; and
- (b) the offer by the Selling Shareholders of initially 343,440,000 Shares for sale in the International Offering, consisting of an offering of our Shares (i) in the United States to QIBs, in reliance on Rule 144A, and (ii) outside the United States in reliance on Regulation S under the Securities Act.

The Company is not issuing any new Shares in this Global Offering and will not receive any proceeds from it. The Global Offering consists of the offer and sale of Shares by the Selling Shareholders only, who will receive all of the net proceeds from the Global Offering.

At any time from the date of signing the International Purchase Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Global Coordinators (on behalf of the International Underwriters) have an option to purchase up to an additional 12,000,000 Shares from Value Holdings, LLC and an additional 18,400,000 Shares from J.H. Whitney III, L.P., representing in aggregate approximately 7.97% of the initial size of the Global Offering, at the Offer Price, solely to cover over-allocation in the International Offering, if any.

The number of Offer Shares is subject to adjustment and reallocation as described in this section.

### 2. INVESTORS PARTICIPATION IN GLOBAL OFFERING

Investors may apply for our Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of our Shares to QIBs in the United States in reliance on Rule 144A, as well as to institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S under the Securities Act.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

The number of Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed "Clawback and reallocation arrangements" in this section.

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## STRUCTURE OF THE GLOBAL OFFERING

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### 3. PRICING AND ALLOCATION

#### Offer Price range

The Offer Price will be not more than HK\$7.63 per Offer Share and is expected not to be less than HK\$6.78 per Offer Share, unless otherwise announced at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

#### Price payable on application

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$7.63 per Share plus 1% brokerage fee, 0.004% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$7.63, being the maximum Offer Price, we will refund the surplus application monies (including the brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to such surplus application monies) to successful applicants, without interest. Further details are set out in the "How to apply for Hong Kong Offer Shares" section.

#### Determination of Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the International Offering. Prospective investors will be required to specify the number of our Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "bookbuilding", is expected to continue up to, and to cease on or about 13 November 2007.

The Offer Price is expected to be determined by agreement between the Selling Shareholders, the Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 14 November 2007 and in any event, no later than 21 November 2007.

If, for any reason, the Offer Price is not agreed between the Selling Shareholders, the Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before 21 November 2007, the Global Offering will not proceed and will lapse.

#### Reduction in the price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators may (on behalf of the Underwriters and with the consent of the Company and the Selling Shareholders), where they consider appropriate, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of 13 November 2007, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) a notice of the reduction of the indicative Offer Price range. Such notice will also

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## STRUCTURE OF THE GLOBAL OFFERING

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include confirmation or revision, as appropriate, of the offering statistics as currently set out in the “Summary” section and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

**Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted solely because the indicative Offer Price range is so reduced.**

### Allocation

The Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of our Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and retail or corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants, but will be made strictly on a pro rata basis (subject to rounding down to the nearest board lot of Shares), although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### Announcement of Offer Price and basis of allocations

The applicable Offer Price, the final number of Hong Kong Offer Shares, the level of applications in the Hong Kong Public Offering, an indication of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares are expected to be announced on 21 November 2007 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese). The results of allocation and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering is expected (1) to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on 21 November 2007; and (2) to be found in the announcement to be posted on the Company’s website at [www.valuepartnersgroup.com.hk](http://www.valuepartnersgroup.com.hk) and the website of the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) from 21 November 2007.

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## STRUCTURE OF THE GLOBAL OFFERING

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### 4. CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Pre-IPO Share Option;
- (b) the execution and delivery of the International Purchase Agreement and the Stock Borrowing Agreement on or around the Price Determination Date; and
- (c) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Purchase Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the paragraph headed "Despatch/Collection of Share Certificates and Refund of Application Monies" in the "Further Terms and Conditions of the Global Offering" section. In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) as amended.

**Share certificates for the Hong Kong Offer Shares are expected to be issued on 21 November 2007 but will only become valid certificates of title after 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on 22 November 2007, subject to stamping of transfers and contract notes in respect of the Hong Kong Offer Shares under the Global Offering, and provided that: (i) the Global Offering has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated by such time or in such manner as set out in the paragraph headed "Grounds for termination" in the "Underwriting" section.**

### 5. THE HONG KONG PUBLIC OFFERING

The Selling Shareholders are initially offering 38,160,000 Shares for sale to the public in Hong Kong at the Offer Price, representing approximately 10% of the 381,600,000 Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Shares initially offered under the Hong Kong Public Offering will represent approximately 2.39% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allocation Option is not exercised.

For allocation purposes only, of the 38,160,000 Share initially being offered for sale under the Hong Kong Public Offering, 3,816,000 Shares (representing approximately 10% of the total number of Shares initially being offered under the Hong Kong Public Offering) will be available for preferential allocation to satisfy valid applications by Eligible Employees.

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## STRUCTURE OF THE GLOBAL OFFERING

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### ***Pool A and Pool B***

For allocation purpose(s) only, the number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering and deducting the number of Hong Kong Offer Shares offered for purchase by Eligible Employees on a preferential basis) will be divided equally into two pools: pool A and pool B. If the Hong Kong Offer Shares offered to Eligible Employees for purchase on a preferential basis are not fully taken up, any excess Shares will be re-allocated to pool A and pool B in equal proportion. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for the Hong Kong Offer Shares in the value of HK\$5 million (excluding the brokerage fee, the Hong Kong Stock Exchange trading fee and the SFC transaction levy payable thereon) or less. The Hong Kong Offer Shares available in pool B will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Offer Shares in the value of more than HK\$5 million (excluding the brokerage fee, the Hong Kong Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the total value of pool B.

Applicants should be aware that applications in pool A and pool B may receive different allocation ratios. Where either of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than the number of Shares initially available under pool A or pool B will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (whether conditionally and/or provisionally) and will not apply for or take up or indicate an interest in any International Offer Shares in the International Offering, nor otherwise participate in the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

### ***Clawback and reallocation arrangements***

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Hong Kong Offer Shares validly applied for in the Hong Kong Public Offering (including the Eligible Employee preferential offer) represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under Hong Kong Public Offering (including the Eligible Employee preferential offer) will be increased to 114,480,000, 152,640,000 and 190,800,000 Hong Kong Offer Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allocation Option), and such reallocation being referred to in this prospectus as "Mandatory Reallocation". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced (save and except that the Shares to be purchased by the Strategic Investors will not be affected by such reallocation), in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully purchased, the Joint Global Coordinators have the authority to reallocate all or any Hong Kong Offer Shares which have not been purchased to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

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## STRUCTURE OF THE GLOBAL OFFERING

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References in this prospectus to applications, application forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

### 6. THE INTERNATIONAL OFFERING

The number of Shares to be initially offered for sale by the Selling Shareholders under the International Offering will be 343,440,000 Shares, representing approximately 90% of the 381,600,000 Shares initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering being unconditional. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Shares initially offered under the International Offering will represent around 21.47% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allocation Option is not exercised.

Pursuant to the International Offering, the International Underwriters will conditionally place our Shares with QIBs in the United States in reliance on Rule 144A, as well as with institutional and professional investors and other investors in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the Securities Act.

We have, as part of the International Offering, entered into the Strategic Investment Agreement with J.H. Whitney III, L.P., one of the Selling Shareholders, and the Strategic Investors for the sale by J.H. Whitney III, L.P. of an aggregate of 144,000,000 Shares (representing approximately 9% of our issued share capital immediately after Listing) to the Strategic Investors at the Offer Price. The sale will be completed immediately after the Global Offering becomes unconditional.

The sale forms part of the International Offering. The Shares to be purchased by the Strategic Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the paragraph headed "The Hong Kong Public Offering" in the "Structure of the Global Offering" section.

The Strategic Investors have agreed not to dispose of the Shares so purchased at any time within six months after the Listing Date without the prior written consent of the Company. The Strategic Investors have also jointly and severally agreed for a period of one year after expiry of the six-month period, in the event that any of the Strategic Investors disposes, agrees or contracts to dispose of the Shares acquired, to take all reasonable steps to ensure that it will not create a false market in our Shares. The Strategic Investors have further agreed that, without our prior written consent (such consent not to be unreasonably withheld or delayed), they will not effect any block trade, private sale or any other form of placing where the Strategic Investors in aggregate sell 10% or more of the Shares they acquired if such sale or placing would result in such Shares being acquired, directly or indirectly, by a person who to the best of the knowledge of any of the Strategic Investors is a fund manager or an investment fund with operations in the Asia-Pacific Region.

Save as described above, the Strategic Investment Agreement does not confer upon the Strategic Investors any special rights or privileges that are not available to our shareholders generally. Each of the Strategic Investors is an independent third party and will not become our connected person as a result of the completion of the Strategic Investment Agreement.

The ultimate holding company of the Strategic Investors is Ping An Insurance (Group) Company of China, Ltd. It is an integrated financial services conglomerate in China and has its H shares and A shares listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange under the stock codes of 2318 and 601318, respectively.



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## STRUCTURE OF THE GLOBAL OFFERING

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We currently provide, in the ordinary course of our business, investment advisory services to a subsidiary of Ping An Insurance (Group) Company of China, Ltd. in relation to a portfolio mainly comprising investments in A shares which as at 30 June 2007, represented total assets under management of approximately RMB 100 million, which constituted around 0.23% of our then AUM. We continue to explore opportunities for future co-operation with the Strategic Investors, on a non-exclusive basis, with respect to the offering of investment products (jointly or white-labelled) in the PRC. All our transactions with the Strategic Investors have been and will continue to be carried out on an arms' length basis on normal commercial terms.

We believe that the Strategic Investors' investment in our Company would broaden our shareholder base, strengthen the relationship between both group of companies and can provide us with strategic support in our efforts to explore further development of our business in the PRC market.

### **7. OVER-ALLOCATION OPTION**

Value Holdings, LLC and J.H. Whitney III, L.P. are expected to grant to the International Underwriters the Over-allocation Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require Value Holdings, LLC and J.H. Whitney III, L.P. to respectively sell up to 12,000,000 and 18,400,000 additional Shares, representing in aggregate approximately 7.97% of the Offer Shares initially available under the Global Offering. These Shares will be offered at the same price per Share under the International Offering solely to cover over-allocations in the International Offering, if any. In the event that the Over-allocation Option is exercised, a press announcement will be made.

### **8. STOCK BORROWING AGREEMENT**

Pursuant to the Stock Borrowing Agreement, the Stabilizing Manager may borrow, whether on its own or through its affiliates, up to 12,000,000 Shares from Value Holdings, LLC and up to 18,400,000 Shares from J.H. Whitney III, L.P., this amount being the maximum number of Shares which may be sold upon the exercise of the Over-allocation Option.

### **9. DEALING ARRANGEMENTS**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 22 November 2007, it is expected that dealings in Shares on the Hong Kong Stock Exchange will commence on 22 November 2007.

### **10. UNDERWRITING ARRANGEMENTS**

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Selling Shareholders, the Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date and subject to the other conditions set out in paragraph 4 headed "Conditions of the Hong Kong Public Offering" above in this section.

We expect shortly after determination of the Offer Price on the Price Determination Date, to enter into the International Purchase Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Purchase Agreement are summarized in the "Underwriting" section.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **11. APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE**

Application has been made to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, on the Main Board of the Hong Kong Stock Exchange, the Shares in issue and any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and the Pre-IPO Share Option. Dealings in our Shares on the Hong Kong Stock Exchange are expected to commence on 22 November 2007.

Save as disclosed herein, no part of the share capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

### **12. ELIGIBILITY FOR CCASS**

All necessary arrangements have been made enabling our Shares to be admitted into CCASS, established by HKSCC.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second trading day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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There are two ways to make an application for the Hong Kong Offer Shares. You may apply for Hong Kong Offer Shares either:

- (i) by using a **WHITE, YELLOW** or **PINK** application form; or
- (ii) by giving **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

Unless you are an Eligible Employee who has made an application on a **PINK** application form, you may make more than one application for the Hong Kong Offer Shares if and only if you are a **nominee** and provide the required information in your application, in which case you may make an application by (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** application form, and lodge more than one application in your own name on behalf of different beneficial owners.

### 1. WHICH APPLICATION METHOD TO USE

#### (a) **WHITE application forms**

Use a **WHITE** application form if you want the Hong Kong Offer Shares allocated to you and registered in your own name.

#### (b) **YELLOW application forms**

Use a **YELLOW** application form if you want the Hong Kong Offer Shares allocated to you and registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account maintained by CCASS.

#### (c) **PINK application forms**

Use a **PINK** application form if you are an Eligible Employee, want the Hong Kong Offer Shares to be allocated to you and registered in your own name and want your application to be given preferential treatment.

#### (d) **Instruct HKSCC to make an electronic application on your behalf via CCASS**

Instead of using a **YELLOW** application form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant stock account as maintained by HKSCC.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 2. WHERE TO COLLECT THE WHITE, YELLOW AND PINK APPLICATION FORMS

- (a) You can collect a **WHITE** application form and a prospectus from any of the following addresses of the Hong Kong Underwriters:

J.P. Morgan Securities (Asia Pacific) Limited  
28/F Chater House  
8 Connaught Road Central  
Hong Kong

Morgan Stanley Asia Limited  
30/F, Three Exchange Square  
Central, Hong Kong

BNP Paribas Capital (Asia Pacific) Limited  
Room 6415  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

China International Capital Corporation  
(Hong Kong) Limited  
Suite 2307  
One International Finance Centre  
1 Harbor View Street  
Central  
Hong Kong

Piper Jaffray Asia Securities Limited  
39/F, Lippo Centre, Tower 1,  
89 Queensway,  
Hong Kong

BOCOM International Holdings Company Limited  
3rd Floor, Far East Consortium Building,  
121 Des Voeux Road Central,  
Hong Kong

China Everbright Securities (HK) Limited  
36/F Far East Finance Centre,  
16 Harcourt Road,  
Hong Kong

or any of the following branches or sub-branches of The Hongkong and Shanghai Banking Corporation Limited and Bank of China (Hong Kong) Limited:

(i) **The Hongkong and Shanghai Banking Corporation Limited**

	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island:</b>	Hong Kong Office Aberdeen Centre Branch	1 Queen's Road Central, HK Shop 2, G/F, Site I, Aberdeen Centre, Aberdeen, HK
	Des Voeux Road Central Branch	China Insurance Group Bldg, 141 Des Voeux Road Central, HK
	Hay Wah Building Branch	G/F, Hay Wah Bldg, 71-85B Hennessy Rd, Wan Chai, HK

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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<b>Kowloon:</b>	Mong Kok Branch	673 Nathan Road, Mong Kok, KLN
	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong, KLN
	Amoy Plaza Branch	Shops G193 - 200 & 203, G/F, Amoy Plaza Phase II, 77 Ngau Tau Kok Road, KLN
	238 Nathan Road Branch	Shop No. 1 ,1/F & Shop No. 1-3, G/F, 238 Nathan Rd, KLN

<b>New Territories:</b>	Yuen Long Branch	G/F, HSBC Building Yuen Long, 150-160 Castle Peak Rd, Yuen Long, NT
	Tuen Mun Town Plaza Branch	Shop 1, UG/F, Shopping Arcade Phase II, Tuen Mun Town Plaza, Tuen Mun, NT

(ii) **Bank of China (Hong Kong) Limited**

	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island:</b>	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
	Taikoo Shing Branch	Shop G1006-7, Hoi Sing Mansion, Taikoo Shing
<b>Kowloon:</b>	Aberdeen Branch	25 Wu Pak Street, Aberdeen
	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
	Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
	Diamond Hill Branch	G107, Plaza Hollywood, Diamond Hill
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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<b>New Territories:</b>	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Castle Peak Road (Tsuen Wan) Wealth Management Centre	167 Castle Peak Road, Tsuen Wan

- (b) You can collect a **YELLOW** application form and a prospectus during normal business hours from 9:00 a.m. on 8 November 2007 to 12:00 noon on 13 November 2007 from:
- (i) the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road, Central, Hong Kong; or
  - (ii) your stockbroker, who may have the application forms and the prospectus available.
- (c) You can collect a **PINK** application form and a prospectus from the Company Secretary, Mr. Tse Wai Ming at the Company's offices at Level 14, Three Pacific Place, 1 Queens Road East, Hong Kong.

### 3. HOW TO MAKE APPLICATIONS

(a) **Applying by completing WHITE, YELLOW or PINK application forms:**

- (i) There are detailed instructions on each application form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated on the application form.
- (ii) If your application is made by a person duly authorized under a power of attorney, the Selling Shareholders, the Company and/or the Joint Global Coordinators (as its agent and on behalf of the Underwriters) may accept it at their discretion, subject to any conditions they think fit, including evidence of the authority of your attorney. The Joint Global Coordinators in their capacity as agents for the Company have full discretion to reject or accept any application, in full or in part, without assigning any reason therefor.
- (iii) You should note that by completing and submitting the **WHITE, YELLOW OR PINK** application form, amongst other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
  - **instruct** and **authorize** the Company, the Selling Shareholders and/or the Joint Global Coordinators (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees Limited, as the case may be, as required by the Company's memorandum and articles of association and otherwise to give effect to the arrangements described in the prospectus and the relevant application form;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Company's memorandum and articles of association;
- **represent** and **warrant** that you understand that the Hong Kong Offer Shares have not been and will not be registered under the Securities Act, that you are outside the United States when completing the application form and will acquire the Hong Kong Offer Shares in an offshore transaction (within the meaning of Regulation S under the Securities Act) and that you are not a U.S. person as defined in Regulation S under the Securities Act;
- **confirm** that you have received a copy of the prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation concerning the Company;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if the application is made for your own benefit) **warrant** that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC via CCASS (excluding an application (if any) made on a **PINK** application form);
- (if you are an agent for another person) **warrant** that reasonable inquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC via CCASS, and that you are duly authorized to sign the application form or to give electronic application instructions as that other person's agent;
- **agree** that the Company, the Selling Shareholders, the Joint Global Coordinators, the Underwriters and/or their respective, directors, officers, employees, partners, agents, advisers and any other parties involved in the Hong Kong Public Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- **agree** to disclose to the Company, its registrars, receiving bankers, advisors, the Selling Shareholders and/or the Joint Global Coordinators and their respective agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by the Company;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (whether conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offering, nor otherwise participate in the International Offering;
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** to disclose to the Company, the Selling Shareholders, the Joint Global Coordinators and/or their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
  - **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
  - **authorize** the Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the application form by ordinary post at your own risk unless you have requested that the despatch be made by registered mail to the address stated on your application form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated the relevant intention in your application form, you can collect your Share certificate(s) and/or refund cheque (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Wednesday, 21 November 2007 (Hong Kong time) or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/refund cheques from Tricor Investor Services Limited);
  - **understand** that all declarations and representations made by you contained in the application form will be relied upon by the Company, the Selling Shareholders and/or the Joint Global Coordinators in deciding whether or not to allocate and/or transfer any Hong Kong Offer Shares in response to your application;
  - if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, the Selling Shareholders, the Joint Global Coordinators and the Underwriters nor any of their respective directors, employees, partners, agents, officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in the prospectus;
  - **confirm** that you are aware of the restrictions on the Global Offering described in the prospectus;
  - **agree** with the Company, for itself and for the benefit of each shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application, including applications made by HKSCC Nominees, to have agreed, for itself and on behalf of each shareholder of the Company, with each applicant including each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance and the Company's memorandum and articles of association; and
  - **agree** with the Company and each shareholder of the Company that Shares are freely transferable by the holders thereof.
- (iv) In order for the **YELLOW** application forms to be valid:
- If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
    - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
  - If the application is made by an individual CCASS Investor Participant:
    - the application form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the application form.
  - If the application is made by a joint individual CCASS Investor Participant:
    - the application form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all joint CCASS Investor Participants; and
    - the participant I.D. must be inserted in the appropriate box on the application form.
  - If the application is made by a corporate CCASS Investor Participant:
    - the application form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
    - the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the application form.
  - Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of CCASS Participant I.D. or other similar matters may render the application invalid.
- (v) If you apply for the Hong Kong Offer Shares using a **YELLOW** application form, in addition to the confirmations and agreements referred to in (a) above you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following:
- **agree** that any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees Limited and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the application form;
  - **agree** that each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) **not to accept** any or part of such allocated Hong Kong Offer Shares transferred in the name of HKSCC Nominees Limited or **not to accept** such allocated Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allocated Hong Kong Offer Shares to be **withdrawn** from CCASS and transferred into your name at your own risk and costs; and (3) to cause such **allocated Hong Kong Offer Shares to be registered in your name** (or, if you are a joint applicant, to the first-named applicant) and in such a case, to **post the Share certificates** for such allocated Hong Kong Offer Shares at your own risk to the address on your application form by ordinary post **or to make available the same for your collection;**
  - **agree** that each of HKSCC and HKSCC Nominees may adjust the number of allocated Hong Kong Offer Shares registered in the name of HKSCC Nominees Limited;
  - **agree** that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in the prospectus and the application forms; and
  - **agree** that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
- (b) **Applying by giving electronic application instructions to HKSCC via CCASS:**
- (i) General
- CCASS Participants may give electronic application instructions to HKSCC to apply for Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are a CCASS Investor Participant, you may give electronic application instructions to CCASS through the CCASS Phone System by calling (852) 2979 7888 or the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for you if you go to:

HKSCC Customer Service Centre  
2nd Floor, Vicwood Plaza,  
199 Des Voeux Road Central,  
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and our share registrar.

(ii) Minimum application amount and permitted multiples

You may give electronic application instructions in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions must be in one of the multiples of Hong Kong Offer Shares set out in the table on the application forms.

(iii) Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. Please refer to sub-paragraph 4(c) below in this section for further details.

(iv) Allocation of Hong Kong Offer Shares

For the purpose of allocating Hong Kong Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instruction is given shall be treated as an applicant.

(v) Personal data

The section of the application form headed "Personal Data" applies to any personal data held by the Company and our share registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(vi) Warning

The application for Hong Kong Offer Shares by giving electronic application instructions to HKSCC is a facility provided only to CCASS Participants. The Company, the Selling Shareholders and the Joint Global Coordinators take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or CCASS Internet System for submission of electronic application instructions, they should either (i) submit the **WHITE** or **YELLOW** application form; or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on 13 November 2007 or such later time as stated in the sub-paragraph headed "Effect of bad weather on the opening of the application lists" below.

(vii) Giving electronic application instructions to HKSCC to apply for Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** application form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (A) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** application form or this prospectus;
- (B) HKSCC Nominees does the following things on behalf of each such person:
- **agree** that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted electronic application instructions on your behalf;
  - **undertake** and **agree** to accept the Hong Kong Offer Shares in respect of which you have given electronic application instructions or any lesser number allocated to you under the application;
  - (if the electronic application instructions are given for your own benefit) **declare** that only one set of electronic application instructions has been given for your benefit;
  - (if you are an agent for another person) **declare** that you have given only one set of electronic application instructions for the benefit of that other person, and that you are duly authorized to give those instructions as that other person's agent;
  - **understand** that any declaration made by you in your application will be relied upon by the Company, the Selling Shareholders and/or the Joint Global Coordinators in deciding whether or not to make any allocation of the Hong Kong Offer Shares in respect of the electronic application instructions given by you and that you may be prosecuted if you make a false declaration;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you are applying have not applied for or taken up or indicated an interest in or received or been placed or allocated (whether conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offering, nor otherwise participate in the International Offering;
- **authorize** the Company to place the name of HKSCC Nominees on the Company's principal register of members in the Cayman Islands as the holder of the Hong Kong Offer Shares allocated in respect of your electronic application instructions and the removal of such Hong Kong Offer Shares to the Company's branch register of members in Hong Kong and to send Share certificates and/or refund money in accordance with arrangements separately agreed between the Company and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have only relied on the information and representations in this prospectus in giving your electronic application instructions or instructing your CCASS Broker Participant or CCASS Custodian Participant to give electronic application instructions on your behalf;
- **agree** that the Company, the Selling Shareholders, the Joint Global Coordinators, the Underwriters and their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are liable only for the information and representations contained in the prospectus and any supplement thereto;
- **agree** to disclose that person's personal data to the Company, the Selling Shareholders, the Joint Global Coordinators and their respective agents and any information which they may require about that person;
- **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- **agree** that any application made by HKSCC Nominees on behalf of that person pursuant to the electronic application instructions given by that person is irrevocable on or before the fifth day after the time of opening of the application lists (excluding for this purpose any day which is not a business day), such agreement to take effect as a collateral contract with the Company and the Selling Shareholders and to become binding when you give the electronic application instructions and such collateral contract to be in consideration of the Company and the Selling Shareholders agreeing that they will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of opening of the application lists (excluding for this purpose any day which is not a business day), except by means of one of the procedures referred to in this prospectus. HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your electronic application instructions can be revoked and that acceptance of that application will be evidenced by the press announcement of results of the Hong Kong Public Offering published by the Company;
- **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Hong Kong Offer Shares;
- **agree** with the Company, for itself and for the benefit of each of its shareholders (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of its shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance and the Company's memorandum and articles of association; and
- **agree** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

(viii) Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee, by crediting your designated bank account;
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** application form.

#### 4. HOW MANY APPLICATIONS YOU MAY MAKE

(a) Unless you are an Eligible Employee who has made an application on a **PINK** application form you may make more than one application for the Hong Kong Offer Shares if and only if you are a **nominee**, in which case you may make an application by: (i) **giving electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** application form, and lodge more than one application in your own name on behalf of different beneficial owners. In the box on the application form marked "For nominees", you must include:

- an account number; or
- some other identification code,

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit.

You are an Eligible Employee, in which case you may apply for Hong Kong Public Offer Shares on a **PINK** application form and also on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC via CCASS.

- (b) It will be a term and condition of all applications that by completing and delivering an application form you:
- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC via CCASS (excluding an application (if any) made on a **PINK** application form);
  - (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC via CCASS, and that you are duly authorized to sign the application form as that other person's agent.
- (c) Multiple applications or suspected multiple applications will be rejected. Save as referred to above, all of your applications (including the part of the application made by HKSCC Nominees acting on electronic application instructions) will be rejected as multiple applications if you, or you and joint applicant(s) together:
- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Broker or Custodian Participant); or
  - both apply (whether individually or jointly) on one **WHITE** application form and one **YELLOW** application form or on one **WHITE** or **YELLOW** application form and give electronic application instructions to HKSCC via CCASS ; or
  - apply on one **WHITE** or **YELLOW** application form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Broker or Custodian Participant) for more than 17,172,000 Hong Kong Offer Shares; or
  - make more than one application on a **PINK** application form; or
  - apply on one **PINK** application form for more than 100% of the Hong Kong Offer Shares being offered to Eligible Employees on a preferential basis (i.e. more than 3,816,000 Hong Kong Offer Shares); or
  - have indicated an interest for, or have been or will be transferred International Offer Shares under the International Offering.

Eligible Employees who have applied for Hong Kong Offer Shares on a **PINK** application form may also make an application on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC via CCASS.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (d) Save to the extent permitted in the application forms in respect of applications made on a **PINK** application form, all of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

**Unlisted company** means a company with no equity securities listed on the Hong Kong Stock Exchange.

**Statutory control in relation to a company** means you:

- control the composition of the board of directors of that company; or
- control more than half the voting power of that company; or
- hold more than half the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

The application lists will be open from 11:45 a.m. to 12:00 noon on 13 November 2007, except as provided in sub-paragraph 5(d) headed "Effect of bad weather on the opening of the application lists" below.

### 5. WHEN TO APPLY FOR HONG KONG OFFER SHARES

(a) **WHITE or YELLOW application forms**

Completed **WHITE** or **YELLOW** application forms, with payment attached, must be lodged by 12:00 noon on 13 November 2007, or, if the application lists are not open on that day, by the time and date stated in sub-paragraph (d) below.

Your completed application form, with one cheque or one banker's cashier order attached, should be deposited in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited or Bank of China (Hong Kong) Limited, listed above under the sub-paragraph headed "Where to collect the **WHITE**, **YELLOW** and **PINK** application forms" above in this section at the following times:

**Thursday, 8 November 2007 — 9:00 a.m. to 4:30 p.m.**

**Friday, 9 November 2007 — 9:00 a.m. to 4:30 p.m.**

**Saturday, 10 November 2007 — 9:00 a.m. to 1:00 p.m.**

**Monday, 12 November 2007 — 9:00 a.m. to 4:30 p.m.**

**Tuesday, 13 November 2007 — 9:00 a.m. to 12:00 noon**

Completed **PINK** application forms, with cheque or banker's cashier order attached, must be returned to the Company Secretary, Mr. Tse, Wai Ming, at Level 14, Three Pacific Place, 1 Queens Road East, Hong Kong by 5:00 p.m. on 12 November 2007.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(b) **Electronic application instructions to HKSCC via CCASS**

CCASS Broker Participants and Custodian Participants should input electronic application instructions at the following times:

**Thursday, 8 November 2007 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Friday, 9 November 2007 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Saturday, 10 November 2007 — 8:00 a.m. to 1:00 p.m.<sup>(1)</sup>**  
**Monday, 12 November 2007 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Tuesday, 13 November 2007 — 8:00 a.m.<sup>(1)</sup> to 12:00 noon**

Notes:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker Participants and Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on 8 November 2007 until 12:00 noon on 13 November (24 hours daily except on the last application day).

The latest time for inputting your electronic application instructions via CCASS (if you are a CCASS Participant) is 12:00 noon on 13 November 2007, or, if the application lists are not open on that day, by the time and date stated in sub-paragraph (d) below.

(c) **Application lists**

The applications for the Hong Kong Offer Shares will not be processed and no allocation of any such Hong Kong Offer Shares will be made until the closing of the application lists. No allocation of any of the Hong Kong Offer Shares will be made later than 13 November 2007.

(d) **Effect of bad weather on the opening of the application lists**

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 13 November 2007. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

For the purposes of this section, Business Day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.



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## FURTHER TERMS AND CONDITIONS OF THE GLOBAL OFFERING

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If you apply for the Hong Kong Offer Shares in the Hong Kong Public Offering you will be agreeing with the Company, the Selling Shareholders and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters and/or the International Underwriters) to apply for Hong Kong Offer Shares on such terms and conditions as set out in this prospectus and the relevant application forms.

If you give electronic application instructions to HKSCC via CCASS, to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf, you will have authorized HKSCC Nominees to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the relevant application method.

In this section, references to “you”, “applicants”, “joint applicants” and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees is applying for the Hong Kong Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC or instructing a broker or custodian to do the same.

Applicants should read this prospectus carefully, including other terms and conditions of the Hong Kong Public Offering and the terms and conditions set out in the relevant application form or imposed by HKSCC (as the case may be) prior to making an application.

### 1. Offer to purchase the Hong Kong Offer Shares

- (a) You offer to purchase from the Selling Shareholders at the Offer Price the number of the Hong Kong Offer Shares indicated in your application form or inputted via CCASS electronically, as the case may be (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant application form.
- (b) For applicants using application forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the price per Offer Share initially paid by you in application, the surplus application monies (including brokerage fee, the Hong Kong Stock Exchange trading fee and the SFC transaction levy attributable to such surplus), is expected to be sent to you on or before 21 November 2007 in such manner as set out in the paragraph headed “Despatch/Collection of Share Certificates and Refund of Application Monies” below in this section.

Details of the procedure for refunds relating to each of the Hong Kong Public Offering are contained below in the paragraph headed “Despatch/Collection of Share Certificates and Refund of Application Monies” below in this section.

- (c) Any application may be rejected in whole or in part.
- (d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Companies Ordinance)) can applications be withdrawn once submitted. For the avoidance of doubt, the Company, the Selling Shareholders and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

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## FURTHER TERMS AND CONDITIONS OF THE GLOBAL OFFERING

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### 2. Acceptance of your offer

- (a) Subject to the terms and conditions as set out in this prospectus and the application forms, the Hong Kong Offer Shares will be allocated after the application lists close. The Company expects to announce the Offer Price, the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offering, an indication of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering on or before 21 November 2007 in the South China Morning Post (in English) and the Hong Kong Economics Times (in Chinese). The results of allocation and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering is expected (1) to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on 21 November 2007; and (2) to be found in the announcement to be posted on the Company's website at [www.valuepartnersgroup.com.hk](http://www.valuepartnersgroup.com.hk) and the website of the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) from 21 November 2007.
- (b) The Selling Shareholders, the Company and/or the Joint Global Coordinators may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.
- (c) If the Selling Shareholders, the Company and/or the Joint Global Coordinators accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the "Structure of the Global Offering" section.
- (d) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### HOW MUCH TO PAY FOR THE HONG KONG OFFER SHARES

You must pay the maximum Offer Price of HK\$7.63 per Share, together with brokerage fee of 1%, the SFC transaction levy of 0.004%, and the Hong Kong Stock Exchange trading fee of 0.005%, in full when you apply for the Shares. This means that for every board lot of 1,000 Shares, you will pay HK\$7,706.99. The **WHITE**, **YELLOW** and **PINK** application forms have tables showing the exact amount payable for multiples of Shares applied for up to 17,172,000 Shares (for **WHITE** and **YELLOW** application forms) and up to 3,816,000 Shares (for **PINK** application forms).

If your application is successful, brokerage fee is paid to participants of the Hong Kong Stock Exchange, the Hong Kong Stock Exchange trading fee is paid to the Hong Kong Stock Exchange and the SFC transaction levy is collected by the Hong Kong Stock Exchange on behalf of the SFC.

If the Offer Price as finally determined is less than the maximum Offer Price, appropriate refund payments (including brokerage fee, the Hong Kong Stock Exchange trading fee, and the SFC transaction levy attributable to the surplus application monies) will be made to successful applicants without interest. All such interest accrued prior to the date of despatch of refund cheques will be retained for the benefit of the Selling Shareholders but will be applied towards payment of offering expenses.

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## FURTHER TERMS AND CONDITIONS OF THE GLOBAL OFFERING

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### CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allocated Hong Kong Offer Shares are set out in the conditions attached to the relevant application forms, and you should read them carefully. You should note in particular the following seven situations in which Hong Kong Offer Shares will not be allocated to you.

(a) **Full discretion to reject or accept**

The Company, the Selling Shareholders, the Joint Global Coordinators and/or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(b) **If your application is revoked**

By completing and submitting an application form or submitting electronic application instructions to HKSCC, you agree that your application, or the application made by HKSCC Nominees on your behalf, cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day). The agreement under the application forms, or the application made by HKSCC Nominees on your behalf, will take effect as a collateral contract with the Company and/or the Selling Shareholders, and will become binding when you lodge your application form or submit your electronic application instructions to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company and the Selling Shareholders agreeing that they will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

For the avoidance of doubt, the Company and all other parties involved in the preparation of the prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

If your application, or the application made by HKSCC Nominees on your behalf, has been accepted, it cannot be revoked. For this purpose, acceptance of an application which is not rejected will be constituted by notification in the press of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

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## FURTHER TERMS AND CONDITIONS OF THE GLOBAL OFFERING

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(c) **If your application is rejected**

Your application may be rejected if:

- your application is a multiple or a suspected multiple application;
- your application form is not completed correctly or fully in accordance with the instructions;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive International Offer Shares under the International Offering;
- if you apply for more than 17,172,000 Hong Kong Offer Shares initially being offered for purchase by the public under the Hong Kong Public Offering;
- if the conditions set out in the paragraph headed "Conditions of the Hong Kong Public Offering" in the "Structure of the Global Offering" section remain unfulfilled by the date which is 30 days after the date of this prospectus; or
- the application for Shares is not in one of the numbers or multiples set out in the table in the relevant application form.

(d) **If the allocation of Hong Kong Offer Shares is void**

The allocation of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** application form), if made, will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Hong Kong Stock Exchange notifies the Company of that longer period within three weeks of the closing of the application lists.

(e) **You made applications under the Hong Kong Public Offering as well as the International Offering**

By filling in any of the application forms or giving application instructions to HKSCC electronically, you agree not to apply for International Offer Shares under the International Offering. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering.

(f) If you apply by **PINK** application form and your application is made with a joint applicant.

(g) **If you apply by PINK application form and you apply for more than 3,816,000 of the Hong Kong Offer Shares initially being offered for purchase by Eligible Employees**

### PUBLICATION OF RESULTS

It is expected that the Offer Price, the final number of Hong Kong Offer Shares, an indication of interest in the International Offering, the level of applications under the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before 21 November 2007.

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## FURTHER TERMS AND CONDITIONS OF THE GLOBAL OFFERING

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The results of allocation and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering is expected (1) to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on 21 November 2007; and (2) to be found in the announcement to be posted on the Company's website at [www.valuepartnersgroup.com.hk](http://www.valuepartnersgroup.com.hk) and the website of the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) from 21 November 2007.

### DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price is less than the maximum Offer Price paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Conditions of the Hong Kong Public Offering" in the "Structure of the Global Offering" section of this prospectus or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof (together with the related brokerage fee, SFC transaction levy, and Hong Kong Stock Exchange trading fee) will be refunded to the relevant applicant(s), without interest.

You will receive one Share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** application forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

The Company will not issue temporary documents of title. No receipt will be issued for application money paid but, subject as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first named applicant) by ordinary post, at your own risk, to the address specified on the application form:

- (a) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly and partially successful applicants on **YELLOW** application forms and by giving **electronic application instructions** to HKSCC via CCASS, in which event Share certificates will be deposited into CCASS as described below); and/or
- (b) for applicants on **WHITE** and **YELLOW** application forms, refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first named applicant on the relevant application form) for: (i) the surplus application monies for Offer Shares unsuccessfully applied for, if the application is partially successful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum Offer Price paid on application multiplied by the number of Shares applied for in the event that the Offer Price is less than the maximum Offer Price, in each case including brokerage fee at the rate of 1%, SFC transaction levy at the rate of 0.004%, and Hong Kong Stock Exchange trading fee at the rate of 0.005%, but without interest. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

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## FURTHER TERMS AND CONDITIONS OF THE GLOBAL OFFERING

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- (c) If you are applying using a **PINK** application form, your Share certificate(s) and/or refund cheque (if any) will be sent to you at the address stated on your **PINK** application form in the afternoon on 21 November 2007 or any other date notified by the Company in the newspapers as the date of despatch of Share certificate/refund cheque, by ordinary post and at your own risk.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly or partially successful applications and the difference between the Offer Price and the maximum Offer Price paid on application (if any) under **WHITE** or **YELLOW** application forms; and Share certificates for wholly or partially successful applicants under **WHITE** application forms are expected to be posted on 21 November 2007. We reserve the right to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

In a contingency situation involving a substantial over-application, at the discretion of the Company and the Joint Global Coordinators, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

(a) **If you are applying using a WHITE application form**

If you have applied for 1,000,000 or more Hong Kong Offer Shares on a **WHITE** or **YELLOW** application form and have indicated your intention on your application form to collect your refund cheque(s) (where applicable) and/or (for applicants using **WHITE** application forms) Share certificate(s) (where applicable) from the Hong Kong branch share registrar, Tricor Investor Services Limited, and have provided all information required by your application form, you may collect (where applicable) your refund cheque(s) and (where applicable) Share certificate(s) from:

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

from 9:00 a.m. to 1:00 p.m. on 21 November 2007 or any other date notified by the Company in the newspapers as the date of despatch of Share certificates/refund cheque.

If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) and Share certificate(s), they will be despatched promptly to you by ordinary post to the address as specified in your application form at your own risk.

If you have applied for less than 1,000,000 Shares or if you have applied for 1,000,000 Shares or more but have not indicated in your application form that you wish to collect your refund cheque personally within the time specified for collection, then it is expected that the refund cheque (if any) will be sent to the address on your application form on 21 November 2007, by ordinary post and at your own risk.

Share certificates for the Hong Kong Offer Shares are expected to be issued on 21 November 2007 but will only become valid certificates of title after 8:00 a.m. on the date of commencement of the dealings

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## FURTHER TERMS AND CONDITIONS OF THE GLOBAL OFFERING

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in our Shares, which is expected to be on 22 November 2007, subject to stamping of transfers and contract notes in respect of the Hong Kong Offer Shares under the Global Offering, and provided that: (i) the Global Offering has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated by such time or in such manner as set out in the paragraph headed "Grounds for termination" in the "Underwriting" section.

(b) **If you are applying on a YELLOW application form or by giving electronic application instructions to HKSCC via CCASS:**

If you apply for Hong Kong Offer Shares using a **YELLOW** application form or by giving electronic application instructions to HKSCC via CCASS and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on your **YELLOW** application form or via CCASS electronically, as the case may be), at the close of business on 21 November 2007, or in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

Share certificates credited to the stock account of your designated CCASS Participant or your CCASS Investor Participant stock account will only become valid certificates of title, subject to stamping of transfers and contract notes in respect of the Hong Kong Offer Shares under the Global Offering and provided that: (i) the Global Offering has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated by such time or in such manner as set out in the paragraph headed "Grounds for termination" in the "Underwriting" section.

### 1. **YELLOW application form**

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** application form for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant on a **YELLOW** application form the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the newspapers on 21 November 2007. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 21 November 2007 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you have applied for 1,000,000 or more Hong Kong Offer Shares and have indicated on your application form that you will collect your refund cheque (if any) in person, the procedures set out under the paragraph "If you are applying using a **WHITE** Application Form" above will apply in relation to the refund cheque.

If you have applied for 1,000,000 or more Hong Kong Offer Shares and have not indicated on your **YELLOW** application form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque (if any) will be sent to the address on your **YELLOW** application form on the date of despatch, which is expected to be on 21 November 2007, by ordinary post and at your own risk.

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## **FURTHER TERMS AND CONDITIONS OF THE GLOBAL OFFERING**

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### **2. Electronic application instructions to HKSCC via CCASS**

If you apply by giving electronic application instructions to HKSCC via CCASS, refunds of the application monies (including the related brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee) (if any) will be credited to your designated bank account or the designated bank account of your broker or custodian on 21 November 2007.

The Company expects to publish the application results of CCASS Participants (and in the case of CCASS Broker Participants and CCASS Custodian Participants, the Company shall include information relating to the beneficial owner (where supplied)), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Hong Kong Public Offering, in the newspapers on 21 November 2007. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 21 November 2007 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you are instructing your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian.

If you are applying as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System on 21 November 2007. HKSCC will make available to you an activity statement(s) showing the number of Hong Kong Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (if any).

### **COMMENCEMENT OF DEALINGS IN THE SHARES ON THE HONG KONG STOCK EXCHANGE**

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on 22 November 2007. Shares will be traded on the Hong Kong Stock Exchange in board lots of 1,000 each. The stock code of the Shares will be 806.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Hong Kong Stock Exchange grants the Listing of and permission to deal in the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.



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## APPENDIX I ACCOUNTANT'S REPORT

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The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.



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羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22/F, Prince's Building  
Central, Hong Kong

The Directors  
Value Partners Group Limited

The Directors  
J.P. Morgan Securities (Asia Pacific) Limited

The Directors  
Morgan Stanley Asia Limited

8 November 2007

Dear Sirs

We set out below our report on the financial information (the "Financial Information") of Value Partners Group Limited (the "Company") and its subsidiaries (together, the "Group") set out in Sections I to III below, for inclusion in the prospectus of the Company dated 8 November 2007 in connection with the initial public offering of shares of the Company and the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The Financial Information comprises the combined balance sheets of the Group as at 31 December 2004, 2005 and 2006 and 30 June 2007, the balance sheets of the Company as at 31 December 2006 and 30 June 2007 and the combined income statements, combined statements of changes in equity and combined cash flow statements of the Group for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

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. Pursuant to a group reorganisation as described in Note 1 of Section II below, which was completed on 26 October 2007, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct interests in the following subsidiaries, all of which are private companies.

## APPENDIX I ACCOUNTANT'S REPORT

Company name	Country/place and date of incorporation	Issued and fully paid-up share capital	Attributable equity interest	Principal activities and place of operation
Hongkong Fund Management Limited <sup>4</sup>	Hong Kong / 3 September 2004	HK\$1	100%	Inactive
Hongkong Investment Management Limited <sup>4</sup>	Hong Kong / 3 September 2004	HK\$1	100%	Inactive
Middle Star Capital Limited (formerly Keen Concord Investments Limited before 9 June 2004) <sup>4</sup>	Hong Kong / 25 March 2004	HK\$1	100%	Inactive
Sensible Asset Management Limited <sup>1</sup>	British Virgin Islands / 24 March 2000	US\$200,000	100%	Investment management in Hong Kong
Value Funds Limited <sup>4</sup>	Hong Kong / 27 May 2004	HK\$1	100%	Inactive
Value Partners (Cayman GP) Limited <sup>5</sup>	Cayman Islands / 16 December 2005	US\$1	100%	Inactive
Value Partners (Cayman GP) II Ltd <sup>5</sup>	Cayman Islands / 7 June 2006	US\$1	100%	Managing member of an investment fund managed by Value Partners Limited
Value Partners Hong Kong Limited <sup>4</sup>	Hong Kong / 10 May 1999	HK\$5,000,000	100%	Inactive
Value Partners Limited <sup>2</sup>	British Virgin Islands / 9 October 1991	US\$1,530,278	100%	Investment management, investment holding and securities dealing in Hong Kong
Value Partners Private Equity Limited (formerly VP Private Equity Limited before 26 February 2007) <sup>3</sup>	British Virgin Islands / 18 March 1998	US\$700,000	100%	Investment management and provision of research and investment advisory services in Hong Kong
Valuegate Holdings Limited <sup>5</sup>	British Virgin Islands / 19 October 1993	US\$2	100%	Trademark holding in Hong Kong

1 The financial statements of Sensible Asset Management Limited for the period from 24 March 2000 (date of incorporation) to 31 December 2005 were audited by Horwath Hong Kong CPA Limited. The financial statements of Sensible Asset Management Limited for the year ended 31 December 2006 were audited by PricewaterhouseCoopers, Certified Public Accountants.

2 The financial statements of Value Partners Limited for each of the years ended 31 December 2004 and 2005 were audited by Horwath Hong Kong CPA Limited. The financial statements of Value Partners Limited for the year ended 31 December 2006 were audited by PricewaterhouseCoopers, Certified Public Accountants.

3 The financial statements of Value Partners Private Equity Limited for each of the years ended 31 March 2004, 2005 and 2006 were audited by Horwath Hong Kong CPA Limited. The financial statements of Value Partners Private Equity Limited for the period from 1 April 2006 to 31 December 2006 were audited by PricewaterhouseCoopers, Certified Public Accountants.

4 No audited financial statements were issued as there have not been significant transactions for these companies since their respective dates of incorporation.

5 No audited financial statements were issued for these companies as they are not required to issue audited financial statements under their local statutory requirements.

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## APPENDIX I ACCOUNTANT'S REPORT

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- 6 Subsequent to the Relevant Periods, on 26 October 2007, Value Partners Limited sold its interest in Development Partners Limited, a joint venture directly held by China Development Principles Group Limited, a subsidiary of Value Partners Limited, and two subsidiaries of Development Partners Limited, Development Partners (Cayman) Limited and Development Partners (Hong Kong) Limited, via the sale of the entire issued share capital of China Development Principles Group Limited pursuant to an Agreement dated 26 October 2007 for an immediate cash payment of US\$2,500 and other considerations determined in accordance with a Settlement Agreement dated 26 October 2007. The financial information of these companies has been included in the Financial Information for the Relevant Periods.

Other than Value Partners Private Equity Limited which had adopted 31 March as its financial year end date for the years ended 31 March 2004, 2005 and 2006, all companies now comprising the Group have adopted 31 December as their financial year end date. Value Partners Private Equity Limited changed its financial year end date from 31 March to 31 December, effective for the period from 1 April 2006 to 31 December 2006.

No audited financial statements have been prepared by the Company as it was newly incorporated and has not been involved in any significant business transactions since its date of incorporation other than the Reorganisation.

The Financial Information has been prepared based on the audited financial statements or, where appropriate, the unaudited financial statements of the Company and its subsidiaries now comprising the Group and the Group's associate and joint ventures, on the basis set out in Section II below, after making such adjustments as are appropriate.

### **Directors' responsibility**

The directors of the Company and its subsidiaries now comprising the Group during the Relevant Periods are responsible for the preparation and the true and fair presentation or fair presentation of the respective companies' financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRS. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation or fair presentation of financial statements and the preparation and the true and fair presentation of Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Reporting accountant's responsibility**

For the financial information for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the audited financial statements or, where appropriate, the unaudited financial statements of the Company and its subsidiaries now comprising the Group and the Group's associate and joint ventures and the related adjustments in preparing the financial information, and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

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## APPENDIX I ACCOUNTANT'S REPORT

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For the financial information for the six months ended 30 June 2006, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of the group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the six months ended 30 June 2006.

### **Opinion and review conclusion**

In our opinion, the financial information for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, for the purpose of this report and prepared on the basis set out in Note 1 of Section II below, gives a true and fair view of the state of affairs of the Company as at 31 December 2006 and 30 June 2007 and of the combined state of affairs of the Group as at 31 December 2004, 2005 and 2006 and 30 June 2007 and of the Group's combined results and cash flows for the years and period then ended.

On the basis of our review which does not constitute an audit, for the purpose of this report and on the basis set out in Note 1 of Section II below, we are not aware of any material modifications that should be made to the financial information for the six months ended 30 June 2006.

## APPENDIX I ACCOUNTANT'S REPORT

### I FINANCIAL INFORMATION

#### (a) Combined balance sheets

The following are the combined balance sheets of the Group as at 31 December 2004, 2005 and 2006 and 30 June 2007, after making such adjustments as are appropriate.

	Section II Note	At 31 December			At 30 June
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	2,918	3,585	9,767	8,601
Intangible assets	7	—	—	393	393
Investment in an associate	8	4,024	4,212	—	—
Interest in joint ventures	9	—	1,325	3,357	3,874
Investment securities / available-for-sale financial assets	10	69,354	163,836	120,858	117,916
Other assets		246	246	1,746	1,746
<b>Total non-current assets</b>		<u>76,542</u>	<u>173,204</u>	<u>136,121</u>	<u>132,530</u>
<b>Current assets</b>					
Amounts due from an associate	28.3	165	244	—	—
Other investments / financial assets at fair value through profit or loss	11	10,055	31,337	23,452	44,676
Fees receivable	12	126,398	284,505	1,103,613	424,248
Prepayments and other receivables		3,586	4,540	7,650	12,637
Cash and cash equivalents	13	186,841	193,003	272,244	488,510
<b>Total current assets</b>		<u>327,045</u>	<u>513,629</u>	<u>1,406,959</u>	<u>970,071</u>
<b>Total assets</b>		<u>403,587</u>	<u>686,833</u>	<u>1,543,080</u>	<u>1,102,601</u>

The notes in Section II are an integral part of this Financial Information.

## APPENDIX I ACCOUNTANT'S REPORT

### I FINANCIAL INFORMATION

#### (a) Combined balance sheets (continued)

	Section II Note	At 31 December		At 30 June	
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital, share premium and treasury shares	14	31,568	53,767	53,767	53,767
Revaluation reserve		—	93,302	75,584	72,852
Retained earnings					
— proposed dividends		—	—	548,490	—
— others		283,268	380,097	300,373	635,563
<b>Total equity</b>		<u>314,836</u>	<u>527,166</u>	<u>978,214</u>	<u>762,182</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	15	<u>126</u>	<u>126</u>	<u>126</u>	<u>126</u>
<b>Current liabilities</b>					
Accrued bonus		59,424	87,302	313,636	105,097
Distribution fees payable	16	17,983	38,846	89,931	25,335
Other payables and accrued expenses — unsecured		4,472	5,904	20,020	6,489
Current tax liabilities		<u>6,746</u>	<u>27,489</u>	<u>141,153</u>	<u>203,372</u>
<b>Total current liabilities</b>		<u>88,625</u>	<u>159,541</u>	<u>564,740</u>	<u>340,293</u>
<b>Total liabilities</b>		<u>88,751</u>	<u>159,667</u>	<u>564,866</u>	<u>340,419</u>
<b>Total equity and liabilities</b>		<u>403,587</u>	<u>686,833</u>	<u>1,543,080</u>	<u>1,102,601</u>
<b>Net current assets</b>		<u>238,420</u>	<u>354,088</u>	<u>842,219</u>	<u>629,778</u>
<b>Total assets less current liabilities</b>		<u>314,962</u>	<u>527,292</u>	<u>978,340</u>	<u>762,308</u>

The notes in Section II are an integral part of this Financial Information.

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## APPENDIX I ACCOUNTANT'S REPORT

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### I FINANCIAL INFORMATION

#### (b) Balance sheets

	Section II Note	At 31 December 2006 HK\$	At 30 June 2007 HK\$
<b>ASSETS</b>			
<b>Current assets</b>			
Amounts due from a shareholder	28.3	—	—
<b>Total assets</b>		<u>—</u>	<u>—</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	14	—	—
<b>Total equity</b>		<u>—</u>	<u>—</u>
<b>Net current assets</b>		<u>—</u>	<u>—</u>
<b>Total assets less current liabilities</b>		<u>—</u>	<u>—</u>

The notes in Section II are an integral part of this Financial Information.

## APPENDIX I ACCOUNTANT'S REPORT

### I FINANCIAL INFORMATION

#### (c) Combined income statements

The following are the combined income statements of the Group for the Relevant Periods, after making such adjustments as are appropriate.

	Section II Note	Year ended 31 December			Six months ended 30 June	
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (Unaudited)	2007 HK\$'000
<b>Income</b>						
Turnover	17	366,649	485,002	1,489,618	246,155	562,250
Other income	17	6,881	8,355	28,507	11,102	20,308
<b>Total income</b>		<u>373,530</u>	<u>493,357</u>	<u>1,518,125</u>	<u>257,257</u>	<u>582,558</u>
<b>Expenses</b>						
Distribution fees		76,850	67,469	122,025	24,870	33,230
Compensation and benefit expenses	18	77,637	113,269	358,095	59,956	125,253
Operating lease rentals		1,888	1,897	6,153	994	4,758
Advisory fees		14,456	15,605	55,255	22,462	42,048
Other expenses	19	7,739	10,843	22,252	5,756	10,909
<b>Total expenses</b>		<u>178,570</u>	<u>209,083</u>	<u>563,780</u>	<u>114,038</u>	<u>216,198</u>
<b>Other gains/(losses) — net</b>	20	<u>1,386</u>	<u>271</u>	<u>80,599</u>	<u>2,972</u>	<u>30,794</u>
<b>Operating profit</b>		196,346	284,545	1,034,944	146,191	397,154
Share of profit of an associate	8	125	188	3,514	3,724	—
Share of profit/(loss) of joint ventures	9	—	(1,002)	(2,138)	(559)	255
<b>Profit before tax</b>		196,471	283,731	1,036,320	149,356	397,409
Tax expense	21	(28,928)	(46,682)	(180,135)	(21,949)	(62,219)
<b>Profit for the year/period</b>		<u>167,543</u>	<u>237,049</u>	<u>856,185</u>	<u>127,407</u>	<u>335,190</u>
<b>Attributable to</b>						
Equity holders of the Company		167,543	237,049	856,266	127,407	335,190
Minority interests		—	—	(81)	—	—
		<u>167,543</u>	<u>237,049</u>	<u>856,185</u>	<u>127,407</u>	<u>335,190</u>
<b>Dividends</b>	23	<u>246,557</u>	<u>140,220</u>	<u>935,990</u>	<u>162,750</u>	<u>—</u>

The notes in Section II are an integral part of this Financial Information.



## APPENDIX I ACCOUNTANT'S REPORT

### I FINANCIAL INFORMATION

#### (d) Combined statements of changes in equity

The following are the combined statements of changes in equity of the Group for the Relevant Periods, after making such adjustments as are appropriate.

	Section II Note	Attributable to equity holders of the Company				Minority	Total
		Share capital, share premium and		Retained earnings	Total	interests	Total
		treasury shares	Revaluation reserve				
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2004</b>		44,733	—	362,282	407,015	—	407,015
Acquisition of treasury shares	14	(13,165)	—	—	(13,165)	—	(13,165)
Profit for the year		—	—	167,543	167,543	—	167,543
Dividends	23	—	—	(246,557)	(246,557)	—	(246,557)
<b>Balance at 31 December 2004</b>		<u>31,568</u>	<u>—</u>	<u>283,268</u>	<u>314,836</u>	<u>—</u>	<u>314,836</u>
<b>Balance at 1 January 2005 as per above</b>		31,568	—	283,268	314,836	—	314,836
Opening adjustment for the adoption of HKAS 39	10	—	76,382	—	76,382	—	76,382
<b>Balance at 1 January 2005 as restated</b>		31,568	76,382	283,268	391,218	—	391,218
Issue of shares	14	22,199	—	—	22,199	—	22,199
Fair value gains on available-for- sale financial assets							
— Group	10	—	16,920	—	16,920	—	16,920
Profit for the year		—	—	237,049	237,049	—	237,049
Dividends	23	—	—	(140,220)	(140,220)	—	(140,220)
<b>Balance at 31 December 2005</b>		<u>53,767</u>	<u>93,302</u>	<u>380,097</u>	<u>527,166</u>	<u>—</u>	<u>527,166</u>
<b>Balance at 1 January 2006</b>		53,767	93,302	380,097	527,166	—	527,166
Fair value gains/(losses) on available-for-sale financial assets							
— Group	10	—	(18,061)	—	(18,061)	2	(18,059)
— an associate	8	—	343	—	343	—	343
Profit/(loss) for the year		—	—	856,266	856,266	(81)	856,185
Dividends	23	—	—	(387,500)	(387,500)	—	(387,500)
Minority interests on business combinations	27	—	—	—	—	693	693
Acquisition of additional interests in a subsidiary	27	—	—	—	—	(614)	(614)
<b>Balance at 31 December 2006</b>		<u>53,767</u>	<u>75,584</u>	<u>848,863</u>	<u>978,214</u>	<u>—</u>	<u>978,214</u>

The notes in Section II are an integral part of this Financial Information.

## APPENDIX I ACCOUNTANT'S REPORT

### I FINANCIAL INFORMATION

#### (d) Combined statements of changes in equity (continued)

	Section II Note	Attributable to equity holders of the Company				Minority interests	Total
		Share capital, share premium and treasury shares HK\$'000	Revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
(Unaudited)							
<b>Balance at 1 January 2006</b>		53,767	93,302	380,097	527,166	—	527,166
Fair value gains on available-for-sale financial assets							
— Group		—	29,736	—	29,736	—	29,736
Profit for the period		—	—	127,407	127,407	—	127,407
Dividends	23	—	—	(162,750)	(162,750)	—	(162,750)
<b>Balance at 30 June 2006</b>		<u>53,767</u>	<u>123,038</u>	<u>344,754</u>	<u>521,559</u>	<u>—</u>	<u>521,559</u>
(Unaudited)							
<b>Balance at 1 January 2007</b>		53,767	75,584	848,863	978,214	—	978,214
Fair value losses on available-for-sale financial assets							
— Group	10	—	(2,732)	—	(2,732)	—	(2,732)
Profit for the period		—	—	335,190	335,190	—	335,190
Dividends	23	—	—	(548,490)	(548,490)	—	(548,490)
<b>Balance at 30 June 2007</b>		<u>53,767</u>	<u>72,852</u>	<u>635,563</u>	<u>762,182</u>	<u>—</u>	<u>762,182</u>

The notes in Section II are an integral part of this Financial Information.

## APPENDIX I ACCOUNTANT'S REPORT

### I FINANCIAL INFORMATION

#### (e) Combined cash flow statements

The following are the combined cash flow statements of the Group for the Relevant Periods, after making such adjustments as are appropriate.

	Section II Note	Year ended 31 December			Six months ended 30 June	
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (Unaudited)	2007 HK\$'000
<b>Cash flows from operating activities</b>						
Net cash generated from operations	24	454,514	168,732	398,630	233,816	737,022
Interest received		2,860	4,759	10,944	5,266	14,435
Tax paid		(91,635)	(25,939)	(69,229)	(7,671)	–
<b>Net cash generated from operating activities</b>		<u>365,739</u>	<u>147,552</u>	<u>340,345</u>	<u>231,411</u>	<u>751,457</u>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment		(1,002)	(2,358)	(8,801)	(1,016)	(793)
Disposal of property, plant and equipment		3	130	82	–	–
Cash acquired from acquisition of a subsidiary, net of purchase consideration paid	27	–	–	6,976	–	–
Acquisition of additional interests in a subsidiary	27	–	–	(693)	–	–
Dividends received from an associate		–	–	5,299	–	–
Cash received from an associate		–	–	456	–	–
Capital contribution in joint ventures		–	(1,169)	–	–	–
Increase in receivables from joint ventures		–	(1,158)	(4,170)	(894)	(262)
Purchase of investment securities / available-for-sale financial assets		(19,496)	(1,180)	(19,621)	(3,798)	(2,730)
Disposal of available-for-sale financial assets		–	–	114,624	1,405	31,596
Purchase of other investments / financial assets at fair value through profit or loss		(21,789)	(30,067)	(14,461)	(14,461)	(28,245)
Disposal of other investments / financial assets at fair value through profit or loss		33,265	11,078	29,981	–	8,369
Close of futures positions (classified as other investments / financial assets at fair value through profit or loss)		(685)	(698)	(94)	–	–
Dividends received from investment securities / available-for-sale financial assets and other investments / financial assets at fair value through profit or loss		3,782	2,053	16,818	5,411	5,364
<b>Net cash generated from/(used in) investing activities</b>		<u>(5,922)</u>	<u>(23,369)</u>	<u>126,396</u>	<u>(13,353)</u>	<u>13,299</u>
<b>Cash flows from financing activities</b>						
Issue of shares		–	22,199	–	–	–
Dividends paid		(246,557)	(140,220)	(387,500)	(162,750)	(548,490)
<b>Net cash used in financing activities</b>		<u>(246,557)</u>	<u>(118,021)</u>	<u>(387,500)</u>	<u>(162,750)</u>	<u>(548,490)</u>
<b>Net increase in cash and cash equivalents</b>		113,260	6,162	79,241	55,308	216,266
Cash and cash equivalents at beginning of the year/period		73,581	186,841	193,003	193,003	272,244
<b>Cash and cash equivalents at end of the year/period</b>		<u>186,841</u>	<u>193,003</u>	<u>272,244</u>	<u>248,311</u>	<u>488,510</u>

The notes in Section II are an integral part of this Financial Information.

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 1 Group reorganisation and basis of presentation

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

Pursuant to an Agreement dated 26 October 2007, the Company acquired the entire issued share capital of Value Partners Limited through a share swap and thereafter became the holding company of the subsidiaries now comprising the Group. The Group is principally engaged in the provision of investment management services to investment funds and managed accounts.

For the purpose of this report, the combined income statements, combined statements of changes in equity and combined cash flow statements of the Group for the Relevant Periods have been prepared on a combined basis and include the financial information of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, except that the financial information of those companies newly set up or acquired by the Group during the Relevant Periods is included in the financial information of the Group from their respective dates of incorporation and acquisition respectively. The combined balance sheets of the Group as at 31 December 2004, 2005 and 2006 and 30 June 2007 have been prepared to present the assets and liabilities of the Group as at these dates as if the current group structure had been in existence as at these dates, except that the assets and liabilities of those companies newly set up or acquired by the Group during each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007 are included in the combined balance sheets of the Group from their respective dates of incorporation and acquisition respectively.

Subsequent to the Relevant Periods, on 26 October 2007, Value Partners Limited sold its interest in Development Partners Limited, a joint venture directly held by China Development Principles Group Limited, a subsidiary of Value Partners Limited, and two subsidiaries of Development Partners Limited, Development Partners (Cayman) Limited and Development Partners (Hong Kong) Limited, via the sale of the entire issued share capital of China Development Principles Group Limited pursuant to an Agreement dated 26 October 2007 for an immediate cash payment of US\$2,500 and other considerations determined in accordance with a Settlement Agreement dated 26 October 2007. The financial information of these companies has been included in the Financial Information for the Relevant Periods.

All significant intra-group transactions and balances have been eliminated on combination.

The Financial Information is presented in Hong Kong dollars (HK\$), unless otherwise stated.

#### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

##### 2.1 Basis of preparation

The Financial Information of the Company has been prepared in accordance with the accounting policies set out below in conformity with HKFRS. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and other investments / financial assets at fair value through profit or loss.

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

HKFRS is effective for annual periods beginning on or after 1 January 2005. All relevant standards adopted by the Group require retrospective application other than HKAS 39 which does not permit to recognise, de-recognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for Investments in Securities" to investments in securities for the year ended 31 December 2004. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005.

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 2 Summary of significant accounting policies (continued)

##### 2.1 Basis of preparation (continued)

The adoption of HKAS 39 resulted in an increase in opening reserves at 1 January 2005 by HK\$76,382,000 and the details of the adjustments to the combined balance sheet at 31 December 2005 and for the year then ended are as follows:

	<b>HK\$'000</b>
Increase in available-for-sale financial assets	163,836
Decrease in investment securities	70,534
Increase in financial assets at fair value through profit or loss	31,337
Decrease in other investments	31,337
Increase in revaluation reserve	16,920

##### **Standards which are not yet effective**

Certain new standards have been published that are not yet effective and which the Group has not early adopted. Those that are relevant to the Group's operations are as follows:

- HKFRS 8 "Operating Segments", effective for annual periods beginning on or after 1 January 2009. Management believes that this standard should not have a significant impact on the identification of operating segments and disclosure of information in respect of those segments.

##### 2.2 Consolidation

The Financial Information includes the financial statements of the Company and all its subsidiaries made up to 31 December 2004, 2005 and 2006 and 30 June 2006 and 2007.

###### (a) Subsidiaries

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

Except for the Reorganisation which has been accounted for on a combined basis as stated in Note 1 above, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The cost of an acquisition is measured as the fair value of the assets given at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Inter-company transactions and balances are eliminated.

###### (b) Transactions with minority interests

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

###### (c) Associate

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

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 2 Summary of significant accounting policies (continued)

##### 2.2 Consolidation (continued)

###### (c) Associate (continued)

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

###### (d) Joint ventures

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

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

##### 2.3 Segment reporting

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

##### 2.4 Foreign currency translation

###### (a) Functional and presentation currency

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

###### (b) Transactions and balances

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

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

###### (c) Group companies

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

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

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 2 Summary of significant accounting policies (continued)

##### 2.4 Foreign currency translation (continued)

###### (c) Group companies (continued)

- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

##### 2.5 Property, plant and equipment

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

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

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

Leasehold improvements	3 years
Furniture and fixtures	5 years
Office equipment	3 — 5 years
Vehicles	3 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the combined income statements.

##### 2.6 Intangible assets — goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of a subsidiary is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed. For the purpose of impairment testing, goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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

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

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 2 Summary of significant accounting policies (continued)

##### 2.8 Financial assets

###### *From 1 January 2004 to 31 December 2004*

The Group classified its investments in securities (other than subsidiaries, an associate and joint ventures) as investment securities and other investments under the benchmark treatment.

###### (a) Investment securities

Investment securities are stated at cost less any provision for impairment losses. The carrying amount of individual investments is reviewed at each balance sheet date to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value and an impairment loss is recognised as an expense in the combined income statements. This impairment loss is written back to the combined income statements when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

###### (b) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the combined income statements. Gains or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amount, are recognised in the combined income statements as they arise.

###### *From 1 January 2005 onwards*

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

On 1 January 2005, the Group classified its then investment securities as available-for-sale financial assets and its then other investments as financial assets at fair value through profit or loss.

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

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

###### (b) Available-for-sale financial assets

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

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



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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 2 Summary of significant accounting policies (continued)

##### 2.8 Financial assets (continued)

###### *From 1 January 2005 onwards (continued)*

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

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

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using external valuations or valuation techniques. These include the use of recent arm's length transactions and reference to other instruments that are substantially the same, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

##### 2.9 Derivative financial instruments

###### *From 1 January 2004 to 31 December 2004*

Derivative financial instruments are designated as non-hedging instruments. The transactions are classified as trading transactions. The Group records derivative financial instruments at cost. The unrealised gains and losses on derivative financial instruments are included in the combined income statements.

###### *From 1 January 2005 onwards*

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

##### 2.10 Receivables

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

##### 2.11 Cash and cash equivalents

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

##### 2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to equity holders of the Company until the shares are cancelled.

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 2 Summary of significant accounting policies (continued)

##### 2.13 Deferred tax

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

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

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

##### 2.14 Revenue recognition

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

###### (a) Fees from investment management activities

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

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

###### (b) Fees from fund distribution activities

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

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

###### (c) Interest income

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

###### (d) Dividend income

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

##### 2.15 Distribution fees

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

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 2 Summary of significant accounting policies (continued)

##### 2.16 Compensation and benefits

###### (a) Bonus

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

###### (b) Pension obligations

The Group participates in a mandatory provident fund scheme in Hong Kong which is a defined contribution plan generally funded through payments to trustee-administered funds. The Group pays contributions to the mandatory provident fund scheme on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as compensation and benefit expenses when they are due.

###### (c) Termination benefits

Termination benefits are payable when an employment contract is terminated by the Group before the normal retirement date. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal.

###### (d) Other employee benefits

Short-term employee benefit costs are charged in the period to which the employee service relates.

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

##### 2.17 Operating leases

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

##### 2.18 Dividend distribution

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

##### 2.19 Contingent liabilities and contingent assets

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

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 2 Summary of significant accounting policies (continued)

##### 2.19 Contingent liabilities and contingent assets (continued)

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

#### 3 Financial risk management

##### 3.1 Financial risk factors

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

The Group manages its financial risks through the Internal Audit and Risk Control Team. The Internal Audit and Risk Control Team of the Group oversees the key financial risks and the risk management process within the Group.

###### (a) Foreign exchange risk

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

The Group has no significant foreign exchange risk because the majority of the assets and liabilities are denominated in Hong Kong dollars (the Company's functional and presentation currency) and United States dollars which are linked to Hong Kong dollars.

At 31 December 2004, 2005 and 2006 and 30 June 2006 and 2007, if Hong Kong dollar had strengthened or weakened by 0.5% against the United States dollar with all other variables held constant, profit after tax and equity would have been HK\$1,422,000, HK\$2,013,000, HK\$5,828,000, HK\$1,154,000 and HK\$2,792,000 lower or higher for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 (unaudited) and 2007 respectively, mainly as a result of foreign exchange gains/losses on translation of fees receivable, cash and cash equivalents and distribution fees payable.

###### (b) Fair value and cash flow interest rate risk

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

The Group is exposed to interest rate risk as the bank deposits are interest-bearing. All bank deposits are short-term deposits with maturities less than one year.

At 31 December 2004, 2005 and 2006 and 30 June 2006 and 2007, if interest rates on bank deposits had been 10 basis points higher or lower with all other variables held constant, profit after tax and equity would have been HK\$187,000, HK\$193,000, HK\$272,000, HK\$248,000 and HK\$488,000 higher or lower for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 (unaudited) and 2007 respectively, as a result of higher or lower interest income.

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 3 Financial risk management (continued)

##### 3.1 Financial risk factors (continued)

###### (c) Price risk

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

Value-at-risk (the "VaR") is a risk management tool that measures the potential maximum loss over a specified time horizon at a given confidence level. The VaR model used by the Group is based on historical simulation with reference to data from the immediate prior year. It adopts a holding period of 10 trading days and a 95% confidence level.

VaR is a statistical measure of risks and has limitations. Historical simulation assumes that historical changes in market conditions reflect possible future changes and therefore is vulnerable to sudden changes in market conditions. The 10-day holding period assumes that the positions can be unwound in 10 trading days which may be insufficient at times of severe illiquidity. Besides, a 95% confidence level excludes losses that might occur beyond this level of confidence. In respect of the tool itself, VaR does not take into consideration all risks that affect the price of financial instruments and may under-estimate the real market risk exposure. It also does not take into consideration any catastrophic risk. In addition, VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not reflect intra-day exposures.

The VaR of the investments of the Group at 31 December 2004, 2005 and 2006 and 30 June 2006 and 2007 are as follows. The Group's investments in unlisted equity securities (classified as investment securities / available-for-sale financial assets) have been excluded in the VaR calculation because of their illiquidity.

	At 31 December			At 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Total value-at-risk</b>	2,438	1,256	864	2,078	1,719

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

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 3 Financial risk management (continued)

##### 3.1 Financial risk factors (continued)

###### (d) Credit risk

The Group has no significant concentrations of credit risk. The majority of the fee income is received through third-party-administered portfolios. In addition, cash transactions are limited to high-credit-quality financial institutions. The table below shows the balance of the five major counterparties at 31 December 2004, 2005 and 2006 and 30 June 2007:

	At 31 December			At 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Counterparties with external credit rating</b>				
<b>(Standard &amp; Poor's long-term local issuer credit rating)</b>				
<i>Cash and cash equivalents</i>				
AA-	–	–	–	134,260
A+	42,934	–	–	–
A	–	–	–	193,388
A-	118,566	144,841	–	157,660
	<u>161,500</u>	<u>144,841</u>	<u>–</u>	<u>485,308</u>
<b>Counterparties without external credit rating</b>				
<i>Investment securities / available-for-sale financial assets and fees receivable</i>				
Investment fund 1	52,068	150,859	347,662	–
Investment fund 2	45,633	54,810	109,406	–
Investment fund 3	42,592	81,114	145,443	–
Investment fund 4	–	41,985	83,002	–
Investment fund 5	–	–	134,181	–
Investment fund 6	–	–	–	129,717
<i>Fees receivable</i>				
Managed account 1	–	–	–	98,713
	<u>140,293</u>	<u>328,768</u>	<u>819,694</u>	<u>228,430</u>
	<u><u>301,793</u></u>	<u><u>473,609</u></u>	<u><u>819,694</u></u>	<u><u>713,738</u></u>

Management does not expect any losses from non-performance by these counterparties.

###### (e) Liquidity risk

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

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 3 Financial risk management (continued)

##### 3.2 Capital risk management

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

In addition, Value Partners Limited, Sensible Asset Management Limited and Value Partners Private Equity Limited are licensed to carry out regulated activities under the Hong Kong Securities and Futures Ordinance. As a result, they are subject to capital requirements and file financial returns with the Securities and Futures Commission as follows:

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

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

##### 3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Group is the current bid price. The fair value of financial instruments that are not traded in an active market is determined by using external valuations or valuation techniques. The Group uses a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. Quoted bid prices provided by the underlying fund administrators are used for unlisted investment funds. Other techniques are used to determine fair value for the remaining financial instruments.

#### 4 Critical accounting estimates and judgements

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

#### 5 Segment information

##### *Primary reporting format — business segments / secondary reporting format — geographical segments*

At 30 June 2007, the Group was organised into one main business segment which operated also in one main geographical area: investment management in the Greater China region.

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

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 6 Property, plant and equipment

	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Vehicles HK\$'000	Total HK\$'000
<b>At 1 January 2004</b>					
Cost	2,026	796	1,581	500	4,903
Accumulated depreciation	(60)	(461)	(878)	(292)	(1,691)
<b>Net book amount</b>	<u>1,966</u>	<u>335</u>	<u>703</u>	<u>208</u>	<u>3,212</u>
<b>Year ended 31 December 2004</b>					
Opening net book amount	1,966	335	703	208	3,212
Additions	201	87	714	–	1,002
Disposals	–	–	(4)	–	(4)
Depreciation	(718)	(113)	(294)	(167)	(1,292)
<b>Closing net book amount</b>	<u>1,449</u>	<u>309</u>	<u>1,119</u>	<u>41</u>	<u>2,918</u>
<b>At 31 December 2004</b>					
Cost	2,227	883	2,291	500	5,901
Accumulated depreciation	(778)	(574)	(1,172)	(459)	(2,983)
<b>Net book amount</b>	<u>1,449</u>	<u>309</u>	<u>1,119</u>	<u>41</u>	<u>2,918</u>
<b>Year ended 31 December 2005</b>					
Opening net book amount	1,449	309	1,119	41	2,918
Additions	80	68	1,110	1,100	2,358
Depreciation	(793)	(122)	(490)	(286)	(1,691)
<b>Closing net book amount</b>	<u>736</u>	<u>255</u>	<u>1,739</u>	<u>855</u>	<u>3,585</u>
<b>At 31 December 2005</b>					
Cost	2,307	951	3,401	1,100	7,759
Accumulated depreciation	(1,571)	(696)	(1,662)	(245)	(4,174)
<b>Net book amount</b>	<u>736</u>	<u>255</u>	<u>1,739</u>	<u>855</u>	<u>3,585</u>
<b>Year ended 31 December 2006</b>					
Opening net book amount	736	255	1,739	855	3,585
Acquisition of a subsidiary (Note 27)	–	–	31	–	31
Additions	5,229	1,518	2,054	–	8,801
Disposals	–	–	(13)	–	(13)
Depreciation	(1,267)	(150)	(853)	(367)	(2,637)
<b>Closing net book amount</b>	<u>4,698</u>	<u>1,623</u>	<u>2,958</u>	<u>488</u>	<u>9,767</u>
<b>At 31 December 2006</b>					
Cost	5,213	2,469	5,826	1,100	14,608
Accumulated depreciation	(515)	(846)	(2,868)	(612)	(4,841)
<b>Net book amount</b>	<u>4,698</u>	<u>1,623</u>	<u>2,958</u>	<u>488</u>	<u>9,767</u>
<b>Six months ended 30 June 2007</b>					
Opening net book amount	4,698	1,623	2,958	488	9,767
Additions	–	171	622	–	793
Depreciation	(958)	(196)	(622)	(183)	(1,959)
<b>Closing net book amount</b>	<u>3,740</u>	<u>1,598</u>	<u>2,958</u>	<u>305</u>	<u>8,601</u>
<b>At 30 June 2007</b>					
Cost	5,213	2,640	6,448	1,100	15,401
Accumulated depreciation	(1,473)	(1,042)	(3,490)	(795)	(6,800)
<b>Net book amount</b>	<u>3,740</u>	<u>1,598</u>	<u>2,958</u>	<u>305</u>	<u>8,601</u>



## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 7 Intangible assets

	<b>Goodwill HK\$'000</b>
<b>At 1 January 2004 and 31 December 2004</b>	
Cost	—
Accumulated amortisation	—
<b>Net book amount</b>	<u>—</u>
<b>At 31 December 2005</b>	
Cost	<u>—</u>
<b>Year ended 31 December 2006</b>	
Opening cost	—
Acquisition of a subsidiary (Note 27)	393
<b>Closing cost</b>	<u>393</u>
<b>At 31 December 2006 and 30 June 2007</b>	
Cost	<u>393</u>

#### 8 Investment in an associate

	Year ended 31 December			Six months ended 30 June
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
<b>Beginning of the year/period</b>	3,899	4,024	4,212	—
Share of fair value gains on available-for-sale financial assets	—	—	343	—
Share of results				
— profit before tax	154	223	4,257	—
— tax expense	(29)	(35)	(743)	—
Dividends	—	—	(5,299)	—
Acquisition of additional interests as a subsidiary (Note 27)	—	—	(2,770)	—
<b>End of the year/period</b>	<u>4,024</u>	<u>4,212</u>	<u>—</u>	<u>—</u>

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 8 Investment in an associate (continued)

Details of the associate of the Group which was directly held at 31 December 2004, 2005 and 2006 and 30 June 2007 are as follows:

Company name	Country/place of incorporation	Particulars of issued shares held	Effective equity interest held			
			At 31 December		At 30 June	
			2004	2005	2006	2007
Value Partners Private Equity Limited	British Virgin Islands	Ordinary shares of US\$0.1 each	40%	40%	–	–

Value Partners Private Equity Limited became a 90% owned subsidiary and later a wholly-owned subsidiary of the Group on 15 September 2006 and 15 December 2006 respectively following acquisitions of additional interests by the Group (Note 27).

The Group's share of assets and liabilities of the associate at 31 December 2004, 2005 and 2006 and 30 June 2007, and results of the associate for the Relevant Periods are summarised below:

	At 31 December			At 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets	5,368	5,632	–	–
Liabilities	(1,344)	(1,420)	–	–
<b>Net assets</b>	<u>4,024</u>	<u>4,212</u>	<u>–</u>	<u>–</u>

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Revenues</b>	<u>648</u>	<u>674</u>	<u>6,182</u>	<u>6,176</u>	<u>–</u>
<b>Profit</b>	<u>125</u>	<u>188</u>	<u>3,514</u>	<u>3,724</u>	<u>–</u>

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 9 Interest in joint ventures

	Year ended 31 December			Six months ended 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Beginning of the year/period</b>	13,165	–	1,325	3,357
Capital contribution	–	1,169	–	–
Disposals	(13,165)	–	–	–
Share of results				
— profit/(loss) before tax	–	(1,002)	(2,138)	255
Increase in receivables from joint ventures	–	1,158	2,199	517
Application/(reversal of application) of excess losses shared to receivables from joint ventures	–	–	1,971	(255)
<b>End of the year/period</b>	<u>–</u>	<u>1,325</u>	<u>3,357</u>	<u>3,874</u>

Details of the joint venture of the Group which was directly held at 31 December 2004, 2005 and 2006 and 30 June 2007 are as follows:

Company name	Country/place of incorporation	Principal activities	Percentage of interest in ownership and profit sharing			
			At 31 December			At
			2004	2005	2006	30 June 2007
Development Partners Limited	Hong Kong	Investment holding	–	60%	60%	60%

Details of the joint ventures of the Group which were indirectly held at 31 December 2004, 2005 and 2006 and 30 June 2007 are as follows:

Company name	Country/place of incorporation	Principal activities	Percentage of effective interest in ownership and profit sharing			
			At 31 December			At
			2004	2005	2006	30 June 2007
Development Partners (Cayman) Limited	Cayman Islands	Investment management	–	60%	50.6%	50.6%
Development Partners (Hong Kong) Limited	Hong Kong	Provision of investment advisory services	–	60%	60%	60%

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 9 Interest in joint ventures (continued)

On 13 February 2004, the Group disposed of its interest in Argyle Street Management Limited, which was the Group's then joint venture incorporated in the British Virgin Islands and engaged in investment management, investment holding and provision of investment advisory services, to Mr Chung David Kuohsien for a consideration of 573,832 Class A ordinary shares of Value Partners Limited, a wholly-owned subsidiary of the Company, held by Mr Chung David Kuohsien (Note 14).

On 29 April 2005, the Group set up a joint venture, Development Partners Limited with two subsidiaries, Development Partners (Cayman) Limited and Development Partners (Hong Kong) Limited.

The Group's share of assets, liabilities and commitments of the joint ventures at 31 December 2004, 2005 and 2006 and 30 June 2007, and results of the joint ventures for the Relevant Periods are summarised below:

	At 31 December			At 30 June	
	2004	2005	2006	2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Assets</b>					
Non-current	–	107	222	220	
Current	–	1,018	1,496	1,866	
	–	1,125	1,718	2,086	
<b>Liabilities</b>					
Current	–	958	3,689	3,802	
<b>Net assets/(liabilities)</b>	–	167	(1,971)	(1,716)	
<b>Commitments</b>	–	174	20	157	
	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Income	–	1,029	2,431	1,031	3,332
Expenses	–	(2,031)	(4,569)	(1,590)	(3,077)
<b>Profit/(loss) before tax</b>	–	(1,002)	(2,138)	(559)	255

There were no contingent liabilities relating to the Group's interest in the joint ventures, and no contingent liabilities of the joint ventures themselves at 31 December 2004, 2005 and 2006 and 30 June 2007.

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 10 Investment securities / available-for-sale financial assets

	Year ended 31 December			Six months ended 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Beginning of the year/period as previously reported</b>	49,858	69,354	163,836	120,858
Opening adjustment for the adoption of HKAS 39	—	76,382	—	—
<b>Beginning of the year/period as restated</b>	49,858	145,736	163,836	120,858
Acquisition of a subsidiary (Note 27)	—	—	2,130	—
Additions	19,496	1,180	19,621	2,730
Disposals	—	—	(46,670)	(2,940)
Revaluation gains/(losses) transferred to/(from) equity				
— equity holders of the Company	—	16,920	(18,061)	(2,732)
— minority interests	—	—	2	—
<b>End of the year/period</b>	<u>69,354</u>	<u>163,836</u>	<u>120,858</u>	<u>117,916</u>

There were no impairment provisions on investment securities / available-for-sale financial assets for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007.

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 10 Investment securities / available-for-sale financial assets (continued)

Investment securities / available-for-sale financial assets include the following:

	At 31 December			At 30 June
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
<b>Listed securities (by place of listing)</b>				
Equity securities — Hong Kong	—	—	1,721	1,759
Investment fund — Hong Kong	2,000	3,970	6,030	—
	<u>2,000</u>	<u>3,970</u>	<u>7,751</u>	<u>1,759</u>
<b>Unlisted securities (by place of incorporation/establishment)</b>				
Equity securities — British Virgin Islands	—	—	1	1
Equity securities — Singapore	390	6,875	4,430	7,040
Equity securities — United Kingdom	—	—	439	439
Investment funds — Cayman Islands	63,420	126,922	54,708	79,767
Investment fund — Luxembourg	604	3,249	4,913	6,121
Investment funds — United States of America	2,940	22,820	48,616	22,789
	<u>67,354</u>	<u>159,866</u>	<u>113,107</u>	<u>116,157</u>
<b>Total investment securities / available-for-sale financial assets</b>	<u>69,354</u>	<u>163,836</u>	<u>120,858</u>	<u>117,916</u>
<b>Market value of listed securities</b>	<u>3,350</u>	<u>3,970</u>	<u>7,751</u>	<u>1,759</u>

On 1 January 2005, the Group classified its then investment securities as available-for-sale financial assets upon adoption of HKASs 32 and 39. The resulting changes in the accounting policy are discussed in Notes 2.1 and 2.8 above.

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 11 Other investments / financial assets at fair value through profit or loss

	At 31 December			At 30 June
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
<b>Listed securities (by place of listing)</b>				
Debt securities — Singapore	—	16,226	20,696	15,951
Equity securities — Hong Kong	9,745	7,685	2,756	9,441
Equity securities — Malaysia	—	—	—	7,849
Equity securities — Singapore	310	253	—	—
Investment fund — Hong Kong	—	—	—	215
Investment fund — Singapore	—	—	—	11,220
	<u>10,055</u>	<u>24,164</u>	<u>23,452</u>	<u>44,676</u>
<b>Unlisted securities (by place of incorporation)</b>				
Debt securities — Bermuda	—	7,173	—	—
	<u>10,055</u>	<u>31,337</u>	<u>23,452</u>	<u>44,676</u>
<b>Total other investments / financial assets at fair value through profit or loss</b>	<u>10,055</u>	<u>31,337</u>	<u>23,452</u>	<u>44,676</u>
<b>Market value of listed securities</b>	<u>10,055</u>	<u>24,164</u>	<u>23,452</u>	<u>44,676</u>

On 1 January 2005, the Group classified its then other investments as financial assets at fair value through profit or loss upon adoption of HKASs 32 and 39. The resulting changes in the accounting policy are discussed in Notes 2.1 and 2.8 above.

#### 12 Fees receivable

	At 31 December			At 30 June
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
<b>Fees receivable</b>	<u>126,398</u>	<u>284,505</u>	<u>1,103,613</u>	<u>424,248</u>

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 12 Fees receivable (continued)

The carrying amount of fees receivable approximated their fair value due to the short-term maturity. The fees receivable are mainly denominated in United States dollars. The maximum exposure to credit risk is the fair value of these fees receivable. The Group did not hold any collateral as security.

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 normally within one month. The ageing analysis of fees receivable that were past due but not impaired is as follows:

	At 31 December			At 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Fees receivable that were past due but not impaired</b>				
0 — 30 days	120,891	262,526	988,396	225,769
31 — 60 days	375	560	2,260	4,303
61 — 90 days	346	719	14,193	33,089
Over 90 days	—	7,191	10,422	79,767
	<u>121,612</u>	<u>270,996</u>	<u>1,015,271</u>	<u>342,928</u>
Fees receivable that were within credit period	<u>4,786</u>	<u>13,509</u>	<u>88,342</u>	<u>81,320</u>
<b>Total fees receivable</b>	<u><u>126,398</u></u>	<u><u>284,505</u></u>	<u><u>1,103,613</u></u>	<u><u>424,248</u></u>

#### 13 Cash and cash equivalents

	At 31 December			At 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand — general accounts	18,118	153,676	212,745	327,716
Short-term bank deposits — general accounts	<u>168,723</u>	<u>39,327</u>	<u>59,499</u>	<u>160,794</u>
<b>Total cash and cash equivalents</b>	<u><u>186,841</u></u>	<u><u>193,003</u></u>	<u><u>272,244</u></u>	<u><u>488,510</u></u>

The effective interest rates on short-term bank deposits were 2.08%, 4.06%, 4.89% and 5.01% at 31 December 2004, 2005 and 2006 and 30 June 2007 respectively. These deposits had an average maturity of 31 days.



## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 14 Share capital, share premium and treasury shares

The Company was incorporated in the Cayman Islands on 10 November 2006. The total authorised number of ordinary shares was 3,800,000 shares with a par value of HK\$0.1 per share at 31 December 2006 and 30 June 2007. One share was issued on 10 November 2006 but was not paid up.

As the Reorganisation was not completed prior to 30 June 2007, the share capital balances as presented in the combined balance sheets as at 31 December 2004, 2005 and 2006 and 30 June 2007 represent the issued share capital of Value Partners Limited, a wholly-owned subsidiary which was the then holding company of all the other subsidiaries of the Group at each balance sheet date.

The details of the share capital of Value Partners Limited for the Relevant Periods are as follows:

	Number of shares		Share capital	Share premium	Treasury shares	Total
	Class A	Class B	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2004</b>	9,912,427	3,893,318	10,689	34,044	–	44,733
Acquisition of treasury shares	–	–	–	–	(13,165)	(13,165)
<b>At 31 December 2004</b>	<u>9,912,427</u>	<u>3,893,318</u>	<u>10,689</u>	<u>34,044</u>	<u>(13,165)</u>	<u>31,568</u>
<b>At 1 January 2005</b>	9,912,427	3,893,318	10,689	34,044	(13,165)	31,568
Issue of shares	2,070,864	–	1,613	20,586	–	22,199
Cancellation of shares	(573,832)	–	(447)	(12,718)	13,165	–
<b>At 31 December 2005, 30 June 2006 (unaudited), 31 December 2006 and 30 June 2007</b>	<u>11,409,459</u>	<u>3,893,318</u>	<u>11,855</u>	<u>41,912</u>	<u>–</u>	<u>53,767</u>

The total authorised number of Class A ordinary shares and Class B ordinary shares were 15,000,000 shares and 3,893,318 shares respectively with a par value of US\$0.1 per share at 31 December 2004, 2005 and 2006 and 30 June 2007. All issued shares were fully paid.

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

The Class A and Class B ordinary shares have the same rights with regard to voting and dividends except in the event of liquidation, no distribution shall be made to the holders of Class A ordinary shares unless the holders of Class B ordinary shares have received the full amount of their liquidation values. In addition, any surplus assets after distribution to the holders of Class A and Class B ordinary shares as mentioned above shall be distributed to the holders of Class B ordinary shares ratably.

2,070,864 Class A ordinary shares of US\$0.1 each were issued on 30 June 2005 at a premium of US\$1.3 each. These shares were issued for working capital purpose and rank pari passu with the existing Class A ordinary shares. Pursuant to a Subscription Agreement dated 30 June 2005, Value Partners Limited has the right to repurchase the shares at HK\$18.76 per share from the subscribers other than Mr Cheah Cheng Hye. In addition, each subscriber also has the right to sell the shares back to Value Partners Limited at HK\$18.76 per share. Both the rights to repurchase and the rights to sell will lapse when (a) Value Partners Limited or any holding company of Value Partners Limited has its shares listed on a recognised stock exchange or (b) the number of shareholders of Value Partners Limited increases to 99 or more, whichever is earlier. Value Partners Limited has established the VPL Sub-Committee (Option 2005) (the "Committee") for the purpose of approving the exercise of these rights and all decisions of the Committee must be unanimous. Mr Cheah Cheng Hye shall have a veto right over the decisions of the Committee in the event that he deems the decisions of the Committee not to be in the best interest of the shareholders of Value Partners Limited. Pursuant to an Amendment Deed dated 30 November 2006, the Committee was terminated and the rights to repurchase and sell the shares which remain outstanding as at that date were cancelled.

Value Partners Limited acquired 573,832 Class A ordinary shares held by Mr Chung David Kuohsien on 13 February 2004 in exchange for its interest in a joint venture (Note 9). Mr Chung David Kuohsien was a director of Value Partners Limited and he resigned as director of Value Partners Limited on 31 October 2003. The total amount of consideration exchanged to acquire the shares was HK\$13,165,000 and has been deducted from shareholders' equity. These shares were held as treasury shares at 31 December 2004 and were subsequently cancelled on 1 August 2005.

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 15 Deferred tax

There was no movement in deferred tax liabilities for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007.

	<b>Accelerated tax depreciation HK\$'000</b>
<b>At 1 January 2004, 31 December 2004, 2005 and 2006 and 30 June 2007</b>	<u><u>126</u></u>

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. At 31 December 2004, 2005 and 2006 and 30 June 2007, the Group did not recognise deferred tax assets of HK\$42,000, HK\$289,000, HK\$70,000 and HK\$477,000 in respect of losses amounting to HK\$240,000, HK\$1,650,000, HK\$399,000 and HK\$2,723,000 respectively that can be carried forward against future taxable income. These tax losses have no expiry date.

#### 16 Distribution fees payable

	<b>At 31 December</b>			<b>At 30 June</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Distribution fees payable</b>	<u>17,983</u>	<u>38,846</u>	<u>89,931</u>	<u>25,335</u>

The ageing analysis of distribution fees payable is as follows:

	<b>At 31 December</b>			<b>At 30 June</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
0 — 30 days	17,435	34,187	73,123	19,230
31 — 60 days	113	132	165	388
61 — 90 days	395	112	156	198
Over 90 days	<u>40</u>	<u>4,415</u>	<u>16,487</u>	<u>5,519</u>
<b>Total distribution fees payable</b>	<u><u>17,983</u></u>	<u><u>38,846</u></u>	<u><u>89,931</u></u>	<u><u>25,335</u></u>

The distribution fees payable are mainly denominated in United States dollars.

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 17 Income

Turnover consists of fees from investment management activities and fund distribution activities. Income recognised during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Turnover</b>					
Management fees	157,039	164,404	246,482	102,797	180,889
Performance fees	166,417	304,615	1,234,173	139,067	367,278
Front-end fees	30,182	4,702	5,669	2,577	2,796
Back-end fees	13,011	11,281	3,294	1,714	11,287
<b>Total turnover</b>	<u>366,649</u>	<u>485,002</u>	<u>1,489,618</u>	<u>246,155</u>	<u>562,250</u>
<b>Other income</b>					
Interest income	2,610	5,455	11,101	5,352	14,387
Dividend income	3,782	2,053	16,818	5,411	5,364
Others	489	847	588	339	557
<b>Total other income</b>	<u>6,881</u>	<u>8,355</u>	<u>28,507</u>	<u>11,102</u>	<u>20,308</u>
<b>Total income</b>	<u>373,530</u>	<u>493,357</u>	<u>1,518,125</u>	<u>257,257</u>	<u>582,558</u>

#### 18 Compensation and benefit expenses

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Bonus	59,424	87,385	313,338	47,106	105,277
Wages, salaries and allowances	15,919	25,471	44,178	12,589	19,598
Termination benefits	1,999	–	–	–	–
Pension costs — mandatory provident fund scheme	295	413	579	261	378
<b>Total compensation and benefit expenses</b>	<u>77,637</u>	<u>113,269</u>	<u>358,095</u>	<u>59,956</u>	<u>125,253</u>

##### 18.1 Pension costs — mandatory provident fund scheme

There were no forfeited contributions utilised during the Relevant Periods and at 31 December 2004, 2005 and 2006 and 30 June 2007 to reduce future contributions.

Contributions totalling nil, HK\$86,000, HK\$113,000 and nil were payable to the mandatory provident fund scheme at 31 December 2004, 2005 and 2006 and 30 June 2007 respectively.

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 18 Compensation and benefit expenses (continued)

##### 18.2 Directors' emoluments

The remuneration of every director of the Company for the Relevant Periods is as follows:

	Salaries and other benefits (a) HK\$'000	Bonus HK\$'000	Employer's contribution to mandatory provident fund scheme HK\$'000	Total HK\$'000
<b>Year ended 31 December 2004</b>				
Mr Cheah Cheng Hye	4,111	27,693	12	31,816
Mr Choi Nga Chung	842	5,070	12	5,924
Mr Ho Man Kei	956	5,070	12	6,038
Ms Hung Yeuk Yan, Renee	601	4,750	12	5,363
Mr Law Ka Kin (b)	83	—	1	84
Mr Ngan Wai Wah (c)	971	7,235	10	8,216
Mr So, Louis Chun Ki	600	4,750	12	5,362
	<u>8,164</u>	<u>54,568</u>	<u>71</u>	<u>62,803</u>
<b>Year ended 31 December 2005</b>				
Mr Cheah Cheng Hye	5,673	36,587	12	42,272
Mr Choi Nga Chung	956	7,335	12	8,303
Mr Ho Man Kei	1,196	7,335	12	8,543
Ms Hung Yeuk Yan, Renee	746	6,870	12	7,628
Mr Law Ka Kin	1,000	83	12	1,095
Mr Ngan Wai Wah	1,500	11,725	12	13,237
Mr So, Louis Chun Ki	746	6,870	12	7,628
	<u>11,817</u>	<u>76,805</u>	<u>84</u>	<u>88,706</u>
<b>Year ended 31 December 2006</b>				
Mr Cheah Cheng Hye	12,438	141,023	12	153,473
Mr Choi Nga Chung	1,111	22,062	12	23,185
Mr Ho Man Kei	1,523	22,062	12	23,597
Ms Hung Yeuk Yan, Renee	1,118	22,055	12	23,185
Mr Law Ka Kin	1,130	7,033	12	8,175
Mr Ngan Wai Wah	1,863	37,860	12	39,735
Mr So, Louis Chun Ki	1,020	22,056	12	23,088
	<u>20,203</u>	<u>274,151</u>	<u>84</u>	<u>294,438</u>

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 18 Compensation and benefit expenses (continued)

##### 18.2 Directors' emoluments (continued)

	Salaries and other benefits (a) HK\$'000	Bonus HK\$'000	Employer's contribution to mandatory provident fund scheme HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2006</b> (unaudited)				
Mr Cheah Cheng Hye	2,340	—	6	2,346
Mr Choi Nga Chung	552	—	6	558
Mr Ho Man Kei	552	—	6	558
Ms Hung Yeuk Yan, Renee	510	—	6	516
Mr Law Ka Kin	530	—	6	536
Mr Ngan Wai Wah	798	—	6	804
Mr So, Louis Chun Ki	510	—	6	516
	<u>5,792</u>	<u>—</u>	<u>42</u>	<u>5,834</u>
<b>Six months ended 30 June 2007</b>				
Mr Cheah Cheng Hye	3,705	—	6	3,711
Mr Choi Nga Chung	607	—	6	613
Mr Ho Man Kei	607	—	6	613
Ms Hung Yeuk Yan, Renee	607	—	6	613
Mr Law Ka Kin	780	—	6	786
Mr Ngan Wai Wah	960	—	6	966
Mr So, Louis Chun Ki	607	—	6	613
	<u>7,873</u>	<u>—</u>	<u>42</u>	<u>7,915</u>

- (a) Other benefits include rebates of fees received from investment management activities by the Group in relation to the directors' investments in the investment funds under the Group's management. Rebates of fees received from investment management activities amounted to HK\$1,501,000, HK\$2,017,000, HK\$8,468,000, nil and nil for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 (unaudited) and 2007 respectively.
- (b) Mr Law Ka Kin joined the Group on 1 December 2004.
- (c) Mr Ngan Wai Wah joined the Group on 25 March 2004.

None of the directors waived or agreed to waive any emoluments during the Relevant Periods. None of the directors received or will receive any fees, inducement fees or compensation for loss of office as director during the Relevant Periods.

##### 18.3 Five highest paid individuals

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

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 19 Other expenses

	Year ended 31 December			Six months ended 30 June	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (Unaudited)	2007 HK\$'000
Depreciation	1,292	1,691	2,637	1,029	1,959
Office expenses	935	2,708	2,981	1,164	2,048
Travelling expenses	965	1,401	2,006	961	1,103
Legal and professional fees	1,106	1,217	9,041	251	2,761
Auditor's remuneration	111	128	205	64	526
Consultancy expense	639	—	396	250	—
Marketing expenses	954	1,407	1,116	718	448
Entertainment expense	135	341	449	190	160
Recruitment and training expense	464	391	386	108	473
Registration and licensing fees	184	235	316	143	317
Insurance expense	701	1,099	1,409	638	833
Others	253	225	1,310	240	281
<b>Total other expenses</b>	<u>7,739</u>	<u>10,843</u>	<u>22,252</u>	<u>5,756</u>	<u>10,909</u>

#### 20 Other gains/(losses) — net

	Year ended 31 December			Six months ended 30 June	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (Unaudited)	2007 HK\$'000
Gains on disposal of property, plant and equipment	—	130	69	—	—
Losses on disposal of property, plant and equipment	(1)	—	—	—	—
Gains on disposal of available-for-sale financial assets	—	—	67,954	—	28,656
Gains on other investments / financial assets at fair value through profit or loss	8,915	4,505	10,437	5,052	3,742
Losses on other investments / financial assets at fair value through profit or loss	(7,421)	(2,359)	(4,209)	(2,302)	(2,486)
Net foreign exchange gains/(losses)	(107)	(2,005)	6,348	222	882
<b>Total other gains/(losses) — net</b>	<u>1,386</u>	<u>271</u>	<u>80,599</u>	<u>2,972</u>	<u>30,794</u>

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 21 Tax expense

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Current tax — Hong Kong profits tax</b>					
Current year/period	34,501	50,500	184,515	21,949	62,219
Over-provision in prior years	(5,573)	(3,818)	(4,380)	—	—
<b>Total tax expense</b>	<u>28,928</u>	<u>46,682</u>	<u>180,135</u>	<u>21,949</u>	<u>62,219</u>

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

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Profit before tax</b>	<u>196,471</u>	<u>283,731</u>	<u>1,036,320</u>	<u>149,356</u>	<u>397,409</u>
Tax calculated at a tax rate of 17.5%	34,382	49,653	181,356	26,137	69,547
Income not subject to tax	(5,817)	(6,973)	(7,911)	(5,229)	(10,758)
Expenses not deductible for tax purposes	5,903	7,573	11,115	974	3,023
Utilisation of previously unrecognised tax losses	—	—	(271)	—	—
Tax losses for which no deferred tax asset was recognised	33	247	226	67	407
Over-provision in prior years	(5,573)	(3,818)	(4,380)	—	—
<b>Tax expense</b>	<u>28,928</u>	<u>46,682</u>	<u>180,135</u>	<u>21,949</u>	<u>62,219</u>

#### 22 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as disclosed in Note 1 above.

#### 23 Dividends

No dividend has been paid or declared by the Company since its incorporation. The dividends declared during the Relevant Periods represented the interim dividends declared by Value Partners Limited, a wholly-owned subsidiary of the Company, to its then shareholders prior to the Reorganisation. The rate of the dividends and the number of shares ranking for the dividends are not presented as such information is not considered meaningful for the purpose of this Financial Information.

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 24 Net cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (Unaudited)	2007 HK\$'000
Profit before tax	196,471	283,731	1,036,320	149,356	397,409
<b>Adjustments for</b>					
Interest income	(2,610)	(5,455)	(11,101)	(5,352)	(14,387)
Dividend income	(3,782)	(2,053)	(16,818)	(5,411)	(5,364)
Depreciation	1,292	1,691	2,637	1,029	1,959
Other (gains)/losses — net (excluding net foreign exchange gains/losses)	(1,493)	(2,276)	(74,251)	(2,750)	(29,912)
Share of profit of an associate	(125)	(188)	(3,514)	(3,724)	—
Share of (profit)/loss of joint ventures	—	1,002	2,138	559	(255)
<b>Changes in working capital</b>					
Increase in other assets	—	—	(1,500)	(1,500)	—
(Increase)/decrease in amounts due from an associate	328	(79)	—	(493)	—
(Increase)/decrease in fees receivable	368,870	(158,107)	(817,863)	176,634	679,365
(Increase)/decrease in prepayments and other receivables	1,562	293	(4,124)	(4,691)	(5,127)
Increase/(decrease) in accrued bonus	(87,789)	27,878	221,983	(40,196)	(208,539)
Increase/(decrease) in distribution fees payable	(8,425)	20,863	51,085	(26,187)	(64,596)
Increase/(decrease) in other payables and accrued expenses — unsecured	(6,183)	1,432	13,638	(3,458)	(13,531)
Decrease in amounts due to a joint venture	(3,602)	—	—	—	—
<b>Net cash generated from operations</b>	<u>454,514</u>	<u>168,732</u>	<u>398,630</u>	<u>233,816</u>	<u>737,022</u>

#### **Non-cash transactions**

The principal non-cash transaction was the purchase of its own Class A ordinary shares by Value Partners Limited in exchange for its interest in a joint venture as discussed in Note 14 above.



## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 25 Commitments

##### 25.1 Capital commitments

The Group had commitments in respect of purchase of interests in Development Partners Fund and Value Partners Strategic Equity Fund (classified as available-for-sale financial assets) which represent the portion of the committed capital not yet called for payment. Capital expenditure at 31 December 2004, 2005 and 2006 and 30 June 2007 but not yet incurred is as follows:

	At 31 December			At 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Contracted but not provided for</b>				
Available-for-sale financial assets	—	6,975	3,178	19,917

##### 25.2 Operating lease commitments

The Group leases various offices and office equipment under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December			At 30 June
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	1,458	1,602	9,131	9,117
Later than one year and not later than five years	1,943	895	14,864	10,559
<b>Total operating lease commitments</b>	<u>3,401</u>	<u>2,497</u>	<u>23,995</u>	<u>19,676</u>

#### 26 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.

##### 26.1 Contingent assets

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

As a result, at 31 December 2004, 2005 and 2006 and 30 June 2007, performance fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding year/period have not been recognised. These performance fees may be receivable in cash if a positive performance results on the performance fee valuation days, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 26 Contingencies (continued)

##### 26.2 Contingent liabilities

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

As a result, at 31 December 2004, 2005 and 2006 and 30 June 2007, the performance fee element of distribution fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding year/period 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.

#### 27 Business combinations

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

Details of net assets acquired and goodwill are as follows:

	HK\$'000
<b>Acquisition of 50% of the share capital of Value Partners Private Equity Limited on 15 September 2006</b>	
Purchase consideration — cash paid	3,776
Fair value of net assets acquired — shown as below	<u>(3,462)</u>
	<u>314</u>
<b>Acquisition of 10% of the share capital of Value Partners Private Equity Limited on 15 December 2006</b>	
Purchase consideration — cash paid	693
Carrying value of net assets acquired	<u>(614)</u>
	<u>79</u>
<b>Goodwill (Note 7)</b>	<u><u>393</u></u>

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

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 27 Business combinations (continued)

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

	Fair value	Acquiree's carrying amount
	HK\$'000	HK\$'000
Cash and cash equivalents	10,752	10,752
Property, plant and equipment (Note 6)	31	31
Available-for-sale financial assets (Note 10)	2,130	2,130
Receivables	1,599	1,599
Payables — unsecured	<u>(7,587)</u>	<u>(7,587)</u>
Net assets	6,925	<u>6,925</u>
Interest already held (40%) (Note 8)	(2,770)	
Minority interests (10%)	<u>(693)</u>	
<b>Net assets acquired</b>	<u>3,462</u>	
Cash and cash equivalents in a subsidiary acquired		10,752
Purchase consideration settled in cash		<u>(3,776)</u>
<b>Net cash inflow on acquisition</b>		<u>6,976</u>

There were no acquisitions of subsidiaries for each of the years ended 31 December 2004 and 2005 and the six months ended 30 June 2006 and 2007.

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 28 Related-party transactions

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

Apart from those disclosed in Notes 6, 7, 8, 9, 10, 14, 18.2, 24, 25.1 and 27 above in this report, the Group has also entered into the following significant related-party transactions which, in the opinion of the directors, were carried out in the ordinary and usual course of the Group's business.

#### 28.1 Key management compensation

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Salaries and other short-term employee benefits	65,320	91,943	313,267	6,302	8,481
Termination benefits	1,999	–	–	–	–
Other long-term benefits	73	90	96	48	48
<b>Total key management compensation</b>	<u>67,392</u>	<u>92,033</u>	<u>313,363</u>	<u>6,350</u>	<u>8,529</u>

## APPENDIX I ACCOUNTANT'S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 28 Related-party transactions (continued)

##### 28.2 Investments in own investment funds

At 31 December 2004, 2005 and 2006 and 30 June 2007, the Group had investments in the following investment funds (classified as investment securities / available-for-sale financial assets) under its management:

	2004		At 31 December 2005		2006		At 30 June 2007	
	Holding	Cost	Holding	Fair value	Holding	Fair value	Holding	Fair value
	HK\$'000		HK\$'000		HK\$'000		HK\$'000	
<b>Mutual funds / unit trusts</b>								
Development Partners Fund (a)	—	—	10,000	743	59,000	4,568	69,000	5,422
Manulife Global Fund — China Value Fund (b)	109,145	604	110,171	3,249	111,424	4,913	111,424	6,121
Value Partners China Greenchip Fund Limited (c)	200,000	2,000	200,000	3,970	200,000	6,030	200,000	8,580
Value Partners China Hedge Fund Limited (d)	250,000	19,475	250,000	21,138	74,024	8,634	74,024	10,637
Value Partners Classic Fund (e)	43,295	6,218	43,295	32,809	9,636	10,352	9,636	12,723
Value Partners High-Dividend Stocks Fund	200,000	15,580	202,038	37,579	40,025	10,047	40,025	12,633
Value Partners Intelligent Funds — China ABH Shares Fund (f)	35,000	2,727	35,000	10,299	19,744	10,860	19,744	14,988
Value Partners Intelligent Funds — Chinese Mainland Focus Fund	250,000	19,420	250,000	24,354	69,121	9,975	69,121	12,557
Value Partners Strategic Equity Fund (g)	—	—	—	—	—	—	1,000	8
Value Partners Strategic Equity Fund (a)	—	—	—	—	—	—	25,000	1,945
<b>Limited liability company / partnership</b>								
Value Partners Asia Fund, LLC		—		—		17,404		22,789
Value Partners Limited Partnership		2,940		22,820		31,212		—
<b>Total investments in own investment funds</b>		<u>68,964</u>		<u>156,961</u>		<u>113,995</u>		<u>108,403</u>

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

(b) The shares held were Class A shares.

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

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

(e) The units held were "A" units. Formerly Value Partners "A" Fund before 31 May 2005.

(f) Formerly Value Partners Intelligent Funds — China B and H Share Fund before 31 March 2005.

(g) The shares held were management shares.

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 28 Related-party transactions (continued)

##### 28.3 Amounts due from an associate / joint ventures / a shareholder

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

##### 28.4 Distribution fees to a related party of a shareholder of a subsidiary

The Group paid distribution fees which include rebates of management fee and performance fee income to a related party of Value Holdings, LLC, a shareholder of Value Partners Limited, in accordance with a Marketing Agreement signed in February 1999 for selling its products during the Relevant Periods as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Distribution fees to a related party of a shareholder of a subsidiary</b>	<u>2,350</u>	<u>2,740</u>	<u>458</u>	<u>308</u>	<u>—</u>

#### 29 Soft commission arrangements

The Group has entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making are received by the Group. The goods and services must be of demonstrable benefit to the investment funds under the Group's management and may include research and advisory services; economic and political analysis; portfolio analysis, including valuation and performance measurement; market analysis, data and quotation services; computer hardware and software incidental to the above goods and services; clearing and custodian services and investment-related publications.

#### 30 Events after the balance sheet date

##### 30.1 Change of share capital

1,000,000 ordinary shares of Sensible Asset Management Limited and 500,000 ordinary shares of Value Partners Private Equity Limited of US\$0.1 each were issued to Value Partners Limited, the then holding company, on 2 August 2007 for a total consideration of HK\$10,000,000 each.

Pursuant to a shareholders' resolution on 31 August 2007, the authorised share capital of Value Partners Hong Kong Limited was increased to 5,000,000 by the creation of 4,990,000 shares with a par value of HK\$1.0 per share. 4,990,000 ordinary shares of Value Partners Hong Kong Limited of HK\$1.0 each were issued to Value Partners Limited, its then holding company, on 31 August 2007 for a total consideration of HK\$4,990,000.

Pursuant to a sole shareholder's resolution on 24 October 2007, the authorised share capital of the Company was increased to 5,000,000,000 by the creation of 4,996,200,000 shares with a par value of HK\$0.1 per share. 1,599,999,999 ordinary shares of the Company of HK\$0.1 each were issued to the then shareholders of Value Partners Limited on 26 October 2007 in exchange for their interests in Value Partners Limited.

These shares were issued for working capital purpose and rank pari passu with the existing ordinary shares.

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## APPENDIX I ACCOUNTANT'S REPORT

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### II NOTES TO THE FINANCIAL INFORMATION

#### 30 Events after the balance sheet date (continued)

##### 30.2 Change of name

Middlestar Management Limited changed its name to China Development Principles Group Limited on 13 August 2007 pursuant to a sole shareholder's resolution.

##### 30.3 Dividends

A special dividend was proposed pursuant to a directors' resolution of Value Partners Limited on 25 October 2007. Such dividends are conditional upon the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited and the retained earnings of the Group at 31 December 2007. This Financial Information does not reflect these dividends.

##### 30.4 Disposal of joint ventures

On 26 October 2007, Value Partners Limited sold its interest in Development Partners Limited, a joint venture directly held by China Development Principles Group Limited, a subsidiary of Value Partners Limited, and two subsidiaries of Development Partners Limited, Development Partners (Cayman) Limited and Development Partners (Hong Kong) Limited, via the sale of the entire issued share capital of China Development Principles Group Limited pursuant to an Agreement dated 26 October 2007 for an immediate cash payment of US\$2,500 and other considerations determined in accordance with a Settlement Agreement dated 26 October 2007.

##### 30.5 Reorganisation

On 26 October 2007, the companies now comprising the Group underwent the Reorganisation in preparation for the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

### III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2007 and up to the date of this report. Save as disclosed in Note 30 of Section II above in this report, no dividend or other distribution has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2007.

Yours faithfully  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

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## APPENDIX II VALUER'S REPORT

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10th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

8 November 2007

The Directors  
Value Partners Group Limited  
14th Floor, Three Pacific Place  
No. 1 Queen's Road East  
Hong Kong

Dear Sirs,

### RE: PROPERTY VALUATION

In accordance with your instruction for us to value the properties in which Value Partners Group Limited and/or its subsidiaries (hereinafter together referred to as the "Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market values of these properties as at 30 September 2007 (the "date of valuation").

Our valuation of each property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

All the properties are rented by the Group in Hong Kong. They are considered to have no commercial value due mainly to the prohibitions against assignment or sub-letting or otherwise due to lack of substantial profit rents.

We have caused searches to be made at the relevant Land Registries in Hong Kong but we have not searched the original documents to ascertain ownership or to verify any lease amendments which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, identification of property, particulars of occupancy, floor areas and all other relevant matters.

Dimension, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Group and believe that no material facts have been omitted from the information supplied.



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## APPENDIX II VALUER'S REPORT

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We have inspected the exterior and, wherever possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. We have not been able to carry out on-site measurements to verify the floor areas of the properties and we have assumed that the areas shown on the copies of the documents handed to us are correct. No test was carried out on any of the services.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of any onerous nature which could affect their values.

We enclose herewith a summary of valuations and our valuation certificates for your attention.

Yours faithfully,  
for and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**K. B. Wong**  
*Registered Professional Surveyor*  
*(General Practice Division)*  
*M.R.I.C.S., M.H.K.I.S.*  
*Director*

*Note: Mr. K. B. Wong is a Registered Professional Surveyor who has over 23 years of experience in valuation of the properties in Hong Kong.*

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## APPENDIX II VALUER'S REPORT

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### SUMMARY OF VALUATIONS

<b>Property</b>	<b>Capital Value in existing state as at 30 September 2007 HK\$</b>
1. 14th Floor, Three Pacific Place, No. 1 Queen's Road East, Hong Kong	No commercial value
2. Workshop Unit 9 on 25th Floor, Corporation Park, No. 11 On Lai Street, Shatin, New Territories	No commercial value
	<hr/>
<b>Total:</b>	<u>No commercial value</u>

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## APPENDIX II VALUER'S REPORT

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### VALUATION CERTIFICATE

<b>Property</b>	<b>Description and tenancy particulars</b>	<b>Capital value in existing state as at 30 September 2007</b>
1. 14th Floor, Three Pacific Place, No. 1 Queen's Road East, Hong Kong	<p>The property comprises an office unit on the 14th floor of a 43-storey (including a 3-storey basement) commercial building completed in 2004.</p> <p>The property has a lettable area of approximately 1,393.53 sq.m. (15,000 sq.ft.) and is currently occupied by the Group for office use.</p> <p>The property is currently leased to the Group for a term of 3 years from 1 July 2006 to 30 June 2009 at a monthly rent of HK\$705,000 exclusive of rates, , management fees and air-conditioning charges.</p>	No commercial value
2. Workshop Unit 9 on 25th Floor, Corporation Park, No. 11 On Lai Street, Shatin, New Territories	<p>The property comprises an industrial unit on the 25th floor of a 26-storey industrial building completed in 1996.</p> <p>The property has a gross floor area of approximately 81.57 sq.m. (878 sq.ft.) and is currently partly vacant and partly occupied by the Group for storage of computer equipment uses.</p> <p>The property is currently leased to the Group for a term of 2 years from 28 March 2006 to 27 March 2008 at a monthly rent of HK\$7,902 exclusive of rates, Government rent, management fees, central chilled water charges and other outgoings.</p>	No commercial value

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## **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 November 2006 under the Companies Law. The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

### **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### **2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 24 October 2007. The following is a summary of certain provisions of the Articles:

#### **(a) Directors**

- (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

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### **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or

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### **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors

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### **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

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### **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.



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## **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting)

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### **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorized representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

### **(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

### **(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

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A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the Directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the Directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

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All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the Directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

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The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited

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as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof.

All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) **Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day

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appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

### **(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

### **(q) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the Directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.



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## **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) **Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

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### **(u) Front-end rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### **3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### **(a) Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

#### **(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

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## **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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### **(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

### **(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### **(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

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## **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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(f) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

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## **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 21 November, 2006.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**(n) Winding up**

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

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## **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

### **(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five (75) per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

### **(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety (90) per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

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## **APPENDIX III SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND OFFSHORE COMPANIES LAW**

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(q) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

#### **4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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## APPENDIX IV STATUTORY AND GENERAL INFORMATION

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### 1. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES

#### 1.1 Key Corporate History

The following is a brief description of key corporate developments of members of our Group.

##### ***Value Partners Limited***

###### *Shareholding changes*

VPL, was the first member of our Group to be incorporated. It was incorporated in October 1991 in the name of Kinsons Limited. In January 1993, VPL took its current name and in February 1993, Mr. Yeh V-Nee and Mr. Cheah Cheng Hye co-founded the Value Partners business with investments brought in during the year from various other passive investors. At the end of 1993, Mr. Yeh V-Nee and Mr. Cheah Cheng Hye held 23% and 14.5% interest in VPL, respectively.

In February 1995, Mr. Yeh V-Nee and Mr. Cheah Cheng Hye purchased all of the Shares in VPL held by the then passive shareholders of VPL, and in March 1995, they sold shares to Holding Capital Management, LLC, as a result of which transactions, each of Mr. Yeh V-Nee, Mr. Cheah Cheng Hye and Holding Capital Management, LLC held approximately 33.3%, 33.3% and 33.3%, respectively, of the issued share capital of VPL. In February 1996, Holding Capital Management, LLC transferred its entire holding of VPL shares to Value Holdings, LLC, a subsidiary of Holding Capital Management, LLC, and in March 1996, two shares in VPL were transferred by Mr. Cheah Cheng Hye to Mr. Daniel Levinson, a shareholder of Holding Capital Management, LLC and Value Holdings, LLC, so that after the transactions, Mr. Yeh V-Nee, Mr. Cheah Cheng Hye and Value Holdings, LLC each held approximately 33.3% of the issued share capital of VPL.

In 1997, as a result of repurchases of shares by VPL from Mr. Yeh V-Nee, Mr. Daniel Levinson and Value Holdings, LLC, and an issue and allotment of new shares to Mr. Yeh V-Nee, Mr. Cheah Cheng Hye and Value Holdings, LLC, the shareholding of Mr. Yeh V-Nee, Mr. Cheah Cheng Hye and Value Holdings, LLC in VPL became approximately 24.4%, 56.7% and 18.9%, respectively.

In June 1998, J.H. Whitney III, L.P. became a shareholder of VPL holding approximately 29.4% interest in VPL in Class B ordinary shares of VPL (through a purchase and subscription of shares). On completion of that transaction, Mr. Yeh V-Nee, Mr. Cheah Cheng Hye and Value Holdings, LLC held 21.1%, 33.2% and 16.3% interest, respectively, in VPL in Class A ordinary shares of VPL. Further information in respect of the Class A ordinary shares and Class B ordinary shares of VPL is set out in paragraph 1.6 "Changes in Share Capital of Subsidiaries" below.

As a result of the exercise of share options by Mr. David Kuohsien Chung, who was the CEO of VPL at the time, he held an aggregate 4.2% interest in VPL, in Class A ordinary shares of VPL by the end of 2003. These shares were transferred to VPL in February 2004 (and subsequently cancelled) as consideration for the transfer to Mr. David Kuohsien Chung by VPL of its entire holding of 50% of ASM (see below).

In June 2005, new Class A ordinary shares in VPL were issued and allotted for cash to Mr. Cheah Cheng Hye, Mr. Choi Nga Chung, Mr. Ho Man Kei, Ms. Hung Yeuk Yan Renee, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki and Ms. Woo Lai Nga. In 2006, they, and Ms. Chau Yee Man, also purchased for cash certain Class A ordinary shares and Class B ordinary shares in VPL from Value Holdings, LLC and J.H. Whitney III, L.P., and subsequently Mr. Cheah Cheng Hye, Mr. Choi Nga Chung, Mr. Ho Man Kei, Ms. Hung Yeuk Yan Renee, Mr. Ngan Wai Wah and Mr. So, Louis Chun Ki sold certain of their Class A ordinary shares to Mr. Yeh V-Nee for cash. In April 2007, Ms. Hung Yeuk Yan Renee entered into an agreement to transfer all her shares in VPL to Bright Starlight



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## APPENDIX IV STATUTORY AND GENERAL INFORMATION

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Limited, a company wholly-owned by Hang Seng Bank Trustee International Limited and as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. Hung Yeuk Yan Renee. The transfer was registered in August 2007. Further particulars of the 2005 and 2006 transactions are set out in paragraph 1.6 headed "Changes in Share Capital of Subsidiaries" below. After completion of all of the above transactions and prior to the Reorganization, VPL was held as to approximately 35.65%, 18.28%, 10.97%, 3.60%, 3.60%, 2.52%, 1.92%, 2.52%, 1.08%, 0.04% and 19.80% by Mr. Cheah Cheng Hye, Mr. Yeh V-Nee, Value Holdings, LLC, Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga, Ms. Chau Yee Man and J.H. Whitney III, L.P. in a combination of Class A ordinary shares and Class B ordinary shares.

As part of the Reorganization, the entire issued share capital of VPL was transferred to the Company, further information relating to which is set out in paragraph 1.5 headed "Reorganization" below.

### *Key corporate developments*

Until completion of the Reorganization, VPL was the holding company of the Value Partners group of companies. In addition to the establishment of VPPE and SAM, which are all our subsidiaries, VPL had also invested in the following companies:

- In August 1998, VPL purchased 50% shares in TPL, the then holding company of TAM, a company incorporated in Singapore, which engaged in the provision of investment advisory and management business in Singapore from Mr. Teng Ngiek Lian ("Mr. Teng"), an independent third party who then wholly-owned TPL. TPL was to be operated as a 50:50 joint venture company between VPL and Mr. Teng, so that it and its subsidiaries are primarily to focus in all ASEAN countries, Australia, New Zealand, India, Pakistan and Sri Lanka. In May 2001, VPL disposed of part of its interests in TPL (retaining a residual 10% shareholding interest) to Mr. Teng for cash. In 2004, pursuant to a restructuring exercise, TPL was dissolved and VPL's shareholding in TPL was exchanged for a 10% shareholding in TAM. In December, 2006, VPL disposed of a further 2.5% shareholding in TAM to Mr. Teng for cash. VPL now holds a 7.5% shareholding in TAM. The shares held by VPL are subject to put and call options (for the transfer of shares at the latest book net tangible assets of TAM) between VPL and Mr. Teng.
- In April 2002, VPL and an independent third party co-invested in ASM, a company incorporated in the BVI to engage in investment management activities in Hong Kong. VPL then held 50% of the issued share capital of ASM. In February, 2004, VPL disposed of its entire interests in ASM to Mr. David Kuohsien Chung (see the sub-paragraph headed "Shareholding changes" above) in consideration of the transfer by Mr. Chung to VPL of his entire 4.2% shareholding in VPL.

### **VPPE**

In 1998, VPL co-invested with Mr. Yeh V-Nee in VPPE for the purposes of engaging in private equity management business, at which time Mr. Yeh V-Nee held 60% and VPL held 40% of the issued share capital of VPPE. On 15 September 2006, VPL acquired 3,250,000 shares of US\$0.10 each in the capital of VPPE representing 50% of the issued share capital of VPPE from Mr. Yeh V-Nee for a cash consideration of HK\$3,776,604. Subsequently, on 15 December 2006, VPL acquired the remaining 10% of 650,000 shares of US\$0.10 each in the capital of VPPE for a cash consideration of HK\$692,512, and VPPE became our wholly-owned subsidiary.

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## APPENDIX IV STATUTORY AND GENERAL INFORMATION

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### **SAM**

SAM was established in March 2000 as a wholly-owned subsidiary of VPL. In May 2000, in anticipation of using SAM as a 50:50 joint venture company through which Value Partners Asia Limited (then a subsidiary of VPL) and by an independent third party financial services provider, to engage in fund management and agency and sale of unit trusts, pension funds and mandatory provident funds. However, that joint venture arrangement did not proceed and through a forfeiture of then existing shares and issue of new shares in 2001, SAM came to be wholly-owned again by VPL. Value Partners Asia Limited was formed as a joint venture company then owned as to 80% by VPL and as to 20% by Mr. Teng Ngiek Lian (the controlling shareholder of TAM) and since the joint venture arrangement referred to above did not proceed, its shares were forfeited and the company ceased to exist in early 2002.

### **1.2 Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 10 November 2006 under the name "Value Partners Capital Limited". On 8 January 2007, it changed its name to "Value Partners Co. Ltd. 惠理有限公司" and on 23 January 2007, further changed its name to "Value Partners Group Limited 惠理集團有限公司". The Company has established a place of business in Hong Kong at Level 14, Three Pacific Place, 1 Queen's Road East, Hong Kong and is registered in Hong Kong under Part XI of the Companies Ordinance, with Mr. Ngan Wai Wah and Mr. Law Ka Kin being appointed as the authorized representatives of the Company to accept service of legal process and notices in Hong Kong on behalf of the Company. The address for service of legal process and notices in Hong Kong is Level 14, Three Pacific Place, 1 Queen's Road East, Hong Kong. As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law of the Cayman Islands and to its constitution. Its constitution comprises the Memorandum and Articles of Association. A summary of various parts of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

### **1.3 Changes in Share Capital of the Company**

The following changes in the share capital of the Company have taken place since the date of its incorporation up to the date of this prospectus:

- (a) As at the date of incorporation of the Company on 10 November 2006, its authorized share capital was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. One share of the Company was issued nil paid to Mr. Cheah Cheng Hye and was subsequently transferred to CCML on 18 October 2007.
- (b) Pursuant to written resolutions of the sole shareholder of the Company passed on 24 October 2007, the following matters were approved:
  - (i) the authorized share capital of the Company was increased from HK\$380,000 to HK\$500,000,000 by the creation of an additional 4,996,200,000 Shares to rank pari passu in all respects with the Shares then in issue;

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## APPENDIX IV STATUTORY AND GENERAL INFORMATION

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- (ii) the one nil-paid share in the Company issued to Mr. Cheah Cheng Hye and transferred to CCML was paid up in full at par and Shares of HK\$0.10 each were allotted and issued to the persons and in the numbers set out below, credited as fully paid up in consideration of Mr. Cheah Cheng Hye, Mr. Yeh V-Nee, Value Holdings, LLC, J.H. Whitney III, L.P., Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga and Ms. Chau Yee Man transferring their interests in VPL to the Company.

Name of shareholder	Number of shares issued by the Company
CCML	570,468,483 Shares
Mr. Yeh V-Nee	292,523,324 Shares
Value Holdings, LLC	175,470,060 Shares
J. H. Whitney III, L.P.	316,863,482 Shares
Mr. Choi Nga Chung	57,655,209 Shares
Mr. Ho Man Kei	57,655,209 Shares
Bright Starlight Limited	40,358,583 Shares
Mr. Ngan Wai Wah	30,690,691 Shares
Mr. So, Louis Chun Ki	40,358,583 Shares
Ms. Woo Lai Nga	17,336,984 Shares
Ms. Chau Yee Man	619,391 Shares

As at the Latest Practicable Date, the issued share capital of the Company was held as follows:

Name of shareholder	Number of shares issued by the Company
CCML	570,468,484 Shares
Mr. Yeh V-Nee	292,523,324 Shares
Value Holdings, LLC	175,470,060 Shares
J. H. Whitney III, L.P.	316,863,482 Shares
Mr. Choi Nga Chung	57,655,209 Shares
Mr. Ho Man Kei	57,655,209 Shares
Bright Starlight Limited	40,358,583 Shares
Mr. Ngan Wai Wah	30,690,691 Shares
Mr. So, Louis Chun Ki	40,358,583 Shares
Ms. Woo Lai Nga	17,336,984 Shares
Ms. Chau Yee Man	619,391 Shares

Assuming that the Global Offering becomes unconditional but taking no account of any Shares which may fall to be issued pursuant to options which may be granted under the Share Option Scheme and the Pre-IPO Share Option granted to Mr. Law Ka Kin, the authorized share capital of the Company will be HK\$500,000,000 divided into 5,000,000,000 Shares and the issued share capital of the Company will be HK\$160,000,000 divided into 1,600,000,000 Shares, each of which will be fully paid or credited as fully paid, and 3,400,000,000 Shares will remain unissued. Other than Shares which may fall to be issued pursuant to options granted under the Share Option Scheme and the Pre-IPO Share Option granted to Mr. Law Ka Kin, the Directors have no present intention to issue any part of the authorized but unissued share capital of the Company and, no issue of Shares will be made which would effectively alter the control of the Company within 12 months from the Listing Date.

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## APPENDIX IV STATUTORY AND GENERAL INFORMATION

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Save as aforesaid and except as referred to below in the paragraph headed "Reorganization" in this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

### 1.4 Written Resolutions of the Sole Shareholder

Pursuant to written resolutions of the sole Shareholder passed on 24 October 2007:

- (a) the authorized share capital of the Company was increased from HK\$380,000 to HK\$500,000,000 by the creation of an additional 4,996,200,000 Shares to rank pari passu in all respects with the Shares then in issue;
- (b) the terms of the share sale agreement between Mr. Cheah Cheng Hye, Mr. Yeh V-Nee, Value Holdings, LLC, J.H. Whitney III, L.P., Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga and Ms. Chau Yee Man as vendors; the Company as purchaser, and Ms. Hung Yeuk Yan Renee and CCML pursuant to which the Company will purchase (a) 5,169,779, 2,797,762, 1,678,237, 417,835, 417,835, 292,484, 215,196, 292,484, 125,736 and 2,111 Class A ordinary shares of US\$0.10 each in VPL from Mr. Cheah Cheng Hye, Mr. Yeh V-Nee, Value Holdings, LLC, Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga and Ms. Chau Yee Man and (b) 286,316, 133,593, 133,593, 93,515, 78,337, 93,515, 40,079, 3,813 and 3,030,557 Class B ordinary shares of US\$0.10 each from Mr. Cheah Cheng Hye, Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga, Ms. Chau Yee Man and J.H. Whitney III, L.P., representing the entire issued share capital of VPL, in consideration of the allotment and issue by the Company of 292,523,324, 570,468,483, 175,470,060, 316,863,482, 57,655,209, 57,655,209, 40,358,583, 30,690,691, 40,358,583, 17,336,984 and 619,391 Shares, credited as fully paid, respectively to Mr. Yeh V-Nee, CCML (at the direction of Mr. Cheah Cheng Hye), Value Holdings, LLC, J.H. Whitney III, L.P., Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga and Ms. Chau Yee Man and crediting as fully paid at par the one nil paid Share in the Company registered in the name of CCML, were approved;
- (c) conditional upon all the conditions set out in the paragraph headed "Conditions of the Hong Kong Public Offering" in the "Structure of the Global Offering" section being fulfilled:
  - (1) the Global Offering was approved and the Directors were authorized to determine the Offer Price for, and to approve transfer of the Offer Shares, pursuant to the Global Offering on and subject to the terms and conditions stated herein and in the relevant application forms;
  - (2) the Over-allocation Option was noted and the Directors were authorized to approve the transfer of Shares pursuant to the exercise of the Over-allocation Option;
  - (3) conditional further on the Listing Committee of the Hong Kong Stock Exchange granting approval of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of any options granted under the Share Option Scheme, the rules of the Share Option Scheme were approved and adopted and the Directors were authorized to make such further changes to the Share Option Scheme as may be required by the Hong Kong Stock Exchange and which they deem necessary and/or desirable and to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted thereunder and to take all such actions as they consider necessary and/or desirable to implement or give effect to the Share Option Scheme.

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## APPENDIX IV STATUTORY AND GENERAL INFORMATION

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- (4) conditional on the Listing Committee of the Hong Kong Stock Exchange granting approval of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the option granted under the share option agreement with Mr. Law Ka Kin (the "Share Option Agreement"), the Share Option Agreement was approved and the Directors were authorized to make such further changes to the share option agreement as they deem necessary and to execute the Share Option Agreement for and on behalf of the Company and to allot, issue and deal with Shares pursuant to the exercise of the option granted thereunder and to take all such actions as they consider necessary and/or desirable to implement or give effect to the Share Option Agreement.
- (d) conditional upon all the conditions set out in the paragraph headed "Conditions of the Hong Kong Public Offering" in the "Structure of the Global Offering" section being fulfilled, a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with the Shares or securities convertible into Shares and to make an offer or agreement or to grant an option which would or might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme or an allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering;
- (e) conditional upon all the conditions set out in the paragraph headed "Conditions of the Hong Kong Public Offering" in the "Structure of the Global Offering" section being fulfilled, a general unconditional mandate was given to the Directors to exercise all the powers of the Company to purchase its own Shares on the Hong Kong Stock Exchange or on any other Hong Kong Stock Exchange on which the securities of the Company may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering;
- (f) conditional upon all the conditions set out in the paragraph headed "Conditions of the Hong Kong Public Offering" in the "Structure of the Global Offering" section being fulfilled, the general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of Shares which may be allotted and issued or agreed to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by the Company pursuant to the mandate to purchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering; and
- (g) the Company adopted the Articles of Association.

Each of the general mandates referred to in paragraphs (d) and (e) above will remain in effect until whichever is the earliest of: (1) the conclusion of the next annual general meeting of the Company; (2) the expiration of the period within which the next annual general meeting of the Company is required to be held by Cayman Islands law or the Articles of Association; or (3) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

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### 1.5 Reorganization

As part of the Reorganization, the following events took place:

- (a) On 10 November 2006, the Company was incorporated in the Cayman Islands with an authorized share capital of HK\$380,000 comprising of 3,800,000 shares of HK\$0.10 each.
- (b) On incorporation, one Share was issued nil-paid to Mr. Cheah Cheng Hye. That Share was transferred on 18 October 2007 for nil-consideration to CCML.
- (c) On 26 October 2007, the Company acquired (a) 5,169,779, 2,797,762, 1,678,237, 417,835, 417,835, 292,484, 215,196, 292,484, 125,736 and 2,111 Class A ordinary shares of US\$0.10 each in VPL from Mr. Cheah Cheng Hye, Mr. Yeh V-Nee, Value Holdings, LLC, Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga and Ms. Chau Yee Man and (b) 286,316, 133,593, 133,593, 93,515, 78,337, 93,515, 40,079, 3,813 and 3,030,557 Class B ordinary shares of US\$0.10 each from Mr. Cheah Cheng Hye, Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga, Ms. Chau Yee Man and J.H. Whitney III, L.P., representing the entire issued share capital of VPL, in consideration of the allotment and issue by the Company of 292,523,324, 570,468,483, 175,470,060, 316,863,482, 57,655,209, 57,655,209, 40,358,583, 30,690,691, 40,358,583, 17,336,984 and 619,391 Shares, credited as fully paid, respectively to Mr. Yeh V-Nee, CCML, Value Holdings, LLC, J.H. Whitney III, L.P., Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga and Ms. Chau Yee Man and paying up in full at par the one nil paid Share in the Company registered in the name of CCML.
- (d) On 29 October 2007, the Company acquired from VPL, for aggregate cash consideration of HK\$48,077,682.18:
  - (i) 7,000,000 shares in VPPE (representing 100% of its issued share capital);
  - (ii) 2,000,000 shares in SAM (representing 100% of its issued share capital);
  - (iii) 2 shares in Valuegate Holdings Limited (representing 100% of its issued share capital);
  - (iv) 1 share in Value Partners (Cayman GP) Limited (representing 100% of its issued share capital);
  - (v) 1 share in Value Partners (Cayman GP) II Ltd (representing 100% of its issued share capital);
  - (vi) 5,000,000 shares in Value Partners Hong Kong Limited (representing 100% of its issued share capital);
  - (vii) 1 share in Middle Star Capital Limited (representing 100% of its issued share capital);
  - (viii) 1 share in Value Funds Limited (representing 100% of its issued share capital);
  - (ix) 1 share in Hongkong Investment Management Limited (representing 100% of its total issued share capital); and
  - (x) 1 share in Hongkong Fund Management Limited (representing 100% of its total issued share capital).

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## APPENDIX IV STATUTORY AND GENERAL INFORMATION

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### 1.6 Changes in Share Capital of Subsidiaries

The Company's subsidiaries are referred to in the accountant's report, the text of which is set out in Appendix I to this prospectus, and are set out in paragraph 1 headed "Introduction to Value Partners" in the "Our Business" section.

In addition to those disclosed above in the paragraph headed "Reorganization" in this Appendix, the following alterations in the share capital of the Company's subsidiaries (including Value Partners Strategic Equity Fund (a subsidiary for the purposes of the Listing Rules)) have taken place within the two years preceding the date of this prospectus:

#### VPL

- (a) On 31 October 2006, an aggregate of 477,763 Class A ordinary shares of US\$0.10 each in the capital of VPL were transferred from Value Holdings, LLC to the following persons for an aggregate cash consideration of US\$1,249,636.91:

Mr. Cheah Cheng Hye	158,551 Class A ordinary shares
Mr. Choi Nga Chung	73,979 Class A ordinary shares
Mr. Ho Man Kei	73,979 Class A ordinary shares
Ms. Hung Yeuk Yan Renee	51,785 Class A ordinary shares
Mr. Ngan Wai Wah	43,380 Class A ordinary shares
Mr. So, Louis Chun Ki	51,785 Class A ordinary shares
Ms. Woo Lai Nga	22,193 Class A ordinary shares
Ms. Chau Yee Man	2,111 Class A ordinary shares

- (b) On 31 October 2006, an aggregate of 862,761 Class B ordinary shares of US\$0.10 each in the capital of VPL were transferred from J.H. Whitney III, L.P. to the following persons for an aggregate cash consideration of US\$2,256,637.66:

Mr. Cheah Cheng Hye	286,316 Class B ordinary shares
Mr. Choi Nga Chung	133,593 Class B ordinary shares
Mr. Ho Man Kei	133,593 Class B ordinary shares
Ms. Hung Yeuk Yan Renee	93,515 Class B ordinary shares
Mr. Ngan Wai Wah	78,337 Class B ordinary shares
Mr. So, Louis Chun Ki	93,515 Class B ordinary shares
Ms. Woo Lai Nga	40,079 Class B ordinary shares
Ms. Chau Yee Man	3,813 Class B ordinary shares

- (c) On 15 December 2006, an aggregate of 7,898 Class A ordinary shares of US\$0.10 each in the capital of VPL were transferred from the following persons for an aggregate cash consideration of HK\$314,103.46 to Mr. Yeh V-Nee:

Mr. Cheah Cheng Hye	2,762 Class A ordinary shares
Mr. Choi Nga Chung	1,288 Class A ordinary shares
Mr. Ho Man Kei	1,288 Class A ordinary shares
Ms. Hung Yeuk Yan Renee	902 Class A ordinary shares
Mr. Ngan Wai Wah	756 Class A ordinary shares
Mr. So, Louis Chun Ki	902 Class A ordinary shares

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- (d) On 26 April 2007, Ms. Hung Yeuk Yan Renee entered into an agreement to transfer all her 292,484 Class A ordinary shares and 93,515 Class B ordinary shares in the capital of VPL to Bright Starlight Limited, a company wholly-owned by Scenery Investments Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited and as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. Hung Yeuk Yan Renee. The transfer was registered in August 2007.

The designations, powers and preferences of the Class A ordinary shares and the Class B ordinary shares of VPL are summarized as follows:

(a) *Voting*

The holders of the Class A ordinary shares and Class B ordinary shares have the same rights with regard to voting. For the purposes of voting on all matters submitted to a vote of members of the Company, they are to be treated as one class of shares.

(b) *Dividends*

Except in connection with a liquidation, the holders of the Class A ordinary shares and the Class B ordinary shares have the same rights with regard to dividends.

(c) *In the event of a liquidation*

In the event of a liquidation, no distribution is to be made to the holders of the Class A ordinary shares, unless, prior to any such distribution, the holders of the Class B ordinary shares have received in cash, out of the funds of VPL available for distribution to its shareholders (after satisfaction of indebtedness and other liabilities) an amount in cash equal to the liquidation value for each Class B ordinary share held by such holders. For this purpose, the liquidation value is to be calculated by reference to a pre-determined purchase price of US\$1.93 per share and a rate of required return calculated based on the pre-determined purchase price.

### **VPPE**

- (a) On 15 September 2006, 3,250,000 shares of US\$0.10 each in the capital of VPPE were transferred from Mr. Yeh V-Nee to VPL for a cash consideration of HK\$3,776,604.
- (b) On 15 December 2006, 650,000 shares of US\$0.10 each in the capital of VPPE were transferred from Mr. Yeh V-Nee to VPL for a cash consideration of HK\$692,512.
- (c) On 2 August 2007, 500,000 shares of US\$0.10 each in the capital of VPPE have been issued and allotted to VPL for a cash consideration of HK\$10,000,000.

### **SAM**

On 10 August 2007, 1,000,000 shares of US\$0.10 each in the capital of SAM have been issued and allotted to VPL for a cash consideration of HK\$10,000,000.

### **Value Partners Hong Kong Limited**

On 31 August 2007, the authorized share capital of Value Partners Hong Kong Limited was increased to 5,000,000 by the creation of 4,990,000 shares of HK\$1.00 each. On the same day, 4,990,000 shares of HK\$1.00 each in the capital of Value Partners Hong Kong Limited have been issued and allotted to VPL for a cash consideration of HK\$4,990,000.



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### **Value Partners Strategic Equity Fund**

- (a) On 12 March 2007, 1,000 full voting management shares of US\$1.00 each in Value Partners Strategic Equity Fund have been issued to VPPE.
- (b) On 29 June 2007, an aggregate of 4,548,500 non-voting shares in Value Partners Strategic Equity Fund were issued to the following parties for an aggregate cash consideration of US\$45,485,000:

Mr. Cheah Cheng Hye	100,000 non-voting shares
Mr. Choi Nga Chung	10,000 non-voting shares
Mr. Ho Man Kei	6,000 non-voting shares
Ms. Hung Yeuk Yan Renee	10,000 non-voting shares
Mr. Ngan Wai Wah	12,500 non-voting shares
Stenying Holdings Limited (Note)	50,000 non-voting shares
VPL and other independent third parties	4,360,000 non-voting shares

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Note: Stenying Holdings Limited is wholly-owned 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) On 28 September 2007, an aggregate of 7,667,000 non-voting shares in Value Partners Strategic Equity Fund were issued to the following parties for an aggregate cash consideration of US\$76,670,000:

Mr. Ngan Wai Wah	12,500 non-voting shares
Independent third parties	7,654,500 non-voting shares

- (d) On 9 October 2007, an aggregate of 1,657,300 non-voting shares in Value Partners Strategic Equity Fund were issued to independent third parties for an aggregate cash consideration of US\$16,573,000.

- (e) On 17 October 2007, an aggregate of 1,132,000 non-voting shares in Value Partners Strategic Equity Fund were issued to the following parties for an aggregate cash consideration of US\$11,320,000:

Mr. Ho Man Kei	4,000 non-voting shares
Independent third parties	1,128,000 non-voting shares

The designations, powers and preferences of full voting management shares and non-voting shares of Value Partners Strategic Equity Fund are summarized as follows:

- (a) *Voting*

The holders of full voting management shares have full voting rights at general meetings whilst the holders of non-voting shares do not have any voting rights except in respect of a modification of share rights attaching to the non-voting shares and to consider the extension of the life of Value Partners Strategic Equity Fund. The initial period of the life of Value Partners Strategic Equity Fund is 5 years from 29 June 2007, which is subject to an extension of a further 2 years, and subsequently for one further year if approved by the holders of the non-voting shares of Value Partners Strategic Equity Fund.

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(b) *Dividends and distributions*

The non-voting shares carry rights to dividends which may only be declared or paid from funds lawfully available for distribution and not from surpluses arising from revaluation of investments. The voting management shares do not carry any right to dividend except for voting management shares special dividend which is payable upon a divestment of an investment of Value Partners Strategic Equity Fund and no reinvestment of the proceeds of such divestment has been exercised by the fund manager. The payment of the voting management shares special dividend ranks after a return of committed capital in respect of the investment to the holders of the non-voting shares.

(c) *In the event of a liquidation*

The non-voting shares carry a right to a return of the capital paid up and the right to share in any surplus assets remaining after the return of the capital paid up on the non-voting shares and the special dividend in relation to the voting management shares special dividend. The voting management shares special dividend is payable as a preferential right of the voting management shares in priority to any return of capital or profits on the non-voting shares upon the winding up of Value Partners Strategic Equity Fund.

### **Value Partners (Cayman GP) II Ltd**

On 7 June 2006, one subscriber share of US\$1.00 in the capital of Value Partners (Cayman GP) II Ltd was transferred to VPL for cash at par.

Save as disclosed above, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

## **2. PURCHASE BY THE COMPANY OF ITS OWN SECURITIES**

This section includes the information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the purchase by the Company of its own securities.

### **2.1 Provisions of the Listing Rules**

The Listing Rules permit companies whose primary listing is on the Hong Kong Stock Exchange to purchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(1) *Shareholders' Approval*

The Listing Rules provide that all purchases of securities on the Hong Kong Stock Exchange by a company with its primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

(2) *Source of Funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. A listed company may not purchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time. Any purchases by the Company may be made out of profits or out of an issue of new shares made for the purpose of the

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purchase or, if authorized by its articles of association and subject to the provisions of the Companies Law, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of the share premium account of the Company or, if authorized by its articles of association and subject to the provisions of the Companies Law, out of capital.

The Directors do not propose to exercise the purchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

However, there might be a material adverse impact on the working capital requirements of the Company as set out in this prospectus in the event that the purchase mandate is exercised in full.

### (3) *Status of Purchased Securities*

The listing of all purchased securities (whether on the Hong Kong Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's purchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the purchased shares accordingly although the authorized share capital of the company will not be reduced.

### (4) *Connected Parties*

The Listing Rules prohibit a company from knowingly purchasing securities on the Hong Kong Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the company.

## 2.2 **Reasons for Purchases**

The Directors believe that it is in the best interests of the Company and its shareholders for the Directors to have a general authority from shareholders to enable the Company to purchase Shares on the market.

Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such purchases will benefit the Company and its shareholders.

## 2.3 **Exercise of the Purchase Mandate**

Exercise in full of the purchase mandate on the basis of 1,600,000,000 Shares in issue immediately after completion of the Global Offering (assuming no options are granted under the Share Option Scheme) could accordingly result in up to 160,000,000 Shares being purchased by the Company during the period prior to (1) the conclusion of the next annual general meeting of the Company; (2) the expiration of the period within which the next annual general meeting of the Company is required by the Cayman Islands law or the Articles of Association to be held; or (3) the revocation or variation of the purchase mandate by ordinary resolution of Shareholders in a general meeting, whichever occurs first.

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### 2.4 General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company or its subsidiaries if the purchase mandate is exercised.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the purchase mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If as a result of a purchase of Shares, a shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a shareholder or a Group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Immediately following completion of the Global Offering, taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme and the share option to Mr. Law Ka Kin, CCML is interested in 35.65%. In the event that the purchase mandate is exercised to the extent that the shareholding of CCML will be increased by more than 2%, CCML may be required to make a mandatory offer in accordance with Rule 26 of the Code.

However, the Directors do not have an intention to exercise the purchase mandate to the extent that will trigger a mandatory offer obligation of CCML.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company, nor has he undertaken not to do so if the purchase mandate is exercised.

## 3. FURTHER INFORMATION ABOUT THE BUSINESS

### 3.1 Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) a sale and purchase agreement dated 23 August 2006 in respect of the sale by Mr. Yeh V-Nee of 3,250,000 shares of US\$0.10 each in the capital of VPPE to VPL for a cash consideration equivalent to the net asset value of VPPE as at 30 June 2006 subject to adjustment;
- (b) a share sale and purchase agreement dated 15 November 2006 in respect of the sale by VPL of 12,500 shares (the "Sale Shares") (representing 2.5% issued share capital) in the capital of TAM to Mr. Teng Ngiek Lian for a cash consideration equivalent to the net tangible asset value of the Sale Shares pursuant to the management accounts of TAM as at 30 November 2006;
- (c) a sale and purchase agreement dated 30 November 2006 in respect of the sale by Mr. Yeh V-Nee of 650,000 shares of US\$0.10 each in the capital of VPPE to VPL for a cash consideration of HK\$692,512;

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- (d) a supplemental agreement dated 30 November 2006 between Mr. Yeh V-Nee and VPL to supplement the sale and purchase agreement between them in relation to 3,250,000 shares of VPPE dated 23 August 2006;
- (e) a share sale agreement dated 26 October 2007 entered into between Mr. Cheah Cheng Hye, Mr. Yeh V-Nee, Value Holdings, LLC, J.H. Whitney III, L.P., Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga and Ms. Chau Yee Man as vendors; the Company as purchaser, and Ms. Hung Yeuk Yan Renee and CCML, in respect of the purchase by the Company of (a) 5,169,779, 2,797,762, 1,678,237, 417,835, 417,835, 292,484, 215,196, 292,484, 125,736 and 2,111 Class A ordinary shares of US\$0.10 each in VPL from Mr. Cheah Cheng Hye, Mr. Yeh V-Nee, Value Holdings, LLC, Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga and Ms. Chau Yee Man and (b) 286,316, 133,593, 133,593, 93,515, 78,337, 93,515, 40,079, 3,813 and 3,030,557 Class B ordinary shares of US\$0.10 each from Mr. Cheah Cheng Hye, Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga, Ms. Chau Yee Man and J.H. Whitney III, L.P., representing the entire issued share capital of VPL, in consideration of the allotment and issue by the Company of 292,523,324, 570,468,483, 175,470,060, 316,863,482, 57,655,209, 57,655,209, 40,358,583, 30,690,691, 40,358,583, 17,336,984 and 619,391 Shares, credited as fully paid, respectively to Mr. Yeh V-Nee, CCML, Value Holdings, LLC, J.H. Whitney III, L.P., Mr. Choi Nga Chung, Mr. Ho Man Kei, Bright Starlight Limited, Mr. Ngan Wai Wah, Mr. So, Louis Chun Ki, Ms. Woo Lai Nga and Ms. Chau Yee Man and crediting as fully paid at par the one nil paid Share in the Company registered in the name of CCML;
- (f) a sale and purchase agreement dated 29 October 2007 between the Company and VPL in respect of the acquisition by the Company from VPL the entire issued share capital of (i) VPPE, (ii) SAM, (iii) Valuegate Holdings Limited, (iv) Value Partners (Cayman GP) Limited, (v) Value Partners (Cayman GP) II Ltd, (vi) Value Partners Hong Kong Limited, (vii) Middle Star Capital Limited, (viii) Value Funds Limited, (ix) Hongkong Investment Management Limited, and (x) Hongkong Fund Management Limited for a total consideration of HK\$48,077,682.18;
- (g) a deed of non-competition undertaking dated 2 November 2007 between the Company and Mr. Cheah Cheng Hye;
- (h) a deed of indemnity dated 5 November 2007 given by Mr. Cheah Cheng Hye, Mr. Yeh V-Nee, Value Holdings, LLC and J.H. Whitney III, L.P. in favour of the Group containing, among other things, indemnities, as referred to in the paragraph headed "Estate Duty and Tax Indemnity" in this Appendix;
- (i) a sale and purchase agreement dated 26 October 2007 in respect of the sale by VPL of the entire issued share capital of China Development Principles Group Limited to Mr. Wang Qi and Mr. Mark Kooijman, which disposed of VPL's 60% interest in DPL, for a consideration of US\$2,500. The sale and purchase was completed on 26 October 2007;
- (j) an option agreement dated 29 October 2007 between the Company and Mr. Law Ka Kin pursuant to which the Company granted to Mr. Law Ka Kin an option to subscribe for 525,000 new Shares at the Offer Price exercisable for a period of 6 months after the expiry of the first six months after the Listing Date, for a consideration of HK\$1.00;
- (k) the Hong Kong Underwriting Agreement; and
- (l) the Strategic Investment Agreement.

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### 4. INTELLECTUAL PROPERTY OF THE GROUP

As at the Latest Practicable Date, the following intellectual property rights were material to the Group's business:

#### 4.1 Trademarks

Trademark	Country of Registration	Class	Registration Number	Registration Date	Expiry Date
<u>Value Partners</u>	Hong Kong	36	1996B06451	3 January 1994	3 January 2015
<u>Value Partners</u>	Hong Kong	36	1998B02850	23 May 1996	23 May 2013
惠理	Hong Kong	36	300658891	14 June 2006	13 June 2016
(A) 盛寶資產管理 (B) 盛宝资产管理	Hong Kong	36	300679168	13 July 2006	12 July 2016
<u>Value Partners</u> <i>Learning through discipline</i>	Hong Kong	36	300758566	10 November 2006	9 November 2016
(A)  (B) 	Hong Kong	36	300844010	30 March 2007	29 March 2017
<u>Value Partners</u> <i>Learning through discipline</i>	Singapore	36	T9712061B	1 October 1997	1 October 2017

As at the Latest Practicable Date, the Group has filed applications for the following trademarks:

Name	Class	Place of Application	Application Date	Application Number
惠理	36	PRC	18 July 2006	5487170
	36	Japan	2 May 2007	2007-044457
	36	Macau	21 May 2007	N/28941
	36	Malaysia	27 April 2007	7007409
	36	Singapore	27 April 2007	T07/09044A
	36	Taiwan	30 April 2007	96019841
<b>Sensible Asset Management</b>	36	PRC	17 July 2006	5485260
盛宝资产管理	36	PRC	17 July 2006	5485261
盛寶資產管理	36	Japan	2 May 2007	2007-044458
	36	Macau	21 May 2007	N/28937
	36	Taiwan	30 April 2007	96019839
(A) 盛寶資產管理 (B) 盛宝资产管理	36	Malaysia	27 April 2007	7007411
	36	Singapore	27 April 2007	T07/09051D




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Name	Class	Place of Application	Application Date	Application Number
<b>Value Partners</b>	35, 36	Benelux	26 April 2007	1134149
	36	Canada	7 May 2007	1346410
	36	Macau	21 May 2007	N/28938
	36	Malaysia	27 April 2007	7007412
	36	Singapore	27 April 2007	T07/09046H
	36	France	27 April 2007	07 3 497 548
	36	Spain	30 April 2007	M2769819-X
	36	Switzerland	26 April 2007	54398/2007
	36	Taiwan	30 April 2007	96019848
	36	United Kingdom	26 April 2007	2453864
(A) <b>VALUE PARTNERS</b>	36	Ireland	26 April 2007	2007/01047
(B) <b>Value Partners</b>				
(C) <b>Value Partners</b>				
<b>Value Partners</b> <i>Investing through discipline</i>	35, 36	Benelux	26 April 2007	1134150
	36	Canada	7 May 2007	1346412
	36	Ireland	26 April 2007	2007/01045
	36	Macau	21 May 2007	N/28939
	36	Malaysia	27 April 2007	7007413
	36	France	27 April 2007	07 3 497 550
	36	Spain	30 April 2007	M2769821-1
	36	Switzerland	26 April 2007	54406/2007
	36	Taiwan	30 April 2007	96019847
	36	United Kingdom	26 April 2007	2453866

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Name	Class	Place of Application	Application Date	Application Number
	35, 36	Benelux	26 April 2007	1134151
	36	Canada	7 May 2007	1346411
	36	PRC	18 May 2007	6057216
	36	Japan	2 May 2007	2007-044456
	36	Macau	21 May 2007	N/28940
	36	Spain	30 April 2007	M2769817-3
	36	France	27 April 2007	07 3 497 546
	36	Switzerland	26 April 2007	54399/2007
	36	Taiwan	30 April 2007	96019844
	36	USA	8 May 2007	77175901
(A)  (B) 	36	Ireland	26 April 2007	2007/01049
	36	Malaysia	27 April 2007	7007410
	36	Singapore	27 April 2007	T07/09041G
	36	United Kingdom	26 April 2007	2453868

### 4.2 Domain name

Domain Name	Registrant	Registration Date	Expiry Date
valuepartnersgroup.com.hk	Value Partners Limited	8 March 2007	9 March 2012
valuepartners.com.hk	Value Partners Limited	1 December 1999	27 August 2010
vppe.com.hk	Value Partners Private Equity Limited	26 May 2006	10 June 2011
samfund.com.hk	Sensible Asset Management Limited	24 November 2004	26 November 2010



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### 5. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDER AND EXPERTS

#### 5.1 Interests and Short Positions of Directors in the Share Capital of the Company and Its Associated Corporations Following the Global Offering

Immediately following completion of the Global Offering, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

##### (a) Long Positions in Shares

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

*Notes:*

- (1) These Shares are directly held by CCML which is wholly-owned by Cheah Company Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. Cheah Cheng Hye and certain members of his family.
- (2) These Shares are directly held by Bright Starlight Limited which is wholly-owned by Scenery Investments Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. Hung Yeuk Yan Renee.
- (3) The interest of Mr. Law Ka Kin pursuant to physically settled equity derivatives is through the Pre-IPO Share Option granted to him on 29 October 2007. Details are as follows:-

Name	Number of Shares in which interested	Date of grant	Exercise price	Exercise period
Mr. Law Ka Kin	525,000	29 October 2007	<sup>(4)</sup>	Period of 6 months after the expiry of the first six months after the Listing Date

- (4) The exercise price of the Pre-IPO Share Option is the Offer Price.

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## APPENDIX IV STATUTORY AND GENERAL INFORMATION

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(b) *Interest in associated corporation*

Name of Director	Name of associated corporation	Nature of interest	Number of shares	Approximate percentage of issued shares of the relevant associated corporation
Mr. Cheah Cheng Hye	Value Partners Strategic Equity Fund	Beneficial	100,000 non-voting shares	0.67% of the total issued non-voting shares
Mr. Choi Nga Chung	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Mr. Ho Man Kei	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Mr. Lee Siang Chin	Value Partners Strategic Equity Fund	Corporate <sup>(1)</sup>	50,000 non-voting shares	0.33% of the total issued non-voting shares
Mr. Ngan Wai Wah	Value Partners Strategic Equity Fund	Beneficial	25,000 non-voting shares	0.16% 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

*Notes:*

- (1) These non-voting shares are directly held by Stenyng 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.

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### 5.2 Substantial Shareholders

So far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company), will, immediately following completion of the Global Offering, have 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 percent of issued Shares immediately after the Global Offering
Ms. To Hau Yin <sup>(1)</sup>	Spouse	570,468,484	35.65%
Mr. Yeh V-Nee	Beneficial	292,523,324	18.28%
Ms. Liang Mira <sup>(2)</sup>	Spouse	292,523,324	18.28%
CCML <sup>(3)</sup>	Beneficial	570,468,484	35.65%
Hang Seng Bank Trustee International Limited <sup>(3)(4)</sup>	Trustee	610,827,067	38.18%
Value Holdings, LLC	Beneficial	92,333,542	5.77%
Ping An Insurance (Group) Company of China, Ltd <sup>(5)</sup>	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) CCML is wholly-owned by Cheah Company Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. Cheah Cheng Hye and certain members of his family. For the purposes of the SFO, Mr. Cheah Cheng Hye is the founder of this trust.
- (4) This includes 570,468,484 Shares held by CCML and 40,358,583 Shares held by Bright Starlight Limited. Bright Starlight Limited is wholly-owned by Scenery Investments Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. Hung Yeuk Yan Renee. For the purposes of the SFO, Ms. Hung Yeuk Yan Renee is the founder of this trust.
- (5) These Shares are directly held by the Strategic Investors (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 Strategic Investors is Ping An Insurance (Group) Company of China, Ltd.

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### 5.3 Directors' Service Contracts and Remuneration and terms of appointment of non-executive honorary chairman

#### *Particulars of Directors' Service Contracts*

Each of the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date which shall be terminated in accordance with the provisions of the service contract or, throughout the term of the appointment, by either party giving to the other not less than three months' prior notice in writing (other than Mr. Cheah whose notice period is six months). Pursuant to each of the service contracts entered into between the executive Directors and the Company, in addition to his/her basic salary, each executive Director is entitled to:

- (a) a waiver of all fees (including all manager's fees, performance fees, front end and back end fees, if any) for investments he/she or his/her spouse makes with our house products and such fees are reimbursed to him/her after the end of each of our financial years;
- (b) a discretionary Chinese New Year bonus equivalent to his/her one month's salary;
- (c) participate in the year-end discretionary bonus scheme under which we have agreed to make available up to 25% (or such greater percentage as may be approved by our remuneration committee) of a net profit pool each year as a management bonus, for distribution amongst our staff (including our executive Directors) and Mr. Cheah Cheng Hye as our Chairman and CIO will be entitled to up to 60% of that management bonus pool or such smaller percentage as he may agree. The net profit pool comprises of the net profit before discretionary bonuses and taxation but after an adjustment for average shareholders funds multiplied by the average prime rate for the relevant financial year; and
- (d) participate in our basic medical insurance scheme, our retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and life insurance scheme (where applicable).

The annual salaries of the executive Directors from the Listing Date are as follows:

	<u>HK\$</u>
Mr. Cheah Cheng Hye	5,850,000
Mr. Choi Nga Chung	1,214,400
Mr. Ho Man Kei	1,214,400
Ms. Hung Yeuk Yan Renee	1,214,400
Mr. Law Ka Kin	1,560,000
Mr. Ngan Wai Wah	1,920,000
Mr. So Louis Chun Ki	1,214,400

After each completed year of service, the executive Directors' salaries under the service contracts shall be reviewed by the Board (except that no review shall be made by the Board for the first year after commencement of the appointment).

The terms of Directors' service contracts (which encompasses amongst other things, the waiver of fees) are to be entered into in the ordinary course of business of the Company and are on normal commercial terms.

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Each of Dr. Chen Shih Ta Michael, Mr. Lee Siang Chin and Mr. Nobuo Oyama has been appointed as an independent non-executive Director for an initial term of one year commencing on the Listing Date and either the Company or the independent non-executive Director may terminate the appointment by giving at least three months' notice provided that such notice shall not expire until the expiry of one year from the Listing Date. The annual fees of the independent non-executive Directors are as follows:

	HK\$
Dr. Chen Shih Ta Michael	250,000
Mr. Lee Siang Chin	250,000
Mr. Nobuo Oyama	250,000

### **Directors' Remuneration**

Remuneration and benefits in kind of approximately HK\$294.4 million in aggregate were paid and granted by the Group to the Directors in respect of the financial year ended 31 December 2006.

Under the current arrangements presently in force, the Directors will be entitled to receive remuneration which, for the year ending 31 December 2007, is expected to be approximately HK\$14.9 million, excluding the discretionary bonuses payable to the executive Directors.

Save as disclosed in this prospectus, no Director in the promotion of the Company has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

### **Terms of appointment of non-executive honorary chairman**

Mr. Yeh has been appointed as non-executive honorary chairman of each of the Company and VPPE on 22 October 2007. He will not receive any remuneration and will be available for consultation on corporate affairs of the Company and VPPE. Mr. Yeh does not have any management role and does not have any rights to attend board meetings. His appointment is terminable by either the Company or VPPE (as the case may be) or Mr. Yeh giving at least three months' notice.

### **5.4 Particulars of the Selling Shareholders**

Name	Description	Number of Shares (% of issued share capital) as at the Latest Practicable Date	Number of Shares immediately after the Global Offering (assuming no exercise of the Over-allocation Option)	Number of Shares immediately after the Global Offering (assuming the Over-allocation Option is exercised in full)	Number of Sale Shares (assuming no exercise of the Over-allocation Option)	Number of Sale Shares (assuming the Over-allocation Option is exercised in full)	Address
J.H. Whitney III, L.P.	Investment Holding	316,863,482 (19.80%)	18,400,000 (1.15%)	—	298,463,482	316,863,482	130 Main Street, New Canaan, CT 06840, USA
Value Holdings, LLC	Investment Holding	175,470,060 (10.97%)	92,333,542 (5.77%)	80,333,542 (5.02%)	83,136,518	95,136,518	7 Ridgewood Drive, Bridgewater, CT 06752, USA

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As at the Latest Practicable Date, J.H. Whitney III, L.P. and Value Holdings, LLC each held approximately 19.80% and 10.97%, respectively, in the Company. J.H. Whitney III, L.P. is a U.S. private equity fund which engages in investments in various parts of the world, adopting investment strategies and with a focus on regions where the fund managers have had first hand experience. Value Holdings, LLC was formed by Holding Capital Management Co. (a private equity investor in the U.S.) and its affiliates to hold its interest in VPL.

Value Holdings, LLC first became a shareholder of VPL in February 1996. Two years later in June 1998, J.H. Whitney III, L.P. also became a shareholder of VPL. As we continue to institutionalise our business, we agreed with the Selling Shareholders that a public offering will take us to a new phase of our business development, and make it easier for us to provide and enable equity ownership and liquidity for our employees. The Selling Shareholders consider this to be an appropriate time to alter their investment in us of over 8 years. We therefore agreed with them that we seek a Listing through Global Offering of the Selling Shareholders' Shares. Under the Global Offering, J.H. Whitney III, L.P. will sell all or substantially all of its holdings (depending whether or not the Over-allocation Option is exercised), while Value Holdings, LLC will only sell a portion of its holdings and will retain about half of its current position.

### 5.5 Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (b) none of the Directors or the experts named in paragraph 7.6 headed "Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, be interested, directly or indirectly, 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 member of the Group;
- (f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Hong Kong Stock Exchange once the Shares are listed thereon;

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- (g) none of the Directors of the Company or their associates (as defined in the Listing Rules) or existing shareholders of the Company (who, to the knowledge of the Directors of the Company, owns more than 5% of our issued share capital) has any interest in any of the five largest customers of the Company; and
- (h) none of the Directors of the Company or their associates (as defined in the Listing Rules) or existing shareholders of the Company (who, to the knowledge of the Directors of the Company, owns more than 5% of our issued share capital) has any interest in any or the five largest suppliers of the Company.

### 6. SHARE OPTION SCHEME

For the purpose of this section only, unless the context otherwise requires the following words shall have the following meanings:

“Adoption Date”	24 October, 2007, the date on which the Share Option Scheme was conditionally adopted by written resolutions of the sole Shareholder;
“Auditors”	the auditors of the Company for the time being;
“Board”	the board of Directors of the Company for the time being or a duly authorized committee thereof;
“Business Day”	any day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“Date of Grant”	in respect of an Option, the Business Day on which the Board resolves to make an Offer to a Participant, whether or not the Offer is subject to Shareholders’ approval on the terms of the Share Option Scheme;
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, or the legal personal representative of such person;
“Offer”	the offer of the grant of an Option;
“Option”	an option to subscribe for Shares pursuant to the Share Option Scheme and for the time being subsisting;
“Option Period”	in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;

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“Participants”	Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group;
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company, or, if there has been a sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of the Company, the shares forming part of the ordinary equity share capital of the Company or such nominal amount as shall result from any such sub-division, reduction, consolidation, reclassification or reconstruction; and
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance), of the Company, whether incorporated in Hong Kong or elsewhere and “Subsidiaries” shall be construed accordingly.

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the sole shareholder passed on 24 October, 2007 and adopted by a resolution of the Board on 24 October, 2007. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

### 6.1 Purpose

The purpose of the Share Option Scheme is to reward Participants who have contributed or will contribute to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

### 6.2 Who May Join

On and subject to the terms of the Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select to take up an Option pursuant to which such Participant may, during the Option Period, subscribe for such number of Shares as the Board may determine at a price calculated in accordance with paragraph 6.4 below. An Offer shall remain open for acceptance by the Participant concerned for a period of 28 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the Share Option Scheme has been terminated or after the Participant for whom the Offer is made has ceased to be a Participant. An Offer is deemed to be accepted when the Company receives from the Grantee the offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted, and a remittance to the Company of HK\$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances.

The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include, among other things, (i) the minimum period for which an Option must be held before it can be exercised; and/or (ii) a performance target that must be reached before the Option can be exercised in whole or in part; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.



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### 6.3 Grant of Options to Connected Persons or any of their Associates

Any grant of Options to any Director, chief executive or substantial shareholder (as such term is defined in the Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme or any other share option schemes of the Company or any of its Subsidiaries shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding independent non-executive Directors who are the proposed Grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:

- (1) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and
- (2) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange on the Date of Grant, in excess of HK\$5 million, such further grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll). The Company shall send a circular to the Shareholders in accordance with the Listing Rules and all connected persons of the Company shall abstain from voting in favor of the resolution at such general meeting of the Shareholders.

### 6.4 Subscription Price

The subscription price for the Options shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

- (1) the closing price of the Shares as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange on the Date of Grant which must be a Business Day;
- (2) the average closing price of the Shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange for the five Business Days immediately preceding the Date of Grant; and
- (3) the nominal value of the Shares.

### 6.5 Maximum Number of Shares

- (1) The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the Listing Date (the "Scheme Mandate Limit"), representing 160,000,000 Shares. Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the renewal

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of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme or any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

- (2) Notwithstanding the foregoing, the Company may grant Options beyond the Scheme Mandate Limit to Participants if:
  - (i) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before such Shareholders' approval is sought; and
  - (ii) the Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.
- (3) Subject to paragraph (4) below, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed one % of the Shares in issue for the time being.
- (4) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over one % of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules.

### 6.6 Maximum Number of Options

At any time, the maximum number of Shares which may be issued upon exercise of all Options which then have been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the Shares in issue from time to time.

### 6.7 Time of Exercise of Option

Subject to any restrictions applicable under the Listing Rules and notwithstanding the terms of grant thereof, an Option may be exercised by the Grantee in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board to each Grantee, at the time of making an offer of the grant of an Option which shall not expire later than ten years from the Date of Grant.

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### 6.8 Rights Are Personal to Grantees

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Option.

### 6.9 (1) Rights on Termination of Employment by Dismissal

- (i) If the Grantee ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangement or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment summarily, his Option shall lapse automatically (to the extent not already exercised) and not be exercisable on or after the date of termination of his employment and to the extent the Grantee has exercised the Option in whole or in part, but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the subscription price for the Shares received by the Company in respect of the purported exercise of such Option.
- (ii) If the Grantee who is an employee or a Director of the Company or another member of the Group ceases to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified above, the Option shall lapse (to the extent not already exercised) on the date of cessation or termination of such employment (which date shall be the Grantee's last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable.

### (2) Rights on death

If the Grantee ceases to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as described in paragraph 1(i) above has arisen, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within a period of twelve months following the date of his death.

### 6.10 Effect of Alterations to Share Capital

In the event of any alteration to the capital structure of the Company whilst any Option remains exercisable, arising from capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Hong Kong Stock Exchange other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party. Adjustment (if any) shall be made to (a) the number or nominal amount of Shares subject to the Option so far as unexercised; (b) the subscription price for

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the Shares subject to the Option so far as unexercised; (c) the Shares to which the Option relates; and (d) the method of exercise of the Option, or any combination thereof as the Auditors or the independent financial adviser to the Company shall at the request of the Company certify in writing to the Board either generally or as regards any particular Grantee that the adjustments are in compliance with Rule 17.03(13) of the Listing Rules and the notes thereto.

Any such adjustments must give a Grantee the same proportion of the equity capital of the Company as to which that Grantee was previously entitled, and any adjustments so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Hong Kong Stock Exchange (including, without limitation, the "Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule" attached to the letter of the Hong Kong Stock Exchange dated 5 September 2005 to all issuers relating to the Share Option Scheme) but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value.

The capacity of the Auditors or the independent financial adviser to the Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

### 6.11 Rights on a General Offer by Way of Takeover

In the event of a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the Company.

### 6.12 Rights on a General Offer by Way of Scheme of Arrangement

In the event of a general offer by way of scheme of arrangement being made to all the Shareholders and approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent specified in such notice.

### 6.13 Rights on Winding Up

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of fully paid Shares to the Grantee which fall to be issued on exercise of such Option.

#### **6.14 Rights on a Compromise or Arrangement**

In the event a compromise or arrangement (other than a scheme of arrangement) between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such compromise or arrangement, and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

#### **6.15 Ranking of Shares**

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the Memorandum of Association and Articles of Association of the Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the date on which the Shares are allotted other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

#### **6.16 Period of the Share Option Scheme**

The Share Option Scheme was adopted for a period of ten years commencing from the Adoption Date. The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect in respect of options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to the termination of the operation of the Share Option Scheme.

#### **6.17 Alterations to the Share Option Scheme**

Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of the Board in relation to any alteration of the terms of the Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

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### 6.18 Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to:

- (1) the passing of the resolution by the sole Shareholder to approve and adopt the Share Option Scheme and to authorize the Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options;
- (2) the Listing Committee (as defined in the Listing Rules) of the Hong Kong Stock Exchange granting approval of the Listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of any Options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the Listing Date); and
- (3) the commencement of dealing in Shares on the Main Board of the Hong Kong Stock Exchange.

### 6.19 Lapse of Option

An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

- (1) the expiry of the Option Period;
- (2) the expiry of the periods referred to in paragraphs 6.9, 6.13 or 6.14 above respectively;
- (3) the expiry of the period referred to in paragraph 6.11 above, subject to any court of competent jurisdiction not making an order to prohibit the offeror from acquiring the remaining Shares in the offer;
- (4) subject to the scheme of arrangement becoming effective, the expiry of the period for exercising the Option as referred to in paragraph 6.12 above;
- (5) the date of the commencement of the winding-up of the Company;
- (6) the date on which the Grantee ceases to be a Participant as referred to in paragraph 6.9(1)(i) above;
- (7) the date on which the Grantee commits a breach by selling, transferring, changing, mortgaging, encumbering or creating any interest in favor of any third party over or in relation to any Option; and
- (8) subject to paragraph 6.9(1)(ii) above, the date the Grantee ceases to be a Participant for any other reason.

### 6.20 Termination of the Share Option Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further Options may be granted but in all other respects the Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the Share Option Scheme.

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### 6.21 Restriction on Grant of Option

In addition, a grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers pursuant to Rule 17.05 of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (1) the date of the meeting of the Board (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or, any other interim period (whether or not required under the Listing Rules); and
- (2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules); and ending on the date of the results announcement, no Option may be granted.

### 6.22 Cancellation

Any Options granted but not exercised may be cancelled if the Participant so agrees.

### 6.23 Present Status of the Share Option Scheme

As at the date of this prospectus, no Option has been granted or agreed to be granted pursuant to the Share Option Scheme.

## 7. OTHER INFORMATION

### 7.1 Estate Duty and Tax Indemnity

Each of Mr. Cheah Cheng Hye, Mr. Yeh V-Nee, Value Holdings, LLC and J.H. Whitney III, L.P. (the "Indemnifier(s)") has given joint and several indemnities in connection with, inter alia:

- (a) any liability for estate duty that is likely to fall on our Company or any of its subsidiaries;
- (b) any other tax liabilities (including all fines, penalties, costs, charges, expenses and interest related to taxation) which (might be payable by any member of the Group in respect of any income, profit or gains earned, accrued or received on or before the date on which the Global Offering becomes unconditional; and
- (c) indemnities in relation to taxation in (a) and (b) do not cover any taxation claims in the following circumstances:
  - (i) to the extent that provision or reserve has been made for such taxation liabilities in the accountant's report in Appendix I to this prospectus;
  - (ii) for which the members of the Group are or may become liable as a result of transactions in the ordinary course of business after 31 December 2006;

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- (iii) to the extent that such taxation liabilities arose or were incurred as a consequence of any retrospective change in the laws coming into force after 5 November 2007 or to the extent that such taxation liabilities arises or is increased by an increase in rates of taxation after the Relevant Date with retrospective effect; and
- (iv) to the extent that any provision or reserve made for any taxation liability in the audited accounts of the Company as at 31 December 2006 is determined by the auditors of the relevant member of the Group to contain an over-provision as excessive reserve.

### 7.2 Litigation

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

### 7.3 Sponsors

J.P. Morgan Securities (Asia Pacific) Limited and Morgan Stanley Asia Limited have, as Joint Sponsors, made an application on behalf of the Company to the Listing Committee of the Hong Kong Stock Exchange for Listing and permission to deal in the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the exercise of options granted under the Share Option Scheme and the Pre-IPO Share Option.

### 7.4 Preliminary Expenses

The preliminary expenses of the Company are estimated to be approximately HK\$27,000 and are payable by the Company.

The promoter of the Company is Mr. Cheah Cheng Hye. Save as disclosed in this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Global Offering or related transactions described in this prospectus within two years immediately preceding the date of this prospectus and no such amount or benefit is intended to be paid or given to the promoter. Within the two years preceding the date of this prospectus, no commission was paid for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscription, for any shares in or debentures of the Company.



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### 7.5 Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
J.P. Morgan Securities (Asia Pacific) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
Morgan Stanley Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Property valuers
Conyers Dill & Pearman	Cayman Islands and BVI Attorneys-at-law
Oh-Ebashi LPC & Partners (In relation to Japanese law)	Japanese Attorneys-at-law
The Argyle Partnership (In relation to Australian law)	Australian Attorneys-at-law
Global Law Office	PRC Attorneys-at-law
Latham & Watkins LLP	U.S. legal advisers
Dorsey & Whitney LLP	Special U.S. legal advisers
Richards Butler	Hong Kong legal advisers
Rodyk & Davidson LLP	Singapore legal advisers

### 7.6 Consents of Experts

Each of the experts set out above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or opinion and/or data (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named in this paragraph has any shareholding interests in the Group or the right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group.

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### 7.7 Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44E of the Companies Ordinance insofar as applicable.

### 7.8 Miscellaneous

- (a) Save as disclosed in this prospectus:
- (1) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and
  - (2) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Since 30 June 2007, there has been no material adverse change in the financial or trading position or prospects of the Group.
- (c) The Company has no founder shares, management shares or deferred shares in the capital of the Company.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (e) None of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

The Company has no outstanding convertible debt securities.

## 8. GENERAL

### 8.1 Share Registers

The register of members of the Company will be maintained in the Cayman Islands by Butterfield Fund Services (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's branch share registrars in Hong Kong and may not be lodged in the Cayman Islands.

### 8.2 Taxation of Holders of Shares

- (1) *The Cayman Islands*

Under the present Cayman Islands Law, transfers and other disposals of Shares are not subject to the Cayman Islands stamp duty unless the Company holds an interest in land in the Cayman Islands.

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## APPENDIX IV STATUTORY AND GENERAL INFORMATION

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### (2) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax for persons who carry on a business of trading or dealing in securities in Hong Kong.

The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong). The Legislative Council passed the Revenue (Abolition of Estate Duty) Bill 2005 on 2 November 2005 and the relevant ordinance came into effect on 11 February 2006. The Hong Kong estate of an investor who passes away on or after the commencement date of such ordinance will not be subject to Hong Kong estate duty. However, the estate duty chargeable in respect of deaths occurring on or after 15 July 2005 but before the commencement date of such ordinance would be reduced with retrospective effect to a nominal amount of HK\$100 for estates of assessed value exceeding HK\$7.5 million.

### (3) *Generally*

Potential investors in the Global Offering should consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and disposing of, or dealing in Shares. It is emphasized that none of the Company, the Joint Global Coordinators, the Lead Underwriters and the Joint Sponsors and their respective directors or any other parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, persons resulting from the application for, or purchasing, holding and disposal of, or dealing in Shares.

### 8.3 **Bilingual Prospectus**

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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## **APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

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### **1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE, YELLOW** and **PINK** application forms, the written consents referred to in paragraph 7.6 headed "Consents of Experts" in Appendix IV to this prospectus, copies of the material contracts referred to in paragraph 3.1 headed "Summary of Material Contracts" in Appendix IV to this prospectus, a statement of adjustments to the accountant's report set out in Appendix I to this prospectus and a statement of the names, addresses and descriptions of the Selling Shareholders.

### **2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Richards Butler at 20/F, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal business hours up to and including 22 November 2007:

- (a) the memorandum and articles of association of the Company;
- (b) the accountant's report of the Group, the text of which is set out in Appendix I to this prospectus, together with the related statement of adjustments;
- (c) audited accounts of the companies comprising the Group for each of the three financial years ended 31 December 2006;
- (d) the letter, summary of valuation and valuation certificate relating to the property interests of the Group prepared by DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice dated 8 November 2007 prepared by Conyers Dill & Pearman summarizing certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the rules of the Share Option Scheme;
- (h) the service contracts referred to in paragraph 5.3 headed "Directors' Service Contracts and Remuneration and terms of appointment of non-executive honorary chairman" in Appendix IV to this prospectus;
- (i) the material contracts referred to in paragraph 3.1 headed "Summary of Material Contracts" in Appendix IV to this prospectus;
- (j) the written consents referred to in paragraph 7.6 headed "Consents of Experts" in Appendix IV to this prospectus; and
- (k) the statement of the names, addresses and descriptions of the Selling Shareholders.