



# Value Partners Group Limited 惠理集團有限公司

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊之有限責任公司)

Stock Code 股份代號 : 806

Interim Report 2008  
二零零八年中期報告

## Corporate Recognitions 公司獎項

**2<sup>nd</sup> Largest Hedge Fund Manager in Asia in 2007 & 2008**  
二零零七年及二零零八年度亞洲區第二大對沖基金經理

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



**Achievement Awards**

二零零七年成就獎項

**Capital Markets Person of the year:**

**Mr. Cheah Cheng Hye**

謝清海先生

*~ FinanceAsia*



**Best of the Best Country Awards 2006**

**Hong Kong Most Improved Institutional Fund House**

二零零六年度香港最佳資產管理公司

- 最佳資產總值增長基金公司

*~ Asia Asset Management Journal*

**Asia Asset Management**  
THE JOURNAL OF INVESTMENTS & PENSIONS

**Hong Kong Business Awards**

- Enterprise Award 2005

香港商業獎 - 二零零五年度傑出企業獎

*~ DHL / South China Morning Post 南華早報*



**2004 Fund Management Team of the Year**

二零零四年度最佳基金管理團隊

*~ Global Money Management, London*

*(an Institutional Investor publication; Institutional Investor 附屬刊物)*

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## Corporate Information

### Board of Directors

#### *Chairman and Chief Investment Officer*

Mr. CHEAH Cheng Hye

#### *Executive Directors*

Ms. CHAU Yee Man, CFA & CPA (appointed on 29 August 2008)

Mr. CHOI Nga Chung

Mr. HO Man Kei, CFA

Ms. HUNG Yeuk Yan Renee

Mr. LAW Ka Kin

Mr. NGAN Wai Wah, CFA

Mr. SO Louis Chun Ki

#### *Independent Non-executive Directors*

Dr. CHEN Shih Ta Michael

Mr. LEE Siang Chin

Mr. OYAMA Nobuo

### Non-executive Honorary Chairman

Mr. YEH V-Nee

### Company Secretary

Mr. TSE Wai Ming, CFA & CPA

### Qualified Accountant

Mr. TSE Wai Ming, CFA & CPA

### Authorized Representatives

Mr. LAW Ka Kin

Mr. NGAN Wai Wah, CFA

### Members of the Audit Committee

Mr. LEE Siang Chin (*Chairman*)

Dr. CHEN Shih Ta Michael

Mr. OYAMA Nobuo

### Members of the Remuneration Committee

Dr. CHEN Shih Ta Michael (*Chairman*)

Mr. CHEAH Cheng Hye

Mr. NGAN Wai Wah, CFA

Mr. LEE Siang Chin

Mr. OYAMA Nobuo

### Members of the Risk Management Committee

Mr. Mark DICKENS, J.P. (*Chairman*)

Mr. CHEAH Cheng Hye

Mr. LAW Ka Kin

Mr. NGAN Wai Wah, CFA

Mr. SO Louis Chun Ki

Ms. WOO Lai Nga, CFA & CPA

### Members of the Valuation Committee

Mr. NGAN Wai Wah, CFA (*Chairman*)

Mr. LAW Ka Kin

Mr. TSE Wai Ming, CFA & CPA

### Registered Office

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### Principal Place of Business in Hong Kong

Level 14, Three Pacific Place

1 Queen's Road East

Hong Kong

### Cayman Islands Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited

Butterfield House

68 Fort Street

P.O. Box 705

Grand Cayman KY1-1107

Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

26/F Tesbury Centre

28 Queen's Road East

Hong Kong

### Auditor

PricewaterhouseCoopers

### Legal Advisor

Richards Butler in association with Reed Smith LLP

### Compliance Advisor

J.P. Morgan Securities (Asia Pacific) Limited

### Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

### Website

[www.valuepartnersgroup.com.hk](http://www.valuepartnersgroup.com.hk)

### Stock Code

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## Chairman's Statement

Value Partners Group Limited stayed profitable in the first half of 2008 despite adverse financial markets. We earned a net HK\$88.5 million (HK5.5 cents in earnings per share), showing a resilient business model. In fact, since it started in 1993, Value Partners has never suffered a loss except for a small loss of HK\$261,000 in 1999, in the aftermath of the Asian Financial Crisis. While we cannot guarantee the company will never suffer a loss in the future, what we do is to keep fixed costs, mainly salaries and rent, at a relatively low level, and we make sure employees know they can expect generous bonuses and other variable benefits during bull markets.

We think that if you look after the downside, the upside will take care of itself. Over time, China's dynamic growth will result in far more good markets than bad ones, an asymmetry that should be hugely rewarding for an approach such as ours.

The Board of Directors resolved to declare an interim dividend of HK5.5 cents per share.

### Outlook

The Chairman's Statement issued six months ago, at the time of our 2007 results announcement, stated that "we are cautious about prospects in 2008" and "we think it prudent to be prepared for a period of depressed investor psychology and diminished appetite for investment risk."

As it turns out, in first-half 2008, the China-related stockmarkets suffered their worst setback since the Asian Financial Crisis. During these six months, the MSCI China Index fell 26%; the "H" share index ("HSCEI"), which tracks mainland Chinese stocks listed in Hong Kong, was down 25%; the Hang Seng Index was down 19%; and Shanghai's domestic "A" share market crashed, with a 48% loss.

Many China-related stocks have dropped to lows that would have seemed unbelievable a year ago. A case in point are the real estate stocks, many listed in Hong Kong, that were a favorite of investors for many years. The JP Morgan China Property Stock Index declined 42% in the first half of this year, and was down 57% from its peak in November 2007, reflecting the huge losses inflicted on many investors.

Value Partners' Classic Fund, our flagship fund, declined 18%<sup>#</sup> in first-half 2008, so we limited the damage, to an extent. Whether markets are good or bad, Value Partners' funds have a consistent approach, relying on intensive bottom-up research to find original ideas suitable for a long-term value investor. While markets will fluctuate, our value-commitment and product quality must not.

We see the current difficulties as temporary. Globally, fear has overtaken greed because of the financial problems in the United States. On the Chinese mainland, even though economic growth this year is projected at a healthy 9% to 10%, there are signs of a return to "profitless growth" because of cost pressures brought about by the surge in commodities prices. The corporate sector is, in effect, required to do a form of national service by accepting price controls. Credit is rationed.

Sooner or later, however, Beijing will have to loosen up, and that should renew investors' interest in China-related stocks. Fundamentally, the Chinese development model is anchored in pro-growth, pro-business and pro-freemarket policies, and there is no turning back.

<sup>#</sup> Performance data is net of all fees, calculated in US Dollar, NAV to NAV, with dividends reinvested.

## Chairman's Statement

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### Best performer

In a new report, fund rating agency Lipper ranks Value Partners Classic Fund as the best performing fund in its category. According to Lipper, the report looks at the category known as "Equity Greater China" funds sold in Hong Kong for the period 1 April 1993 (the fund's inception date) to 30 June 2008. The Lipper report, dated 4 July 2008, makes two points:

- Value Partners Classic Fund<sup>^</sup> ranks No. 1 in terms of annualized return during this period;
- Value Partners Classic Fund<sup>^</sup> ranks No. 1 in terms of risk-return ratio and absolute return during this period.

We are immensely thankful to clients, employees and shareholders for their support and loyalty. In the years to come, we believe the potential upside for Value Partners can be enhanced further through management initiatives, which involve expanding further the scope of the business; strengthening our brands; and working more closely with our business partners. Count on us to work hard on this.

**CHEAH Cheng Hye**

*Chairman & Chief Investment Officer*

<sup>^</sup> Value Partners Classic Fund – A Unit.

## Report of the Chief Executive Officer

The past six months has proven a challenging time for the asset management industry, as headwinds have continued to buffet global capital markets. While the Group has not been completely immune to this turmoil, we are highly encouraged by the resilience of our business.

In addition to a net funds inflow, we have made significant headway in consolidating our position as one of the leading Asia-Pacific fund managers. According to Alpha Magazine, the July/August 2008 edition, Value Partners was ranked the second largest hedge fund manager in Asia. This strong and growing market presence leads us to believe that the Group is well positioned to benefit from the region's secular growth trend once this period of volatility is over.

Indeed, the view of the management is that the long-term economic outlook for the Greater China economy, the principal focus of our investment products, remains strong despite the weakness in investment sentiment and decline in risk appetite among investors. For true value-based fund managers, such as Value Partners, the recent volatility in capital markets has served, in fact, to provide opportunities to replenish investment portfolios with new undervalued investments.

### Business Overview

In accordance with our overall business strategy, we continue to drive forward with our Bar-bell Strategy for product development. Under this Bar-bell Strategy, we are developing two complementary categories of investment products: a premium suite and a high-capacity suite.

The premium suite of products would derive more of its income from performance fees. This category can be expected to do better in bull market conditions, as performance fees will rise substantially along with asset values. Products in this category may take longer to scale up. Our absolute return long-biased funds, long-short hedge funds and private equity funds would belong to this category of products.

In the high-capacity suite of products, income would be derived primarily from management fees. The inflow of assets would be primarily driven by the performance and active marketing of the products. The amount of assets under management would drive profit. These products would focus on mainstream stocks, giving them greater flexibility to scale up to match growth in demand. Capacity is less of a concern in this category. Products in this category would include quantitative products under the Sensible Asset Management ("SAM") brand.

During the period under review, we successfully expanded our product ranges in both categories by a total of six new products.

In the premium products category, we launched the Value Partners Taiwan Fund in March and raised US\$60 million in assets. This absolute return long-biased fund was launched to leverage Taiwan's improving economic prospects against the backdrop of strengthening cross-strait relations with Mainland China.

In February, we won the mandate of a managed account from the endowment fund of a renowned university in the United States. This mandate has adopted an absolute return long-biased investment strategy and was started with US\$50 million of assets. This new managed account reflects our increasing success in the endowment fund sector and represents a major endorsement of our investment approach and professionalism.

## Report of the Chief Executive Officer

In June, we launched a property-focused fund<sup>#</sup> with a business partner in Australia. The fund is a registered managed investment scheme in Australia and is an absolute return long-biased fund focusing on Asia property stocks.

We have also added another product to our long-short hedge fund category. In May, we launched a property long-short hedge fund<sup>+</sup>, focusing on property stocks in Greater China region. The fund is targeted at professional investors.

In the high-capacity products category, we launched four trusts<sup>#</sup> in association with Ping An Trust, the investment management arm of Ping An Insurance (Group) Company of China Ltd. (“Ping An”), our Group’s strategic investor. These trusts are distributed solely in Mainland China and account for an investment corpus of around RMB 1.35 billion<sup>^</sup>. We are optimistic that our strong ties and regular dialogue with Ping An will lead to more joint business initiatives going forward.

Lastly, in April, we collaborated with a major insurance company in Hong Kong to launch a new product<sup>+</sup> focusing on Asia Pacific high-dividend stocks. This product falls under our high-capacity suite of products.

During the period under review, there was concern over the Group’s investment exposure to Oasis Airlines, an aviation company which declared bankruptcy in April. Neither the Company nor any of its subsidiaries were beneficial shareholders of Oasis Airlines. The Group’s only investment exposure to the airline was in the form of a convertible bond, which was protected by certain guarantees. The investment was made by Value Partners Strategic Equity Fund<sup>#</sup>, a private equity fund which is managed by Value Partners Private Equity Limited, one of the Group’s subsidiaries. The amount involved represented less than 0.6% of the Group’s total AUM and did not have any significant impact on the Group’s business.

In terms of operational expansion, we opened a new sales office in Singapore, one of Asia’s main financial services hubs, in June. The new office will allow us to maintain closer contact with key clients based in Singapore and its vicinity, and provide us with a platform to extend our sales reach in the South East Asia market.

Finally, our sales and marketing executives conducted a series of roadshows across Asia, Europe and the US to talk in person with clients about our investment strategy and allay concerns about the prevailing market conditions. The feedback received from these trips indicates that our clients continue to believe strongly in our investment approach and the long-term economic prospects of the Greater China region.

### Assets under management (“AUM”)

As at 30 June 2008, the Group had US\$5,794 million of AUM, compared with US\$7,303 million six months earlier. The decline is due to the market and fund performance rather than redemptions. In fact, the balance of subscriptions and redemptions during the period under review showed a net increase of US\$45 million, reflecting the faith the Group’s clients are placing in its investment approach and products.

<sup>#</sup> These funds are not authorized by the Securities and Futures Commission of Hong Kong (the “SFC”) to be marketed to the public generally in Hong Kong.

<sup>+</sup> These funds were recently launched and currently have a relatively small fund size.

<sup>^</sup> These trusts generate a relatively lower fee margin than that of our premium suite of products.

## Report of the Chief Executive Officer

Our Own Branded Funds accounted for 57.2% of AUM, White Label Funds, 39.7%, and Co-branded Funds, 3.1%.

The asset-weighted average return of funds under management was negative 21.5% compared with negative 19.0% for the Hang Seng Index and negative 26.3% for the MSCI China Index during the same period.

Below is a summary of our analysis of the Group's AUM by strategy, type, geographical source and category of clients.

- Classified by investment strategy, Absolute Return Long-biased Funds accounted for 89.0% of the Group's total AUM; Long-short Hedge Funds, 4.5%; and Private Equity Funds and Quantitative Funds, the remainder.
- Classified by type of fund, Funds Authorized-for-sale in Hong Kong accounted for 61.5% of the Group's total AUM; Non-SFC-authorized Funds, 21.4%; Managed Accounts, 14.5%; and Private Equity Funds, the remainder.
- Classified by geographical source of clients, Hong Kong accounted for 48.2% of the Group's total AUM; United States, 18.9%; Europe, 17.2%; Australia, 5.4%; Japan, 1.4%; and the rest of the world, 8.9%.
- Classified by client categories, institutions accounted for 46.2% of the Group's total AUM; pension funds, 14.9%; retail investors, 12.2%; endowments and foundations, 9.5%; funds of funds, 7.7%; high-net-worth individuals, 5.2%; and the remainder family offices and trusts.

### Financial Overview

The Group's financial performance should be viewed against the backdrop of volatile global capital markets. Despite the market volatility and a decline in the returns generated by our funds, the Group continued to generate a net profit. The key financial highlights of the reporting period are:

- Total turnover was HK\$281.5 million (2007: HK\$562.3 million)
- Gross management fees were HK\$202.7 million (2007: HK\$180.9 million)
- Gross performance fees were HK\$66.0 million (2007: HK\$367.3 million)
- Net profit was HK\$88.5 million (2007: HK\$335.2 million)
- Earnings per share were HK5.5 cents (2007: HK20.9 cents)
- Interim dividend was HK5.5 cents per share (2007: Nil)

## Report of the Chief Executive Officer

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### *Revenue and fee margins*

Gross management fees increased by 12.1% to HK\$202.7 million, compared with HK\$180.9 million a year earlier, while the net management fees rose by 13.7% to HK\$165.4 million, compared with HK\$145.5 million over the same period last year.

The Group's average AUM increased from US\$5,054 million a year earlier to US\$6,206 million, which helped to drive growth in management fees. The half-year net management fee margin came to 34 basis points, which represents a slight decrease compared with the 37 basis points recorded in the same period a year earlier.

Gross performance fees came to HK\$66.0 million, declining by 82.0% from HK\$367.3 million a year earlier, due to the adverse market conditions. Net performance fees stood at HK\$64.5 million, down by 80.3% from HK\$327.9 million over the same period a year earlier.

Other income, comprising mainly dividend income and interest income, increased from HK\$20.3 million a year earlier to HK\$31.3 million. Dividend income rose from HK\$5.4 million to HK\$16.7 million due to an increase in dividends received from investment securities held by the Group. Interest income stood at HK\$14.3 million, similar to that for the same period last year.

### *Cost management*

Total expenses came to HK\$218.8 million, which was approximately the same as the level recorded a year earlier (2007: HK\$216.2 million). Included in the total expenses for the period, the stock options expense of HK\$124.0 million granted to employees did not impact cash flow and is recognized here to comply with Hong Kong Financial Reporting Standards ("HKFRS"). Management considers the stock options an integral part of the remuneration needed to attract and retain employees in a talent-intensive industry. This stock option scheme was disclosed and discussed in the prospectus for the Group's initial public offering last November. The Board of Directors does not envisage granting more options to employees in the near future in excess of the initial approved share option scheme mandate limit.

Prudent, closely monitored cost management allowed the Group to maintain fixed cost coverage at 3.7x, moderately lower than the 4.2x recorded for the full year 2007. Additionally, as management fees have increased, the Group's fee income base has become more resilient and there is an increasing level of recurrent income to offset fixed expenses. This strategy allows the Group to manage income and expenditure effectively, irrespective of market conditions.

Management bonuses have been significantly reduced from HK\$105.3 million to HK\$1.8 million in line with the Group's compensation policy.

Profit before tax was HK\$98.6 million, declining from HK\$397.4 million a year earlier.

The Board of Directors approved an interim dividend of HK5.5 cents per share, representing approximately 100% dividend payout ratio for the first half of 2008. This tends to be higher than what we normally would have paid but the Board of Directors consider it appropriate in view of the recent challenging market environment. Please note that this high payout level is exceptional and is not indicative of our future dividend policy.

## Report of the Chief Executive Officer

### *Liquidity and financial resources*

Fee income is the Group's major source of funds. Other sources include interest income from bank balances and dividend income from investments held. The Group's balance sheet and cash flow remain strong. As at 30 June 2008, the Group had a net cash balance of HK\$683.2 million. Net cash inflows from operating activities increased by 59.3% to HK\$1,196.8 million.

The Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities during the period under review. The debt-to-equity ratio (interest bearing external borrowings divided by shareholders' equity) stood at zero while the current ratio (current assets divided by current liabilities) came to 3.9.

### *Capital structure*

As at 30 June 2008, the Group's shareholders' equity and total number of shares in issue stood at HK\$794.1 million and 1.6 billion respectively.

### *Events after the balance sheet date*

The Board of Directors was informed by certain shareholders and previous shareholders of the Company (the "gifting shareholders") that they would like to make a cash gift of US\$7 million to certain management and employees of the Group as a token of appreciation for their efforts over the years. After due considerations, the management proposed to pass on this cash gift to the Group to demonstrate the management's support and commitment to the Group and so that the benefit of this cash gift would be shared by all shareholders and employees of the Group. This proposal was accepted by the gifting shareholders after the balance sheet date. This gift will be recognised as income and an asset of the Group in the second half of the financial year in accordance with HKFRS.

## **Conclusion**

Despite a challenging market environment, we continue to successfully expand our product range, broaden our product mix, extend our geographical reach and achieve new efficiency gains.

The volatility in global capital markets will undoubtedly continue to prove challenging for the asset management industry, but we believe the Group's long-term business prospects remain positive thanks to its continued business expansion and market leadership as an investment manager.

**NGAN Wai Wah**

*CEO & Executive Director*

## Independent Review Report

### REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF VALUE PARTNERS GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

#### Introduction

We have reviewed the interim financial information set out on pages 11 to 27, which comprises the condensed consolidated balance sheet of Value Partners Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of review

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

#### Conclusion

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 29 August 2008

## Condensed Consolidated Income Statement

For the six months ended 30 June 2008

	Note	Six months ended 30 June	
		2008 HK\$'000 Unaudited	2007 HK\$'000 Audited
<b>Revenue</b>			
Turnover	5	281,544	562,250
Other revenue	5	31,310	20,308
<b>Total revenue</b>		<b>312,854</b>	<b>582,558</b>
<b>Expenses</b>			
Distribution fees		31,675	33,230
Share-based compensation		124,036	–
Other compensation and benefit expenses		32,221	125,253
Operating lease rentals		4,111	4,758
Advisory fees		7,344	42,048
Other expenses		19,397	10,909
<b>Total expenses</b>		<b>218,784</b>	<b>216,198</b>
<b>Other gains – net</b>	6	<b>4,567</b>	<b>30,794</b>
<b>Operating profit</b>		<b>98,637</b>	<b>397,154</b>
Share of gain of joint ventures		–	255
<b>Profit before tax</b>		<b>98,637</b>	<b>397,409</b>
Tax expense	7	(10,147)	(62,219)
<b>Profit for the period</b>		<b>88,490</b>	<b>335,190</b>
<b>Attributable to Equity holders of the Company</b>		<b>88,490</b>	<b>335,190</b>
<b>Earnings per share (HK cents per share)</b>			
– basic		5.5	20.9
– diluted		5.5	20.9
<b>Dividends (HK\$'000)</b>	8	<b>88,000</b>	<b>–</b>

The notes on pages 16 to 27 are an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Balance Sheet

As at 30 June 2008

	Note	30 June 2008 HK\$'000 Unaudited	31 December 2007 HK\$'000 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	5,161	6,372
Intangible assets	10	2,372	2,034
Available-for-sale financial assets	11	210,060	228,064
Other assets		1,746	1,746
<b>Total non-current assets</b>		<b>219,339</b>	<b>238,216</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	12	8,136	9,076
Fees receivable	13	70,267	1,696,603
Prepayments and other receivables		10,792	18,325
Cash and cash equivalents	14	683,217	745,088
<b>Total current assets</b>		<b>772,412</b>	<b>2,469,092</b>
<b>Total assets</b>		<b>991,751</b>	<b>2,707,308</b>

The notes on pages 16 to 27 are an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Balance Sheet

As at 30 June 2008

	Note	30 June 2008 HK\$'000 Unaudited	31 December 2007 HK\$'000 Audited
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital and share premium	15	53,767	53,767
Other reserves		159,948	100,146
Retained earnings			
– proposed dividends		88,000	568,000
– others		492,391	491,901
<b>Total equity</b>		<b>794,106</b>	<b>1,213,814</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		88	126
<b>Current liabilities</b>			
Accrued bonus		1,793	537,552
Distribution fees payable	16	23,509	151,667
Other payables and accrued expenses		63,745	45,287
Current tax liabilities		108,510	98,862
Dividends payable		–	660,000
<b>Total current liabilities</b>		<b>197,557</b>	<b>1,493,368</b>
<b>Total liabilities</b>		<b>197,645</b>	<b>1,493,494</b>
<b>Total equity and liabilities</b>		<b>991,751</b>	<b>2,707,308</b>
<b>Net current assets</b>		<b>574,855</b>	<b>975,724</b>
<b>Total assets less current liabilities</b>		<b>794,194</b>	<b>1,213,940</b>

The notes on pages 16 to 27 are an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Attributable to equity holders of the Company			
	Share capital and share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>Audited</b>				
At 1 January 2007	53,767	75,584	848,863	978,214
Fair value losses on available-for-sale financial assets				
– the Group	–	(2,732)	–	(2,732)
Profit for the period	–	–	335,190	335,190
Dividends	–	–	(548,490)	(548,490)
At 30 June 2007	53,767	72,852	635,563	762,182
<b>Unaudited</b>				
At 1 January 2008	53,767	100,146	1,059,901	1,213,814
Share-based compensation	–	124,036	–	124,036
Fair value losses on available-for-sale financial assets				
– the Group	–	(64,234)	–	(64,234)
Profit for the period	–	–	88,490	88,490
Dividends	–	–	(568,000)	(568,000)
At 30 June 2008	53,767	159,948	580,391	794,106

The notes on pages 16 to 27 are an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008 HK\$'000 Unaudited	2007 HK\$'000 Audited
<b>Cash flows from operating activities</b>		
Net cash generated from operations	1,182,407	737,022
Interest received	14,910	14,435
Tax paid	(537)	-
<b>Net cash generated from operating activities</b>	<b>1,196,780</b>	<b>751,457</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(1,676)	(793)
Changes in receivables from joint ventures	-	(262)
Purchase of available-for-sale financial assets	(47,063)	(2,730)
Disposal of available-for-sale financial assets	1,919	31,596
Purchase of financial assets at fair value through profit or loss	(563)	(28,245)
Disposal of financial assets at fair value through profit or loss	-	8,369
Dividends received from available-for-sale financial assets and financial assets at fair value through profit or loss	16,732	5,364
<b>Net cash (used in)/generated from investing activities</b>	<b>(30,651)</b>	<b>13,299</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(1,228,000)	(548,490)
<b>Net cash used in financing activities</b>	<b>(1,228,000)</b>	<b>(548,490)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(61,871)</b>	<b>216,266</b>
Cash and cash equivalents at beginning of the period	745,088	272,244
<b>Cash and cash equivalents at end of the period</b>	<b>683,217</b>	<b>488,510</b>

The notes on pages 16 to 27 are an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

## 1 GENERAL INFORMATION

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

The Company acts as an investment holding company. The Company and its subsidiaries (together, the “Group”) principally provides investment management services to investment funds and managed accounts. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 29 August 2008.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

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

Certain new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group. Those that are relevant to the Group’s operations are as follows:

- HK(IFRIC) – Int 11 “HKFRS 2 – Group and Treasury Share Transactions” provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent’s shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent and group companies. There is no impact on the Group’s financial statements.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

## 3 ACCOUNTING POLICIES (continued)

Certain new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted. Those that are relevant to the Group's operations are as follows:

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

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are de-recognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from annual periods beginning 1 January 2010.

HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations" (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from annual periods beginning 1 January 2009, but it is not expected to have any impact on the Group's financial statements.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

## 3 ACCOUNTING POLICIES (continued)

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

## 4 SEGMENT INFORMATION

*Primary reporting format – business segments/*

*secondary reporting format – geographical segments*

At 30 June 2008, the Group was organised into one main business segment which operated also in one main geographical area: investment management in the Greater China region.

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

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

## 5 REVENUE

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

	Six months ended 30 June	
	2008 HK\$'000 Unaudited	2007 HK\$'000 Audited
<b>Turnover</b>		
Management fees	202,669	180,889
Performance fees	65,986	367,278
Front-end fees	207	2,796
Back-end fees	12,682	11,287
<b>Total turnover</b>	<b>281,544</b>	<b>562,250</b>
<b>Other revenue</b>		
Interest income on financial assets at fair value through profit or loss	–	642
Interest income on cash and cash equivalents	14,302	13,745
Dividend income on available-for-sale financial assets	16,426	4,573
Dividend income on financial assets at fair value through profit or loss	306	791
Others	276	557
<b>Total other revenue</b>	<b>31,310</b>	<b>20,308</b>
<b>Total revenue</b>	<b>312,854</b>	<b>582,558</b>

## 6 OTHER GAINS – NET

	Six months ended 30 June	
	2008 HK\$'000 Unaudited	2007 HK\$'000 Audited
Gains on disposal of available-for-sale financial assets	1,086	28,656
Gains on financial assets at fair value through profit or loss	–	3,742
Losses on financial assets at fair value through profit or loss	(1,503)	(2,486)
Net foreign exchange gains	4,984	882
<b>Total other gains – net</b>	<b>4,567</b>	<b>30,794</b>

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

### 7 TAX EXPENSE

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

Hong Kong profits tax has been provided on the estimated assessable profit for the six months ended 30 June 2008 at the rate of 16.5% (2007: 17.5%).

	Six months ended 30 June	
	2008 HK\$'000 Unaudited	2007 HK\$'000 Audited
<b>Current tax – Hong Kong profits tax</b>		
Current period	10,147	62,219
<b>Total tax expense</b>	<b>10,147</b>	<b>62,219</b>

### 8 DIVIDENDS

Dividends declared by the Company that relate to the year ended 31 December 2007 and that amount to HK\$568,000,000 were paid on 4 June 2008 (2007: HK\$548,490,000 that relates to the year ended 31 December 2006 was paid on 16 March 2007).

A special dividend declared by Value Partners Limited that amounts to HK\$660,000,000 was paid on 4 June 2008.

An interim dividend of HK5.5 cents per ordinary share (2007: Nil) was proposed by the Board of Directors on 29 August 2008. It is payable on or about 3 October 2008 to shareholders who are on the register at 18 September 2008. This interim dividend, amounting to HK\$88,000,000 (2007: Nil), has not been recognised in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2008.

### 9 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2008 HK\$'000 Unaudited	2007 HK\$'000 Audited
<b>Opening net book amount</b>	<b>6,372</b>	<b>8,371</b>
Additions	1,046	534
Depreciation	(2,257)	(1,725)
<b>Closing net book amount</b>	<b>5,161</b>	<b>7,180</b>

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

## 10 INTANGIBLE ASSETS

	Six months ended 30 June	
	2008 HK\$'000 Unaudited	2007 HK\$'000 Audited
Opening net book amount	2,034	1,789
Additions	630	259
Amortisation	(292)	(234)
Closing net book amount	2,372	1,814

## 11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June	31 December
	2008 HK\$'000 Unaudited	2007 HK\$'000 Audited
<b>Listed securities (by place of listing)</b>		
Equity securities – Hong Kong	–	1,882
Market value of listed securities	–	1,882
<b>Unlisted securities (by place of incorporation/ establishment)</b>		
Equity securities – Singapore	6,185	10,404
Investment funds – Cayman Islands	169,762	171,708
Investment funds – Luxembourg	5,793	7,483
Investment funds – United States of America	28,320	36,587
	210,060	226,182
<b>Total available-for-sale financial assets</b>	<b>210,060</b>	<b>228,064</b>

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June	31 December
	2008 HK\$'000 Unaudited	2007 HK\$'000 Audited
<b>Listed securities (by place of listing)</b>		
Investment funds – Hong Kong	173	219
Investment funds – Singapore	7,718	8,857
Market value of listed securities	7,891	9,076
<b>Unlisted securities</b>		
Currency options	245	–
<b>Total financial assets at fair value through profit or loss</b>	<b>8,136</b>	<b>9,076</b>

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

### 13 FEES RECEIVABLE

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

	30 June 2008 HK\$'000 Unaudited	31 December 2007 HK\$'000 Audited
<b>Fees receivable that were past due but not impaired</b>		
0 – 30 days	63,857	1,558,524
31 – 60 days	3,623	4,887
61 – 90 days	852	63,982
Over 90 days	919	13,798
	<b>69,251</b>	<b>1,641,191</b>
Fees receivable that were within credit period	1,016	55,412
<b>Total fees receivable</b>	<b>70,267</b>	<b>1,696,603</b>

### 14 CASH AND CASH EQUIVALENTS

	30 June 2008 HK\$'000 Unaudited	31 December 2007 HK\$'000 Audited
Cash at bank and in hand	277,288	390,861
Short-term bank deposits	405,221	338,505
Deposits with brokers	708	15,722
<b>Total cash and cash equivalents</b>	<b>683,217</b>	<b>745,088</b>

### 15 SHARE CAPITAL AND SHARE PREMIUM

	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2007, 30 June 2007, 1 January 2008 and 30 June 2008	11,855	41,912	53,767

#### Equity structure

	Number of shares
At 1 January 2007 and 30 June 2007	1
At 1 January 2008 and 30 June 2008	1,600,000,000

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

## 15 SHARE CAPITAL AND SHARE PREMIUM (continued)

### Share options

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

Apart from the share option scheme, share options were also granted to a director of the Company pursuant to an option agreement dated 29 October 2007.

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

	Average exercise price (HK\$ per share)	Number of options (‘000)
At 1 January 2007 and 30 June 2007	-	-
At 1 January 2008	7.63	525
Granted	5.56	120,000
Cancelled/lapsed	5.50	(483)
At 30 June 2008	5.57	120,042

Out of the 120,042,000 outstanding share options, 102,802,000 share options were exercisable at 30 June 2008 (2007: Nil). No share option was exercised during the six months ended 30 June 2008 (2007: Nil).

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

Expiry date	Exercise price (HK\$ per share)	Number of options (‘000)	
		30 June 2008	30 June 2007
21 November 2008	7.63	525	-
23 September 2014	5.50	60,424	-
21 November 2010 (a)	7.56	975	-
2 July 2012 (b)	7.56	2,667	-
14 November 2014	5.50	55,451	-

(a) The expiry date is the earlier of 21 November 2010 or the date on which the grantee ceases to be a director of the Company if such cessation is before 21 November 2008.

(b) The expiry date is the earlier of 2 July 2012 or the date on which the grantee’s employment with Value Partners Limited, a wholly-owned subsidiary of the Group, is terminated other than by cessation of employment at the end of the contract term.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

## 16 DISTRIBUTION FEES PAYABLE

The ageing analysis of distribution fees payable is as follows:

	30 June 2008 HK\$'000 Unaudited	31 December 2007 HK\$'000 Audited
0 – 30 days	12,950	134,714
31 – 60 days	89	–
61 – 90 days	285	–
Over 90 days	10,185	16,953
<b>Total distribution fees payable</b>	<b>23,509</b>	<b>151,667</b>

## 17 COMMITMENTS

### 17.1 Capital commitments

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

	30 June 2008 HK\$'000 Unaudited	31 December 2007 HK\$'000 Audited
<b>Contracted but not provided for Available-for-sale financial assets</b>	<b>20,053</b>	<b>13,848</b>

### 17.2 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:

	30 June 2008 HK\$'000 Unaudited	31 December 2007 HK\$'000 Audited
Not later than one year	9,495	9,055
Later than one year and not later than five years	2,357	6,350
<b>Total operating lease commitments</b>	<b>11,852</b>	<b>15,405</b>

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

## 18 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.

### 18.1 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 30 June 2008 and 31 December 2007, performance fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding period/year have not been recognised. These performance fees may be receivable in cash if a positive performance results on the performance fee valuation days, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

### 18.2 Contingent liabilities

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

As a result, at 30 June 2008 and 31 December 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 period/year have not been recognised. These distribution fees may be payable in cash if the performance fees are subsequently earned on the performance fee valuation days.

## 19 RELATED-PARTY TRANSACTIONS

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

The Group has entered into the following significant related-party transactions which, in the opinion of the directors, were carried out in the ordinary and usual course of the Group's business.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

## 19 RELATED-PARTY TRANSACTIONS (continued)

### 19.1 Key management compensation

	Six months ended 30 June	
	2008 HK\$'000 Unaudited	2007 HK\$'000 Audited
Bonus, salaries and other short-term employee benefits	7,968	8,481
Share-based compensation	116,487	–
Pension costs – mandatory provident fund scheme	48	48
<b>Total key management compensation</b>	<b>124,503</b>	<b>8,529</b>

### 19.2 Investments in own investment funds

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

	30 June 2008 Unaudited		31 December 2007 Audited	
	Holding	Fair value HK\$'000	Holding	Fair value HK\$'000
<b>Mutual funds/unit trusts</b>				
Asia Value Formula Fund	1,000,000	57,408	1,000,000	71,887
Manulife Global Fund – China Value Fund (a)	111,990	5,793	111,990	7,483
Value Partners China Greenchip Fund Limited (b)	200,000	6,144	200,000	8,588
Value Partners China Hedge Fund Limited (c)	74,024	11,294	74,024	13,580
Value Partners Classic Fund (d)	9,636	12,022	9,636	14,664
Value Partners Greater China Property Hedge Fund	30,000	21,902	–	–
Value Partners High-Dividend Stocks Fund	40,025	11,704	40,025	14,545
Value Partners Intelligent Funds				
– China Convergence Fund	19,744	12,561	19,744	17,075
Value Partners Intelligent Funds				
– Chinese Mainland Focus Fund	69,121	11,689	69,121	15,622
Value Partners Strategic Equity Fund (e)	1,000	8	1,000	8
Value Partners Strategic Equity Fund (f)	250,000	5,733	250,000	5,718
Value Partners Taiwan Fund	200,000	15,194	–	–
<b>Limited liability company</b>				
Value Partners Asia Fund, LLC		28,320		36,587
<b>Total investments in own investment funds</b>		<b>199,772</b>		<b>205,757</b>

- (a) The shares held were Class A shares.  
 (b) The shares held were redeemable Class A shares.  
 (c) The shares held were participating redeemable preference shares.  
 (d) The units held were “A” units.  
 (e) The shares held were management shares.  
 (f) The shares held were non-voting shares.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

## 20 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors was informed by certain shareholders and previous shareholders of the Company (the “gifting shareholders”) that they would like to make a cash gift of US\$7,000,000 to certain management and employees of the Group as a token of appreciation for their efforts over the years. After due considerations, the management proposed to pass on this cash gift to the Group to demonstrate the management’s support and commitment to the Group and so that the benefit of this cash gift would be shared by all the shareholders and employees of the Group. This proposal was accepted by the gifting shareholders after the balance sheet date. This gift will be recognised as an income and an asset of the Group in the second half of the financial year in accordance with HKFRS.

Details of the proposed interim dividend are disclosed in Note 8 above.

## 21 CYCLICALITY

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

## Other Information

### Directors' interests in Shares, Underlying Shares and Debentures

As at 30 June 2008, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which a person is taken or deemed to have under the provisions of the SFO) or which had been required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

#### (a) Long position in Shares

Name of Director	Nature of interest	Number of Shares	Number of underlying Shares in which the Directors are interested under physically settled equity derivatives <sup>(3)</sup>	Approximate percentage of issued Shares
Mr. Cheah Cheng Hye	Founder of trust/beneficial <sup>(1)</sup>	570,468,484	–	35.65%
	Beneficial	–	57,050,828	3.56%
Mr. Choi Nga Chung	Beneficial	57,655,209	5,765,923	3.96%
Mr. Ho Man Kei	Beneficial	57,655,209	5,765,923	3.96%
Ms. Hung Yeuk Yan Renee	Founder of trust <sup>(2)</sup>	40,358,583	–	2.52%
	Beneficial	–	4,036,140	0.25%
Mr. Law Ka Kin	Beneficial	–	2,925,000	0.18%
Mr. Ngan Wai Wah	Beneficial	30,690,691	8,665,284	2.46%
Mr. So Louis Chun Ki	Beneficial	40,358,583	4,036,140	2.77%

Notes:

- (1) These Shares are directly held by Cheah Capital Management Limited (“CCML”) which is wholly-owned by Cheah Company Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. Cheah Cheng Hye and certain members of his family.
- (2) These Shares are directly held by Bright Starlight Limited which is wholly-owned by Scenery Investments Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. Hung Yeuk Yan Renee.
- (3) The number of underlying Shares in which the Directors are interested under physically settled equity derivatives are detailed in “Share Options” section below.

## Other Information

### (b) Interest in associated corporation

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Nature of interest</u>	<u>Number of shares</u>	<u>Approximate percentage of issued shares of the relevant associated corporation</u>
Mr. Cheah Cheng Hye	Value Partners Strategic Equity Fund	Beneficial	74,000 non-voting shares	0.49% of the total issued non-voting shares
Mr. Choi Nga Chung	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Mr. Ho Man Kei	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Ms. Hung Yeuk Yan Renee	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Mr. Lee Siang Chin	Value Partners Strategic Equity Fund	Corporate (Note)	50,000 non-voting shares	0.33% of the total issued non-voting shares
Mr. Ngan Wai Wah	Value Partners Strategic Equity Fund	Beneficial	51,000 non-voting shares	0.34% of the total issued non-voting shares

Note: 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.

## Other Information

### (c) Share Options

The Company adopted a share option scheme on 24 October 2007 (“the Scheme”) and a Pre-IPO Share Option was granted to Mr. Law Ka Kin on 29 October 2007. Details of the grant of share options and a summary of the movements of the outstanding share options during the six months ended 30 June 2008 were as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2008	Number of Share Options			As at 30/06/2008
					Granted	Exercised	Lapsed	
<b>Directors</b>								
Mr. Cheah Cheng Hye	26/03/2008	26/03/2008-25/09/2014	5.50	-	1,600,000	-	-	1,600,000
	15/05/2008	15/05/2008-14/11/2014	5.50	-	55,450,828	-	-	55,450,828
Mr. Choi Nga Chung	26/03/2008	26/03/2008-25/09/2014	5.50	-	5,765,923	-	-	5,765,923
Mr. Ho Man Kei	26/03/2008	26/03/2008-25/09/2014	5.50	-	5,765,923	-	-	5,765,923
Ms. Hung Yeuk Yan Renee	26/03/2008	26/03/2008-25/09/2014	5.50	-	4,036,140	-	-	4,036,140
Mr. Law Ka Kin	29/10/2007	22/05/2008-21/11/2008	7.63	525,000	-	-	-	525,000
	26/03/2008	26/03/2008-25/09/2014	5.50	-	2,400,000	-	-	2,400,000
Mr. Ngan Wai Wah	26/03/2008	26/03/2008-25/09/2014	5.50	-	8,665,284	-	-	8,665,284
Mr. So Louis Chun Ki	26/03/2008	26/03/2008-25/09/2014	5.50	-	4,036,140	-	-	4,036,140
Dr. Chen Shih Ta Michael	15/05/2008	22/11/2008-21/11/2010	7.56	-	325,000	-	-	325,000
Mr. Lee Siang Chin	15/05/2008	22/11/2008-21/11/2010	7.56	-	325,000	-	-	325,000
Mr. Nobuo Oyama	15/05/2008	22/11/2008-21/11/2010	7.56	-	325,000	-	-	325,000
<b>Employees</b>	26/03/2008	26/03/2008-25/09/2014	5.50	-	14,556,819	-	-	14,556,819
		25/03/2009-25/09/2014	5.50	-	4,693,651	-	(161,000)	4,532,651
		25/03/2010-25/09/2014	5.50	-	4,693,651	-	(161,000)	4,532,651
		25/03/2011-25/09/2014	5.50	-	4,693,641	-	(161,000)	4,532,641
	15/05/2008	14/05/2009-02/07/2012	7.56	-	889,000	-	-	889,000
		14/05/2010-02/07/2012	7.56	-	889,000	-	-	889,000
		02/07/2010-02/07/2012	7.56	-	889,000	-	-	889,000
<b>Total</b>				525,000	120,000,000	-	(483,000)	120,042,000

#### Notes:

- The closing prices of the Shares immediately before the share options granted on 26 March 2008 and 15 May 2008 were HK\$5.50 and HK\$7.56 respectively.
- No share option was cancelled during the period under review.
- The share options granted to Mr. Cheah Cheng Hye were in excess of his individual limit under the Listing Rules. The grant of excess share options to Mr. Cheah was approved in the annual general meeting of the Company held on 15 May 2008.

## Other Information

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

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

### Share Option Expenses

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

Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest or lapse.

Share options were granted on 26 March 2008 and 15 May 2008.

On 26 March 2008, the fair value of share options granted as determined using Black-Scholes option-pricing model was in a range of HK\$0.59 to HK\$0.63 per option. The key inputs into the model were share price of HK\$5.50 at the grant date, the exercise price of HK\$5.50 per share, an estimated volatility of 28.6% based on relevant market comparables, an estimated dividend yield of 6.5% based on historical dividend of HK35.5 cents per share, an estimated annualized forfeiture rate of 14%, an estimated expected option life from 3.2 to 4.7 years and an annual risk-free interest rate in a range of 1.46% to 1.85%.

On 15 May 2008, the fair value of share options granted as determined using Black-Scholes option-pricing model was in a range of HK\$0.70 to HK\$1.72 per option. The key inputs into the model were share price of HK\$7.56 at the grant date, the exercise price of HK\$5.50 and HK\$7.56 per share, an estimated volatility of 28.7% based on relevant market comparables, an estimated dividend yield of 6.5% based on historical dividend of HK35.5 cents per share, an estimated annualized forfeiture rate of 14%, an estimated expected option life from 1.5 to 3.2 years and an annual risk-free interest rate in a range of 1.61% to 2.25%.

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

### Substantial Shareholders' Interests

As at 30 June 2008, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

## Other Information

### Long Position in the Shares under the SFO

Name	Nature of interest	Number of Shares	Approximate percentage of issued Shares
Ms. To Hau Yin <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%
Cheah Capital Management Limited <sup>(3)</sup>	Beneficial	570,468,484	35.65%
Cheah Company Limited <sup>(3)</sup>	Corporate	570,468,484	35.65%
Hang Seng Bank Trustee International Limited <sup>(3)(4)</sup>	Trustee	610,827,067	38.17%
Hang Seng Bank Limited <sup>(3)(4)</sup>	Interest of controlled corporation	610,827,067	38.17%
The Hongkong and Shanghai Banking Corporation Limited <sup>(3)(4)</sup>	Interest of controlled corporation	610,827,067	38.17%
HSBC Asia Holdings BV <sup>(3)(4)</sup>	Interest of controlled corporation	610,827,067	38.17%
HSBC Asia Holdings (UK) <sup>(3)(4)</sup>	Interest of controlled corporation	610,827,067	38.17%
HSBC Holdings BV <sup>(3)(4)</sup>	Interest of controlled corporation	610,827,067	38.17%
HSBC Finance (Netherlands) <sup>(3)(4)</sup>	Interest of controlled corporation	610,827,067	38.17%
HSBC Holdings plc <sup>(3)(4)</sup>	Interest of controlled corporation	610,827,067	38.17%
Value Holdings, LLC	Corporate	92,333,542	5.77%
Ping An Insurance (Group) Company of China, Ltd. <sup>(5)</sup>	Corporate	144,000,000	9.00%
Passport Global Master Fund SPC Ltd for and on behalf of portfolio A – global strategy <sup>(6)</sup>	Beneficial	80,309,300	5.02%
Passport Management, LLC <sup>(6)</sup>	Investment Manager	80,000,000	5.00%
Passport Capital, LLC <sup>(6)</sup>	Interest of controlled corporation	80,000,000	5.00%
Mr. John H. Burbank III <sup>(6)</sup>	Interest of controlled corporation	80,000,000	5.00%

## Other Information

### Notes:

- (1) Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye.
- (2) Ms. Liang Mira is the spouse of Mr. Yeh V-Nee.
- (3) Cheah Capital Management Limited is wholly-owned by Cheah Company Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. Cheah Cheng Hye and certain members of his family. For the purposes of the SFO, Mr. Cheah Cheng Hye is the founder of this trust.
- (4) This includes 570,468,484 Shares held by CCML and 40,358,583 Shares held by Bright Starlight Limited. Bright Starlight Limited is wholly-owned by Scenery Investments Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. Hung Yeuk Yan Renee. For the purposes of the SFO, Ms. Hung Yeuk Yan Renee is the founder of this trust. Hang Seng Bank Trustee International Limited is wholly-owned by Hang Seng Bank Limited. Hang Seng Bank Limited is a subsidiary of The Hongkong and Shanghai Banking Corporation Limited. The Hongkong and Shanghai Banking Corporation Limited is a subsidiary of HSBC Asia Holdings BV, which is a wholly-owned subsidiary of HSBC Asia Holdings (UK), which in turn is a wholly-owned subsidiary of HSBC Holdings BV. HSBC Holdings BV is a wholly-owned subsidiary of HSBC Finance (Netherlands), which in turn is wholly-owned by HSBC Holdings plc.
- (5) These Shares are directly held as to 79,840,000 Shares by Ping An Life Insurance Company of China, Ltd. and as to 64,160,000 Shares by Ping An Property & Casualty Insurance Company of China, Ltd., and the ultimate holding company of each of the above companies is Ping An Insurance (Group) Company of China, Ltd.
- (6) Passport Management, LLC serves as investment manager to various investment funds (including Passport Global Master Fund SPC Ltd for and on behalf of portfolio A – global strategy) and therefore has a controlling interest over the shares beneficially owned by these funds. Passport Capital, LLC is the sole managing member of Passport Management, LLC. Mr. John H. Burbank III is the sole managing member of Passport Capital, LLC. As a result, each of Mr. John H. Burbank III and Passport Capital, LLC may be considered to be joint actors with Passport Management, LLC.

Save as aforesaid and as disclosed in the “Directors’ Interests in Shares, Underlying Shares and Debentures” and “Substantial Shareholders’ Interests” sections of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 30 June 2008 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.

## Other Information

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### Interim Dividend

The Board has resolved to declare an interim dividend of HK5.5 cents per share for the six months ended 30 June 2008 to the shareholders whose names appear on the Registers of Members of the Company at close of business on 18 September 2008. The dividend will be payable on or about 3 October 2008.

### Closure of Registers of Members

The Registers of Members of the Company will be closed from Tuesday, 16 September 2008 to Thursday, 18 September 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 12 September 2008.

### Foreign Exchange

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

### Human Resources

As at 30 June 2008, the Group employed a total of 97 staff (30 June 2007: 78). Remuneration packages are offered to employees based on market factors and business and individual's performance. In addition, share options and discretionary bonuses are granted to recognize staff's contribution and to retain valuable human capital.

### Purchase, Sale or Redemption of the Company's Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

## Other Information

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### Audit Committee

In compliance with the Listing Rules, the Company has an audit committee comprises three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Group for the six months ended 30 June 2008.

### Independent Review of Interim Results

The unaudited interim results of the Group for the six months ended 30 June 2008 have been reviewed by PricewaterhouseCoopers, the Company's Auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

### Corporate Governance

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008.

### Model Code for Securities Transactions by Directors

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

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2008.

## Other Information

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### Publication of Interim Results and Interim Report on the Stock Exchange

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

### Our Appreciation

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

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

Hong Kong, 29 August 2008

**Value Partners Group Limited**  
**惠理集團有限公司**

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