2010
Annual Report 年報

Value Partners Group Limited
惠理集團有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊之有限責任公司)

Value Partners
Investing through discipline

Stock Code 股份代號: 806

Corporate Profile

Value Partners Group Limited is an independent, value-oriented asset management firm. Founded in Hong Kong in February 1993, Value Partners has been ranked among the top performing fund management firms in the industry. The Group was listed on the Main Board of the Stock Exchange of Hong Kong in November 2007.

Focused on the Greater China and Asia-Pacific regions, Value Partners has built a strong reputation across the international asset management industry as a leading value investor. The Group's products and services apply classic value investing practices, through products that include absolute return long-biased funds, long-short hedge funds, exchange-traded funds, quantitative funds, and private equity funds.

惠理集團有限公司是一家獨立、並以價值為主導的資產管理集團。公司於一九九三年二月成立，多年來在資產管理業界建立良好的聲譽。集團於二零零七年十一月在香港聯合交易所主板上市。

惠理的業務主要集中在大中華及亞太地區，在國際資產管理行業以價值投資見稱。集團的產品和業務遵循價值投資理念，為客戶管理絕對回報偏持長倉基金、長短倉對沖基金、交易所買賣基金、量化基金及私人股本基金。

Contents

Corporate Information	2
Financial Highlights	3
Highlights of the Year	4
Chairman's Statement	6
Report of the Chief Executive Officers	8
Financial Review	13
Biographies of Directors and Senior Management	18
Report of the Directors	23
Corporate Governance Report	33
Independent Auditor's Report	39
Consolidated Financial Statements	40
Notes to the Consolidated Financial Statements	45
Particulars of Subsidiaries	82

Corporate Information

Board of Directors

Chairman and Co-Chief Investment Officer

Mr. CHEAH Cheng Hye

Executive Directors

Mr. CHAN Sheung Lai
(Co-Chief Executive Officer)
Mr. Michael Francis COOREY
(Co-Chief Executive Officer)
Ms. HUNG Yeuk Yan Renee
(Deputy Chief Investment Officer)
Mr. SO Chun Ki Louis
(Co-Chief Investment Officer)
Mr. TSE Wai Ming, CFA & FCPA
(Deputy Chief Executive Officer & Chief Financial Officer)

Independent Non-executive Directors

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

Non-executive Honorary Chairman

Mr. YEH V-Nee

Company Secretary

Mr. TSE Wai Ming, CFA & FCPA

Authorized Representatives

Mr. CHAN Sheung Lai
Mr. TSE Wai Ming, CFA & FCPA

Members of the Audit Committee

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

Members of the Remuneration Committee

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

Members of the Risk Management Committee

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

Members of the Valuation Committee

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

Registered Office

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

Principal Office

9th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

Auditor

PricewaterhouseCoopers

Legal Advisor

Reed Smith Richards Butler

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

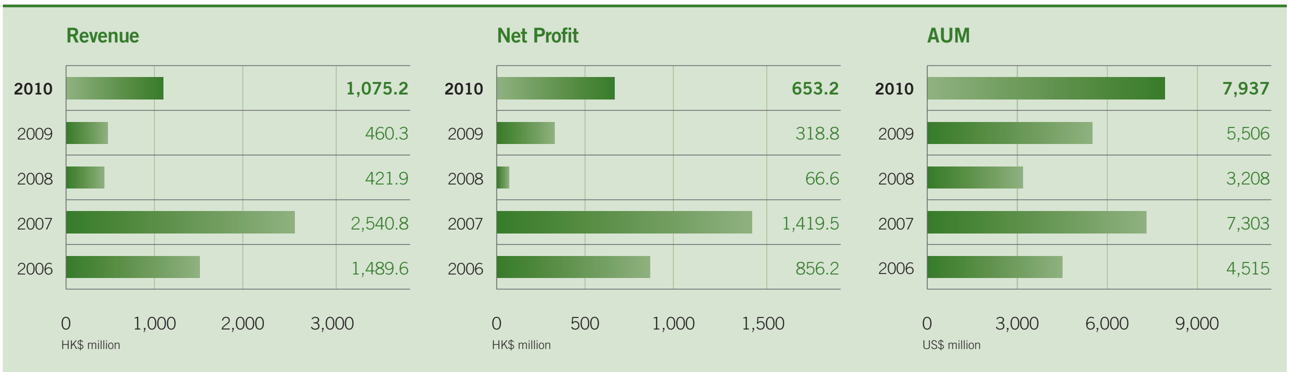
Website

www.valuepartnersgroup.com.hk

Stock Code

Stock Exchange of Hong Kong: 806

Financial Highlights



Results for the year ended 31 December

(In HK$ million)	2010	2009	% Change	2008	2007	2006
Revenue	**1,075.2**	460.3	+133.6%	421.9	2,540.8	1,489.6
Operating profit	**759.5**	348.3	+118.1%	92.5	1,655.3	1,034.9
Net profit	**653.2**	318.8	+104.9%	66.6	1,419.5	856.2
Earnings per share (HK cent)						
- Basic	**40.1**	19.9	+101.5%	4.2	88.7	53.5
- Diluted	**39.9**	19.9	+100.5%	4.2	88.7	53.5

Assets and liabilities at 31 December

(In HK$ million)	2010	2009	% Change	2008	2007	2006
Total assets	**2,792.1**	1,221.0	+128.7%	769.1	2,707.3	1,543.1
Less: Total liabilities	**374.2**	151.6	+146.8%	27.0	1,493.5	564.9
Total net assets	**2,417.9**	1,069.4	+126.1%	742.1	1,213.8	978.2

Assets under management ("AUM") at 31 December

(In US$ million)	2010	2009	% Change	2008	2007	2006
AUM	**7,937**	5,506	+44.2%	3,208	7,303	4,515

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

Highlights of the Year

2010/11

March 2010

19 March 2010
Value Partners High-Dividend Stocks Fund wins the Lipper Fund Awards 2010 in Equity Asia Pacific (Excluding Japan) 3 Years Category.

July 2010

13 July 2010
Value Partners takes the top spot in the 2010 Asia Hedge Fund 25, ranked as the biggest Asia-based hedge fund management firm, base on an AUM of US$5.7 billion as at 1 April 2010.

September 2010

22 September 2010
Value China ETF (3046 HK) wins the 2010 Best New ETF in Asia award from *Republic Partners,* from a shortlist of leading Asian ETFs.

(From left) Mr. Martin Tornberg from Ping An of China and Mr. William Chow Wai Chiu, Managing Director of Value Partners, accepted the award from Republic Partners.

October 2010

7 October 2010
Mr. Cheah Cheng Hye, Chairman and Co-CIO of Value Partners, named one of The 25 Most Influential People in Asian Hedge Funds by *AsianInvestor.*

14 October 2010
New round of capital raising through the placing and subscription of shares in the Group, bringing a net funding of approximately HK$775.3 million for the expansion of the business into Mainland China and other activities.

21 October 2010
Nominated for seven awards at the AsiaHedge Awards 2010, Value Partners wins Management Firm of the Year and Best China Fund for Value Partners China Greenchip Fund.

Mr. Timothy Tse Wai Ming, Deputy CEO & CFO of Value Partners, accepted the award at the presentation ceremony.

Highlights of the Year

November 2010

3 November 2010
Value Gold ETF (3081HK), the world's first gold ETF backed by physical gold and stored in Hong Kong, is listed on the Stock Exchange of Hong Kong.

Senior management from Value Partners, Ping An Group, the Hong Kong Securities and Futures Commission and The Stock Exchange of Hong Kong Limited attended the Value Gold ETF listing ceremony.

December 2010

31 December 2010
Value Partners' total AUM reach a new year end high of US$7.9 billion.

October 2010

21 October 2010
Mr. Cheah Cheng Hye delivers Keynote Speech at renowned Graham & Dodd Breakfast in New York: *Value Investing: Making It Work in China and Asia.*

Mr. Cheah Cheng Hye presented at the renowned Graham & Dodd Breakfast, in New York.

January 2011

12 January 2011
Value Partners named one of the three leading fund management firms in Asia, and three Value Partners analysts ranked among the top-three positions in the General Equities/Strategy in Asia category, in the prestigious Thomson Reuters 2010 Extel Asia Pacific Survey.

21 January 2011
Value Partners Group announces a joint venture partnership with Yunnan Industrial Investment Holding Group Ltd. to set up new private equity fund management company in mainland China.

Chairman's Statement

In 2010, Value Partners made a net profit of HK$653.2 million (basic earnings per share: HK40.1 cents), which is more than twice the 2009 figure of HK$318.8 million. We are pleased to propose a dividend for 2010 of HK16.0 cents per share. It was a tremendous year, not just for the financial results, but in other important respects as well. Notable points include:

- Excellent fund performance. As always, this is the key to our business model, and in 2010, we scored again. Taking our flagship Value Partners Classic Fund as an example, the fund's net asset value reached an all-time high following a gain of 20.2%# in 2010, well ahead of the Hang Seng and MSCI China indices' gains of 8.6% and 4.6%, respectively, during the same period.

- Record level of fund sales. In 2010, our funds attracted a net inflow (subscriptions minus redemptions) of US$1.3 billion, the biggest such inflow in our 17-year history. Assets under management reached US$7.9 billion, overtaking the previous record of US$7.3 billion under management in 2007, before the global financial crisis. We are one of Asia's largest fund management firms, and our market share is clearly expanding.

- Surging share price. Our remarkable growth was reflected in a 96.5% increase in Value Partners' share price, which ended 2010 at HK$7.80, from HK$3.97 a year earlier.

- Capital base strengthened. Value Partners raised HK$775.3 million in fresh capital in October 2010, with an issue of 140 million new shares (8.7% of the company) at HK$5.68 per share.

- Healthy pace of new business development. We launched yet another innovative exchange-traded fund, the Value Gold ETF, which is the world's first gold fund to store its bullion in Hong Kong. Value Partners now has two ETFs — Value China ETF (3046 HK) and the Value Gold ETF (3081 HK) launched in December 2009 and November 2010, respectively, both listed successfully on the Hong Kong Stock Exchange, and both managed through a joint venture with our strategic partner, Ping An of China.

  (In a separate development announced subsequent to the year end, Value Partners has signed an agreement to form a private equity fund management company in Yunnan, China. This is in the form of a 60% owned joint venture with a partner linked to the provincial government of Yunnan and the plan is to raise a renminbi-denominated private equity fund in 2011 for projects on the Chinese mainland.)

- Achievement recognition. In Hong Kong, Value Partners is considered an unusual story because there are few really successful local Hong Kong brands in commerce and industry. Instead, Hong Kong is better known for its landlords, shopkeepers and as a base for large multinational brands. In Value Partners' case, however, there is a long and consistent history of winning performance awards and industry recognition, going as far back as 1994, a year after the company's founding.

In 2010, Value Partners enjoyed remarkable success in winning a whole new collection of accolades. This is summarized in the accompanying "Chief Executive Officers' Report," and here we would provide just two highlights, as follows:

- Value Partners' Chairman and Co-Chief Investment Officer, Cheah Cheng Hye, delivered the keynote address at the Graham & Dodd Breakfast in 2010 — a prestigious annual event held by the Heilbrunn Center for Graham & Dodd Investing of Columbia Business School in New York. This was the 20th Graham & Dodd breakfast and the first with an Asian speaker; Mr Cheah's speech was entitled "Value investing: Making it work in China and Asia."

- Value Partners has been named as one of the three leading fund-management firms in Asia in the prestigious Thomson Extel Survey 2010, published recently. In the same survey, Value Partners' staff were ranked among the best individual fund managers in Asia. George Yang, Eric Chow and Ada Lau — all fund managers from Value Partners — were ranked No 1, No 2 and No 3, respectively on a list of 25 names in the survey devoted to leading Buyside Individuals in the "General Equities/Strategy" category.

Outlook

2011 is the first year of China's 12th five-year plan, during which strong initiatives will be taken to transform the country's economic model, from an export-led model to one that pushes domestic consumer spending and improvement of China's environment and living standards. The government in Beijing remains pro-business and pro-growth — but it is sensitive to any threat to stability. In this context, officials have put inflation at the top of their "worry list," and they are also keeping an anxious eye on global political and economic developments, for fear of any spillover effects on China.

Not surprisingly, we find the Chinese investment environment for 2011 quite challenging. For the serious, long-term investor, promising opportunities remain on offer, but these have to be carefully identified through bottom-up research. On the whole, the "China story" remains intact, with economic growth still pretty strong, projected at 9% for 2011, down just a bit from 2010's estimated 10%.

Our overall corporate objective is for Value Partners to be a "Temple of Value Investing" for the Asia-Pacific region. Progress has been strong, and further initiatives will be taken. We want to be a world class asset management institution, not only in terms of our Investment Team's proven ability and resources, but also in terms of the firm's overall branding, infrastructure and support systems. What we build need to endure over the long term.

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

CHEAH Cheng Hye
Chairman and Co-Chief Investment Officer

Performance of Value Partners Classic Fund (A Units) over past five years: 2010, +20.2%; 2009, +82.9%; 2008, -47.9%; 2007, +41.1%; 2006, +41.8%. Performance figures are calculated in US dollars terms on NAV to NAV, with dividends reinvested. Performance data is net of all fees.

Report of the Chief Executive Officers

Strong recovery to record inflow

In the 2010 Interim Report, we noted that the major stock markets over the first six months of 2010 were difficult and volatile, while our flagship Value Partners Classic Fund remained resilient and increased by about 1.0% over the period, compared to the declines of 6.1% of both Hang Seng and MSCI China indices. From the second half, investment sentiment improved as investors realized the Chinese economy was heading towards a "soft landing" rather than the much feared "hard landing". Our funds performed very well during this period. The Classic Fund gained a net 20.2%[#] for the year; by comparison, the Hang Seng and MSCI China indices gained 8.6% and 4.6% respectively in 2010. Value Partners China Greenchip Fund Limited, which invests in small cap companies, was our best performing fund gaining 37.8%[^].

Our strong fund performance reflects our commitment to deliver superior return to investors and our dedication to and practice of value investing. This strong performance, supported by our expanded distribution channels, has attracted significant capital inflow to our funds. We are pleased to report that net subscriptions for the year amounted to US$1.3 billion, compared to US$82 million last year and bringing our assets under management ("AUM") to US$7.9 billion as at 31 December 2010. The capital inflow for 2010 has set a new record for Value Partners, versus our previous record net inflow of US$0.7 billion in 2006.

Our strong fund performance also allowed us to collect performance fees on many of our funds. For 2010, our revenue amounted to HK$1,075.2 million, comprising gross management fees of HK$343.8 million and gross performance fees of HK$708.5 million. This represents an increase of 133.6% over total revenue of HK$460.3 million recorded in 2009. Net profit for 2010 was HK$653.2 million, compared to HK$318.8 million for 2009.

Building our AUM

We ended the year with US$7.9 billion assets under management, the highest AUM at fiscal year end in the Group's history. We had AUM of US$5.5 billion at year end 2009. The increase in AUM of US$2.4 billion during the year resulted from net inflow of US$1.3 billion and positive fund performance of US$1.1 billion.

Net subscriptions for the year of US$1.3 billion have set a new record for us. The recovery in fund inflow that started early this year gained momentum in the second half of the year as market sentiment improved and our fund performance soared. Most of the new subscriptions were channeled to our premium, actively managed funds and came from Hong Kong based investors, which reflected our leading market position and expanded distribution channels in the home market. Our flagship Classic Fund has become one of the best selling equity funds on the HSBC retail bank platform in Hong Kong.

Our overseas subscriptions were sluggish in the first half of the year but improved in the second half. More overseas money came in when the market rebounded in the latter part of the year. Most of the new subscriptions, however, came from existing investors and there have been no major new mandates from overseas, except for mandates secured in the first half of the year from a leading Swiss private bank to manage and co-manage two funds.

On our sales and marketing efforts, we have focused on building the AUM of our current offerings in premium, actively managed products, and in view of the volatile market environment, we have not launched any new actively managed products.

Growing our Value ETFs

As part of our diversified product strategy, we have continued to expand our suite of Value ETF products. In 2009, we launched our Value China ETF (3046 HK), which tracks a basket of 25 China value stocks captured by the FTSE Value-Stocks China Index, an index based on a proprietary value-based screening methodology designed by us.

In November 2010, we launched our Value Gold ETF (3081 HK) on the Stock Exchange of Hong Kong. The Value Gold ETF is the first and only gold ETF backed by physical gold bullion stored in Hong Kong, and has received wide publicity in the market.

As at year end, the AUMs of our Value China ETF and Value Gold ETF were US$48 million and US$56 million, respectively. The Value China ETF gained 11.7%[Ω] for the year, while the Hang Seng and MSCI China indices recorded gains of 8.6% and 4.6%, respectively.

In December 2010, we launched the FTSE Value-Stocks Taiwan and the FTSE Value-Stocks Korea Indices. Both are equity indices based on value-based screening methodology designed by us and similar to the methodology for the FTSE Value-Stocks China Index.

Awards and distinctions

Our goal is to be, and to be recognized as, the temple of value investing in Asia. We have seen significant market recognition of Value Partners' achievements, and also received major distinctions for the performance of our funds. According to Institutional Investor magazine's 2010 Asia Hedge Fund 25, Value Partners was ranked number one hedge fund management firm based on AUM as at 1 April 2010 (July 2010 edition).

We have received many other awards and distinctions that provide further indication of our investment success and the broad recognition from our peers and investors. Our awards for the year are listed below.

Value Partners: 2010 Awards

Organizers	Awards	Winners
AsiaHedge Awards 2010	Management Firm of the Year Best China Fund	Value Partners Limited Value Partners China Greenchip Fund Ltd.*
Lipper Asia Lipper Fund Award 2010	Best Equity Asia Pacific (excluding Japan) Fund over 3 years	Value Partners High-Dividend Stocks Fund
Republic Partners Asia ETFs Awards 2010	Best New ETF in Asia 2010	Value China ETF
Thomson Reuters Extel Asia Pacific Survey 2010	Best Overall Fund Management Firm — Asia	Value Partners ranked the 3rd place out of the 25 named fund management companies
	Top Three Buyside Individuals — General Equities/Strategy	• Mr. George Yang, Value Partners Senior Analyst, ranked 1st place among the named individuals • Mr. Eric Chow, Value Partners Senior Fund Manager, ranked 2nd place among the named individuals • Ms. Ada Lau, Value Partners Senior Fund Manager, ranked 3rd place among the named individuals
	Leading Buyside Individual — Asia	• Mr. George Yang, Value Partners Senior Analyst, ranked 1st place among the named individuals • Mr. Eric Chow, Value Partners Senior Fund Manager, ranked 3rd place among the named individuals

* *The award-winning funds were selected from a pool of funds with top returns and within 25% of the top Sharpe ratio for the year. Value Partners China Greenchip Fund Ltd. is authorized by the Securities and Futures Commission (SFC) in Hong Kong but not as a hedge fund according to the Code on Unit Trust and Mutual Funds. SFC authorization is not a recommendation or endorsement of a scheme, nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors, nor is it an endorsement for its suitability for any particular investor or class of investors.*

Report of the Chief Executive Officers

In October 2010, Mr. Cheah Cheng Hye, our Chairman and Co-Chief Investment Officer, was named by AsianInvestor as one of the 25 Most Influential People in the Asian hedge fund industry. In the same month, Mr. Cheah was in New York City and delivered a speech as the first keynote speaker from Asia at the renowned annual Graham & Dodd Breakfast meeting organized by the Heilbrunn Center for Graham & Dodd Investing at Columbia Business School. This is regarded as one of the most prestigious forums for value investing in the United States.

We would like to extend our congratulations to Mr. Cheah and other colleagues that received these distinctions and awards, and our gratitude to all our colleagues for their contribution to building the strong market recognition of Value Partners.

Corporate leadership

As part of its ongoing drive to develop the Group into a world class fund management firm, we have continued to enhance our leadership capacity.

In July 2010, Mr. Louis So Chun Ki was promoted to Co-Chief Investment Officer, sharing the role of Co-Chief Investment Officer with Mr. Cheah Cheng Hye, our Chairman. Mr. Cheah focuses more on investment strategies, while Mr. So takes over the daily operation of the investment team. In addition, Mr. Norman Ho Man Kei was promoted to the role of Investment Director, and four members of the investment team were appointed as Senior Fund Managers and two as Fund Managers.

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

In January 2011, Mr. Michael Francis Coorey, who joined us in November 2010 as Director, Strategic Development, was appointed as Co-Chief Executive Officer and has taken over business and corporate management in Hong Kong. Mr. Coorey previously worked for investment groups such as Bessemer Holdings LLC, for whom he has established and run companies in China. He has led large scale corporate re-engineering at financial institutions such as Standard Chartered Bank, where his role was to increase the Company's return on equity, and at City Mutual Insurance where his role was to transform an old-line insurance company into a modern financial institution. He has run both publicly listed and private companies in China, Hong Kong and Japan.

Following the appointment of Mr. Coorey, Mr. Jimmy Chan Sheung Lai shares the role of Co-Chief Executive Officer. Mr. Chan focuses on business development, strategic investments and partnerships, and external relations to lead the Group to maximize and secure the significant business opportunities available to the Group in mainland China and elsewhere in Asia, Europe and the United States. In particular, he will lead the Group's efforts to establish a fund management business on the mainland.

Placement of shares

In October 2010, we completed a placing of 140,000,000 shares in the Company and raised net proceeds of HK$775.3 million. Most of the new capital has been earmarked for the expansion of our business in mainland China, as seed capital for the Group's new funds, and for the expansion of our distribution channels. The balance of the net proceeds is to be used as the general working capital of the Group.

This placement represents the first time that the Group raised new equity capital from the capital market.

Financial review

As at 31 December 2010, our total AUM amounted to US$7.9 billion, up from US$5.5 billion in December 2009. The year began with a steady increase in net inflow in our funds and the inflow gained significant momentum in the second half of the year. The total net inflow of US$1.3 billion has set a new record for Value Partners, versus our previous record net inflow of US$0.7 billion in 2006.

With the solid growth in AUM, our gross management fees increased to HK$343.8 million for the year, compared to HK$233.5 million for 2009. Our strong fund performance also allowed us to collect performance fees of HK$708.5 million, representing an increase of 222.3% over the performance fees of HK$219.8 million collected in 2009.

For 2010, our total revenue was HK$1,075.2 million, representing an increase of 133.6% over HK$460.3 million recorded in 2009. Net profit increased to HK$653.2 million, representing a growth of 104.9% over net profit of HK$318.8 million for 2009.

Our balance sheet as at 31 December 2010 remained strong and liquid, and was further bolstered by the net proceeds of the share placement.

Looking forward

In this year and beyond, we will devote more of our efforts to develop our Group into a world class asset management firm. The senior appointments in both our investment and business teams have strengthened our leadership capacity to lead the Group to achieve this goal.

We are committed to positioning Value Partners as the temple of value investing in Asia and our investment team has a good pool of well qualified fund managers and analysts dedicated to delivering superior investment returns. Our business team has helped generate strong fund inflow and will continue its efforts in Hong Kong and abroad to expand our distribution network and enhance our institutional investor base.

In product development, we are committed to our bar-bell strategy of offering premium, actively managed products as well as high volume ETFs and quantitative products. We will selectively launch new premium products such as QFII (Qualified Foreign Institutional Investor) and RMB denominated products that can meet unfulfilled market demand and leverage our investment strength. We will continue releasing truly innovative ETF products.

We have announced that we entered into an agreement to set up a joint venture private equity fund management company with 雲南省工業投資控股集團有限責任公司 (Yunnan Industrial Investment Holding Group Ltd) in Kumming, Yunnan, Western China. We will own a 60% interest in the joint venture, which plans to establish and manage a Renminbi-denominated private equity fund by the end of this year, with the aim of raising RMB500 million for the first fund.

Report of the Chief Executive Officers

This new joint venture is part of our expansion plan into mainland China. We believe that mainland China will be our primary strategic market for the next decade, and we are very positive on the future growth of its fund management industry. We think it is important that we will be able to capitalize on this great opportunity and develop a significant business in the mainland. In addition to this private equity joint venture, we have started dialogues with potential partners and regulators about setting up other fund management businesses in the mainland. We are confident that given our strong track record in investing in China and our similar culture with potential mainland partners, we will establish significant fund management businesses in the mainland in the near future.

Since the financial crisis, regulators around the world have taken new initiatives, including new legislation, to tighten the regulation of the financial services industry. In June, the Securities and Futures Commission gazetted the new Handbook on Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products. Some of the new requirements as promulgated in the new Handbook have not yet been implemented but it is likely that the full implementation of these new requirements will affect how our funds will be marketed and sold to retail investors in Hong Kong. We do not however expect that the potential impact from the full implementation of the new requirements on the future capital inflow from the retail market will be significant.

Thanks and appreciation

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

CHAN Sheung Lai, Jimmy
Co-Chief Executive Officer
Executive Director

\# *Performance of Value Partners Classic Fund (A Units) over past five years: 2010, +20.2%; 2009, +82.9%; 2008, -47.9%; 2007, +41.1%; 2006, +41.8%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*

^ *Performance of Value Partners China Greenchip Fund Limited over past five years: 2010, +37.8%; 2009, +116.7%; 2008, -57.4%; 2007, +36.3%; 2006, +43.7%. Performance figures are calculated in HK dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*

Ω *Performance of Value China ETF since launch on 10 December 2009: 2010, +11.7%; 2009 (since launch), -0.4%. Performance figures are calculated in HK dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*

The Group reported very strong business and financial performance during 2010, as a result of good fund performance and significant fund inflows. The Group's AUM was US$7.9 billion as at 31 December 2010, representing a net increase of 44.2%, which was over the US$5.5 billion recorded one year earlier. In addition, the Group's total revenue increased by 133.6% to HK$1,075.2 million for the year ended 31 December 2010, compared to HK$460.3 million recorded one year earlier. Net profit for the year was HK$653.2 million, which was an increase from the HK$318.8 million net profit seen in 2009. The significant increase in net profit was mainly driven by strong fund performance and increased performance-fee earnings. As at 31 December 2010, a majority of the funds managed by the Group exceeded their high watermarks or benchmark returns. Gross performance fees amounted to HK$708.5 million, representing a 222.3% increase compared to HK$219.8 million recorded last year. The increase in management fees also contributed to the increase in the Group's net profit. Gross management fees amounted to HK$343.8 million, representing a 47.2% increase compared to HK$233.5 million recorded last year.

Assets Under Management

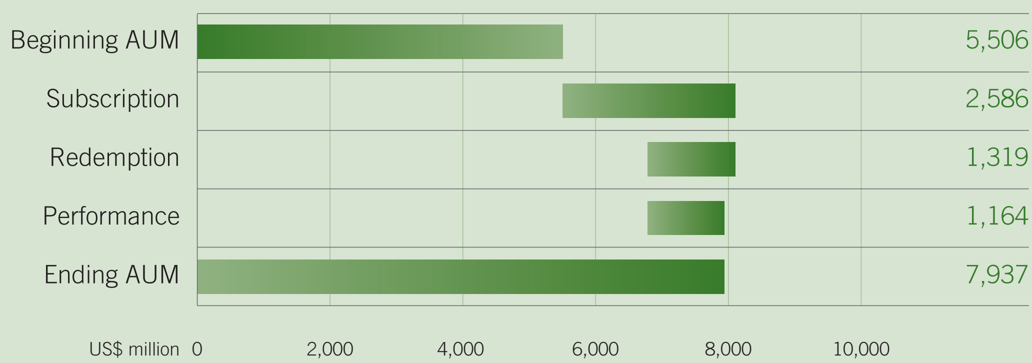
AUM and return

The Group's AUM amounted to US$7,937 million as at 31 December 2010, compared to US$5,506 million one year earlier, representing a 44.2% increase. The growth was mainly driven by the strong inflows of funds and positive fund returns, which accounted for a US$1,267 million and US$1,164 million increase in AUM, respectively. The average AUM increased from US$4,088 million to US$6,219 million in 2010, representing a 52.1% increase, which resulted in higher management fees for 2010. In terms of fund performance, we generated an asset-weighted average return of funds under management of 18.8%, compared to the Hang Seng Index and MSCI China Index, which, for the same period, recorded gains of 8.6% and 4.6%, respectively. In addition, our flagship Value Partners Classic Fund recorded a 20.2% gain in 2010.

Gross subscriptions for the second half of 2010 amounted to US$1,739 million, compared to US$847 million recorded in first half of 2010 and US$1,261 million recorded in 2009, reflecting the continuing steady positive fund inflow and recovery that began in 2009. Gross redemptions amounted to US$1,319 million during the year, which were stable in comparison to 2009. Net subscription significantly increased from US$82 million in 2009 to US$1,267 million in 2010.

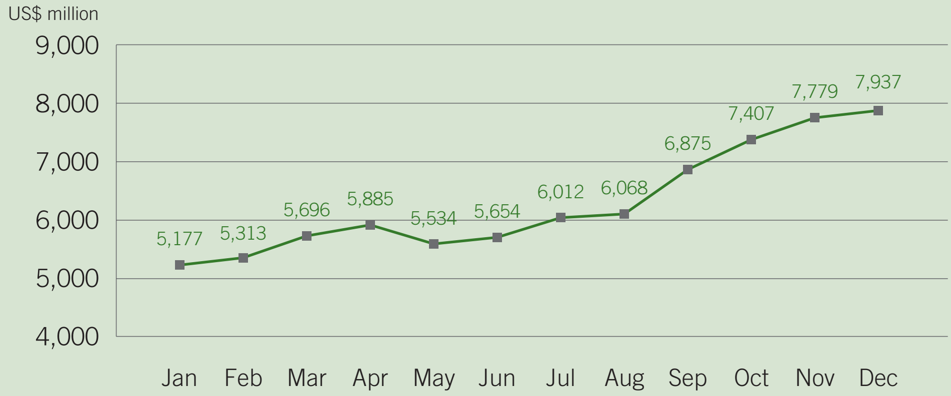
(In US$ million)	1H 2010	2H 2010	FY 2010	FY 2009
Subscriptions	847	1,739	2,586	1,261
Redemptions	528	791	1,319	1,179
Net subscriptions	319	948	1,267	82

AUM change in the year 2010



Financial Review

Monthly AUM in the year 2010

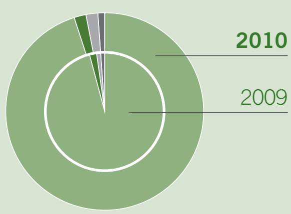


AUM by category

The charts below provide an analysis of the Group's AUM by different classifications, including brand, strategy and fund type, as at 31 December 2010.

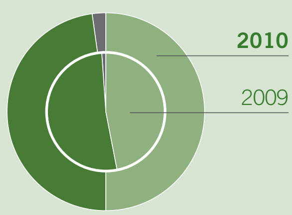
During the period under review, there was higher fund inflow adding into our Own Branded Funds than White Label Funds. As a result, the ratio of our Own Branded Funds increased from 47% out of the total AUM in 2009 to 50% at the end of the year. Our Absolute Return Long-biased Funds represented the majority of our funds by strategy. In terms of fund type, authorized funds accounted for 75% of the total AUM.

Classification by strategy



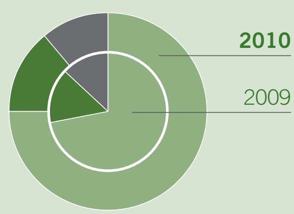
	2010	2009
Absolute Return Long-biased Funds	**95%**	96%
Long-short Hedge Funds	**2%**	2%
ETF & Quantitative Funds	**2%**	1%
Others	**1%**	1%

Classification by brand



	2010	2009
Own Branded Funds	**50%**	47%
White Label Funds	**48%**	52%
Co-branded Funds	**2%**	1%

Classification by type



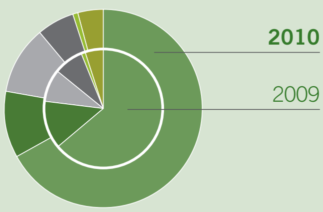
	2010	2009
Authorized Funds	**75%**	72%
Non-authorized Funds	**14%**	15%
Managed Accounts	**11%**	13%

Financial Review

Client base

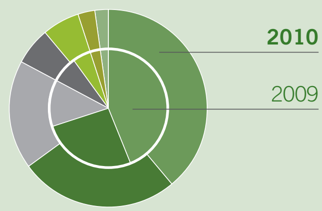
Institutional clients, the Group's primary set of fund investors, accounted for 82% of the total AUM as at 31 December 2010. Institutional clients include institutions, pension funds, endowments and foundations, high-net-worth individuals, funds of funds, and family offices and trusts. The proportion of funds coming from retail investors increased from 13% to 18% of the Group's total AUM over the year, which was due to the higher fund inflow from Hong Kong retail investors through our expanded retail distribution channel network, such as retail banks. By geographical region, Hong Kong clients accounted for 67% of the Group's AUM. Clients coming from the United States and Europe accounted for 22% of the Group's AUM, which was the same as last year.

Client analysis by geographical region



	2010	2009
Hong Kong	**67%**	64%
United States	**11%**	13%
Europe	**11%**	9%
Australia	**6%**	8%
Japan	**1%**	1%
Others	**4%**	5%

Client analysis by type



	2010	2009
Institutions	**39%**	44%
Pension funds	**26%**	26%
Retail	**18%**	13%
Endowments & foundations	**6%**	7%
High-net-worth individuals	**6%**	5%
Fund of funds	**3%**	3%
Family offices & trusts	**2%**	2%

Summary of results

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

(In HK$ million)	**2010**	2009	% Change
Total revenue	**1,075.2**	460.3	+133.6%
Gross management fees	**343.8**	233.5	+47.2%
Gross performance fees	**708.5**	219.8	+222.3%
Net profit	**653.2**	318.8	+104.9%
Basic earnings per share (HK cents)	**40.1**	19.9	+101.5%
Diluted earnings per share (HK cents)	**39.9**	19.9	+100.5%
Interim dividend per share (HK cents)	**Nil**	Nil	
Final dividend per share (HK cents)	**16.0**	8.0	+100.0%

Financial Review

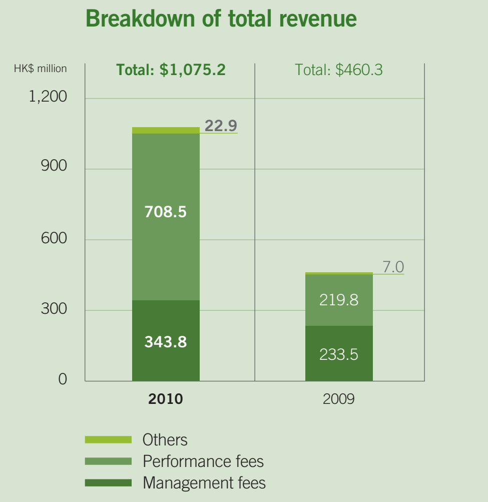
Revenue and fee margins

The Group's total revenue increased by 133.6% to HK$1,075.2 million in 2010, compared to HK$460.3 million one year earlier.

Gross performance fees increased by 222.3% to HK$708.5 million, compared to HK$219.8 million recorded in 2009. The increase in performance fees was mainly driven by the growth in AUM and strong fund performance. During the period under review, performance fees were generated from funds which had exceeded their high watermarks, with the remaining amount generated from funds which had exceeded their benchmark returns.

Gross management fees rose by 47.2% to HK$343.8 million from HK$233.5 million in the previous year. These gains were mainly driven by the 52.1% increase in the Group's average AUM, partly offset by the contracted net management fee margin.

The net management fee margin came to 60 basis points, compared with 63 basis points recorded in the previous year. This margin contraction was mainly due to the higher distribution fees paid as a result of the expansion in the Group's retail distribution channel network.



Other income, which was mainly comprised of dividend income and interest income, decreased from HK$11.5 million in the previous year to HK$9.8 million. Dividend income decreased from HK$8.3 million to HK$7.4 million, due to the decline in dividends received from investee companies, while interest income decreased from HK$1.9 million to HK$1.6 million, due to lower interest rates.

Other gains and losses

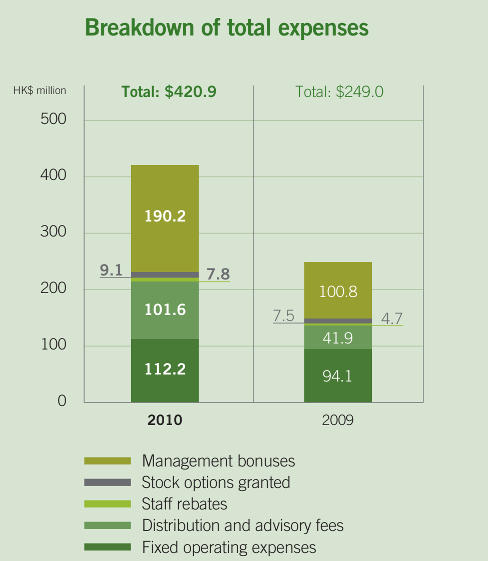
The Group's accounting treatment of our fund investments has required changes in the fair value of our fund investments to be reflected in the consolidated statement of comprehensive income. In so doing, an unrealized gain of HK$80.3 million was recorded in the consolidated statement of comprehensive income for the year under review, compared to HK$114.2 million unrealized gain recorded in the previous year.

Cost management

The Group's total expenses amounted to HK$420.9 million, compared to HK$249.0 million recorded one year earlier. Total expenses included distribution and advisory fees, fixed operating expenses, staff rebates, share-based compensation expenses, and management bonuses.

Distribution and advisory fees increased by 142.5% to HK$101.6 million, from HK$41.9 million one year earlier, which was in line with the increase in fee income.

Fixed operating expenses, which was mainly consisted of fixed salaries, rent and other administrative and office expenses, amounted to HK$112.2 million, compared to HK$94.1 million one year earlier. The increase was in line with the Group's continuing business expansion. The Group's management continued to exercise stringent cost discipline and has aimed to keep its fixed operating expenses well covered by its management fee income, which is considered a relatively stable source of income. Internally, the Group has measured this objective by using the fixed cost coverage ratio, an indicator that shows how many times fixed operating expenses are covered by management fee income. For the period under review, the Group's management has kept the fixed cost coverage at 3.1 times.



Staff rebates increased from HK$4.7 million to HK$7.8 million recorded in the current year. Staff are entitled to partial rebates of management fee and performance fee in relation to the staff's investments in the investment funds managed by the Group. The increase in staff rebates was in line with the increase in management fee and performance fee income.

Apart from operating expenses, the Group recorded an expense of HK$9.1 million, relating to stock options granted to employees. This expense item did not impact on cash flow, and is recognized in accordance with Hong Kong Financial Reporting Standards.

Management bonuses amounted to HK$190.2 million for the period under review. This is consistent with the Group's compensation policy, which distributes 20% to 23% of a net profit pool every year as the management bonus to employees. The net profit pool comprises the net profit before management bonus and taxation, and after certain adjustments. This discretionary bonus promotes staff loyalty and performance, while it aligns the interests of employees with those of shareholders.

Net profit and core earnings

Net profit came to HK$653.2 million, an increase from HK$318.8 million in 2009, and core earnings were HK$580.5 million, representing an increase of 186.5% from the HK$202.6 million reported the previous year. Core earnings measure the Group's core operating performance and exclude non-recurring and non-operating items, such as the mark-to-market gain or loss of the Group's investments in own funds. This year's core earnings increase was mainly due to the rise in performance fees and management fees.

Dividends

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

For 2010, the Board of Directors recommended a final dividend of HK16.0 cents per share to shareholders.

Liquidity and financial resources

Fee income is the Group's main source of income. Other sources of income include interest income generated from bank deposits, as well as dividend income from investments held. During the period, the Group's balance sheet and cash flow positions remained strong. As at 31 December 2010, the Group had a net cash balance of HK$1,218.6 million. During the year, net cash inflows from operating activities amounted to HK$281.8 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 5.5 times.

Capital structure

As at 31 December 2010, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK$2,417.9 million and 1.75 billion, respectively.

TSE Wai Wing, CFA & FCPA
Deputy Chief Executive Officer and Chief Financial Officer
Executive Director

Biographies of Directors and Senior Management

Chairman

CHEAH Cheng Hye

Chairman and Co-Chief Investment Officer

Mr. CHEAH Cheng Hye, aged 57, is Chairman and Co-Chief Investment Officer ("Co-CIO") of Value Partners. He is in overall charge of Value Partners' operations, and is actively engaged in all aspects of the group's activities, including investment research, fund management, business and product development and corporate management. He sets the Group's overall business and portfolio strategy. (Note: In July 2010, Mr. Louis SO Chun Ki was promoted to become Co-CIO of Value Partners, working alongside Mr. CHEAH.)

Mr. CHEAH has been in charge of Value Partners since he co-founded the firm in February 1993 with his partner, Mr. V-Nee YEH. Throughout the 1990s, he held the position of Chief Investment Officer and Managing Director of Value Partners, responsible for managing both the firm's funds and the firm's business operation. He led Value Partners to a successful listing on the Hong Kong Stock Exchange in 2007, the first and only asset-management company listed in Hong Kong. Mr. CHEAH has more than 30 years of investment experience, and is considered one of the leading practitioners of value-investing in Asia and beyond. Value Partners and he personally have received numerous awards.

Mr. CHEAH was named in October 2010 by *AsianInvestor* as one of the Top-25 Most Influential People in Asian Hedge Funds. In 2009, he was named by *AsianInvestor* as one of the 25 Most Influential People in Asian Asset Management. He was also named as "Capital Markets Person of the Year" by *FinanceAsia* in 2007, and he was voted the "Most Astute Investor" in the Asset Benchmark Survey, in October 2003.

Prior to starting Value Partners, Mr. CHEAH worked at Morgan Grenfell Group in Hong Kong, where, in 1989, he founded the Company's Hong Kong/China equities research department, with the position of Head of Research and proprietary trader for the firm. Prior to this, he was a financial journalist with the *Asian Wall Street Journal* and *Far Eastern Economic Review*, where he reported on business and finance news across East and Southeast Asia markets.

Executive Directors

Michael Francis COOREY

Co-Chief Executive Officer
Executive Director

Mr. Michael COOREY is Co-Chief Executive Officer of Value Partners, responsible for the business management and corporate affairs of the Group.

Mr. COOREY has a long track record of working with financial institutions and technology companies to strengthen them and help them scale up to the next level, often on behalf of investors and private equity groups. Previously, he worked for investment groups such as Bessemer Holdings LLC, for whom he established and run companies in China. He has led large scale corporate re-engineering at financial institutions such as Standard Chartered Bank, where his role was to increase the Company's return on equity, and at City Mutual Insurance where his role was to transform an old-line insurance company into a modern financial institution. He has run both publicly listed and private companies in China, Hong Kong and Japan.

Mr. COOREY is 58, speaks English and Mandarin, and graduated with a BSc in Pure Mathematics and Computer Science from the University of Sydney, Australia in 1974.

Biographies of Directors and Senior Management

CHAN Sheung Lai, Jimmy

Co-Chief Executive Officer
Executive Director

Mr. Jimmy CHAN is Co-Chief Executive Officer of Value Partners, responsible for business development, strategic investments and partnerships, and external relations, particularly for the expansion of the Group's business in Mainland China and into international markets.

Mr. CHAN has over 20 years of investment, corporate finance and business management experience, and a long track record of building businesses in China. Previously, he was the Chief Executive (North China) of KaiLong REI Investment, a leading international real estate asset management company focused on the China real estate market. Before joining KaiLong REI, he was a partner of Deloitte Touche Tohmatsu, where he led its Corporate Finance Advisory Practice and Life Sciences & Healthcare Practice in China. He built the Corporate Finance Advisory Practice into the largest of its kind amongst the Big Four firms in China. Prior to joining Deloitte, he was Chief Financial Officer at a prominent private Hong Kong group engaged in property development, investment and retailing.

Mr. CHAN is 48 and he graduated with a Bachelor's degree in Social Sciences from the University of Hong Kong in 1984. He became a Fellow of the Associate of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in 1988 and 1997, respectively.

HUNG Yeuk Yan Renee

Deputy Chief Investment Officer
Executive Director

Ms. Renee HUNG is Deputy Chief Investment Officer of Value Partners, responsible for the overall management of the investment management team. She also holds a leadership role in the Group's investment process, and commands a high degree of responsibility for portfolio management.

Ms. HUNG has extensive experience in the investment industry, with a solid track record in research and portfolio management. She joined Value Partners as an Analyst in April 1998, and was promoted to Fund Manager and then Senior Fund Manager in 2004 and 2005, respectively. In March 2009, she was again promoted to her current role of Deputy Chief Investment Officer.

Ms. HUNG is 36 and she graduated from the University of California in Los Angeles in the U.S.A. with a degree in Applied Mathematics in 1997.

SO Chun Ki Louis

Co-Chief Investment Officer
Executive Director

Mr. Louis SO is Co-Chief Investment Officer ("Co-CIO") of Value Partners, responsible for the daily operations and overall management of the firm's investment management team. He holds a leadership role in the Group's investment process, including a high degree of responsibility for portfolio management.

Mr. SO has extensive experience in the investment industry, with a solid track record in research and portfolio management. He joined Value Partners in May 1999 as an Analyst and was promoted to the role of Fund Manager, then Senior Fund Manager, and again as Deputy Chief Investment Officer in 2004, 2005 and 2009, respectively. He was most recently promoted to the role of Co-CIO in July 2010.

Mr. SO is 35 and he graduated from the University of Auckland in New Zealand with a degree in Commerce in 1997, and from the University of New South Wales in Australia with a Master's degree in Commerce in 1998.

Biographies of Directors and Senior Management

TSE Wai Ming, Timothy, CFA & FCPA

Deputy Chief Executive Officer and Chief Financial Officer
Executive Director

Mr. Timothy TSE is Deputy Chief Executive Officer and Chief Financial Officer of Value Partners. Mr. TSE joined the Group in January 2007 as Finance Director, and was promoted to Chief Financial Officer in January 2009. Then, in July 2010, he was promoted to Deputy Chief Executive Officer.

Prior to joining Value Partners, Mr. TSE worked in PricewaterhouseCoopers and KPMG, where he gained detail knowledge of the investment management industry, and a strong combination of financial expertise, capital markets experience and strategic perspective, particularly in the Greater China Region, including Hong Kong, mainland China and Taiwan.

Mr. TSE is 35 and he graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration in 1997. He became a CFA charterholder in 2001 and a Fellow of the Hong Kong Institute of Certified Public Accountants in 2009.

Independent Non-executive Directors

CHEN Shih-Ta Michael

Independent Non-executive Director

Dr. Michael Shih-Ta CHEN was appointed as an Independent Non-executive Director of Value Partners Group Limited on 22 October 2007 and is the Chairman of the Company's Remuneration Committee and a member of its Audit Committee.

Dr. CHEN is currently the Executive Director of the Harvard Business School Asia Pacific Research Center, the first international research office established by the Harvard Business School in Asia. Prior to joining the Center in October 2005, Dr. CHEN worked in both the private and public sectors. Previously, Dr. CHEN 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. He 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 is 65 and he graduated with a BA (Honors) Degree in Economics from the University of California, Berkeley in the U.S.A., received an MBA from Harvard University in the U.S.A. in 1972 and obtained a PhD in Economics from Cornell University in the U.S.A. in 1973.

LEE Siang Chin

Independent Non-executive Director

Mr. LEE Siang Chin was appointed as an Independent Non-executive Director of Value Partners Group Limited on 22 October 2007, and is the Chairman of the Company's Audit Committee and a member of its Remuneration Committee.

Mr. LEE is a Director of the Social Security Organization of Malaysia and a member of its investment panel. Mr. LEE also serves as an Independent Non-executive Director for AmInvestment Services Bhd, AmFutures Sdn Bhd, Uni.Asia Life Assurance Bhd, AmFraser Securities Pte. Ltd. and Star Publications (Malaysia) Berhad, a company listed on the Malaysian Stock Exchange. Mr. LEE had previously served as Chairman and Managing Director of Surf88.com Sdn Bhd, and AmSecurities Sdn Bhd, respectively, and has worked in corporate finance of leading investment banks in London, Sydney and Kuala Lumpur. Mr. LEE has held various public offices, and had served as a board member of the Kuala Lumpur Stock Exchange and President of the Association of Stock Broking Companies in Malaysia.

Mr. LEE is 62 and he became a member of the Malaysian Institute of Certified Public Accountants in 1975, and a Fellow of the Institute of Chartered Accountants in England and Wales in 1979.

Mr. Nobuo OYAMA

Independent Non-executive Director

Mr. Nobuo OYAMA was appointed as an Independent Non-executive Director of Value Partners Group Limited on 22 October 2007, and he is a member of the Company's Audit and Remuneration Committees.

Mr. OYAMA is the founder and Managing Director of Asiavest Co. Ltd., an independent investment research and advisory firm in Tokyo, Japan. He is also Director and Chief Financial Officer of Yappa Corporation, Japan. He has over 30 years of experience in offshore treasury operations for Japanese institutional investors across Japan, United Kingdom and Hong Kong, and he has worked for Nichimen and Sojitz.

Mr. OYAMA is 57 and he received a Bachelor's degree in Economics from the Kobe University in Japan, and was awarded a Master's degree in Business Administration from Asia University, Tokyo, Japan, in 2010. He became a Chartered Member of the Security Analysts Association of Japan (CMA®) in 2009.

Other Senior Management

CHOW Wai Chiu William

Managing Director
Value Partners Limited

Mr. William CHOW is a Managing Director of Value Partners, where he holds a leadership role in the Company's exchange traded funds (ETFs) business.

Mr. CHOW has extensive experience in the ETF industry, with a solid track record in product development and strategy as well as ETF portfolio management. Previously, he was the Senior Portfolio Manager at Blackrock North Asia Ltd, participating in iShares ETFs portfolio management. He was also the Lead Portfolio Manager of a number ETFs established under iShares including iShares FTSE A50 China Index ETF (one of the largest ETFs in Asia). Prior to joining iShares, he spent four years at State Street Global Advisors Asia Ltd ("SSgA"), as a Portfolio Manager and was responsible for various institutional equity index, asset allocation and currency hedging strategies, as well as managing ETFs such as the Tracker Fund of Hong Kong. Before joining SSgA, Mr. CHOW worked for UBS AG.

Mr. CHOW is 35 and he graduated with a Master's degree in Science in Operational Research from the London School of Economics and Political Science (UK) in 1999, and a Bachelor's degree in Engineering (Hons) in Civil Engineering from the University College London (UK) in 1998.

Biographies of Directors and Senior Management

HO Man Kei, Norman, CFA

Investment Director
Value Partners Limited

Mr. Norman HO is an Investment Director of Value Partners, where he holds a leadership role in the Company's investment process, including a high degree of responsibility for portfolio management.

Mr. HO has extensive experience in the fund management and investment industry, with a focus on research and portfolio management. Mr HO was promoted to Investment Director in July 2010, and participate in the Company's investment management and lead the investment management team's development. He joined Value Partners in November 1995. Prior to that, he was an executive with Dao Heng Securities Limited and had started his career with Ernst & Young.

Mr. HO is 44 and he graduated with a Bachelor's degree in Social Science (majoring in Management Studies) from the University of Hong Kong in 1989. He became a CFA charterholder in 1996.

TAM Raymond Hin Tat

Director, Head of Sales
Value Partners Limited

Mr. Raymond TAM is a Director and Head of Sales of Value Partners, where he leads the Company's sales and marketing, and client services operations.

Mr. TAM has extensive experience in the industry, especially in Hong Kong and Asia Pacific. Previously, he served as Vice President at BlackRock (formerly Merrill Lynch Investment Managers) and was responsible for sales and marketing of both retail and institutional (pension business) channels. Prior to that, he worked at JF Asset Management, where he was responsible for direct sales and fund distribution.

Mr. TAM is 36 and he graduated from the University of Western Ontario in Canada, with a Bachelor's degree in Economics in 1996.

WOO Lai Nga, Rebecca, CFA & CPA

Chief Compliance Officer
Value Partners Limited

Ms. Rebecca WOO is Chief Compliance Officer of Value Partners, where she oversees the Company's Compliance functions.

Ms. WOO has broad experience in the industry, particularly with regard to compliance functions and scope, expertise in regulatory statutes, and other related functions. She first joined Value Partners in October 2002 as a Compliance Manager, and in May 2004 she was promoted to the role of Compliance Director. In January 2008 she was again promoted to the role of Chief Compliance Officer. Prior to that, she was a senior associate of PricewaterhouseCoopers.

Ms. WOO is 34 and she graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration in 1998. Ms. WOO became a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in 2002, and she became a CFA charterholder in 2003.

Report of the Directors

The Board of Directors (the "Board" or the "Directors") of Value Partners Group Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

Principal activities

The Company is an investment holding company. The Group is principally engaged in value-oriented asset management businesses. The activities of its principal subsidiaries are set out in Note 14 to the consolidated financial statements.

Results

The results of the Group for the year are set out in the Consolidated Statement of Comprehensive Income on page 40.

Dividend

No interim dividend was paid during the year. The Directors recommend the payment of final dividend of HK16.0 cents per share for the year ended 31 December 2010 to the shareholders whose names are registered on the register of members of the Company on 4 May 2011.

Summary of results, assets and liabilities

Summary of results, assets and liabilities for the years of 2006 to 2010 are set out on page 3 of this report.

Share capital

On 14 October 2010, Cheah Capital Management Limited ("CCML"), the Company together with Morgan Stanley & Co. International Plc and J.P. Morgan Securities (Asia Pacific) Limited ("Placing Agents") entered into a placing and subscription agreement. Pursuant to the placing and subscription agreement, (i) CCML agreed to place, through the Placing Agents, an aggregate of 140,000,000 Shares at a placing price of HK$5.68 per Share to not less than six investors; and (ii) CCML has conditionally agreed to subscribe for an aggregate of 140,000,000 Shares at HK$5.68 per share (the "Top-Up Placing"). The closing price as quoted on the Stock Exchange on the last trading day immediately before the placing and subscription agreement was HK$6.24. Upon completion of the Top-Up Placing, 140,000,000 Shares were allotted to CCML on 26 October 2010. The net proceeds of the Top-Up Placing of approximately HK$775.3 million (equivalent to a net price of approximately HK$5.54 per Share) would be used as to approximately 90% for the expansion of the Group's business in Mainland China, to provide seed capital for the Group's new funds and for the expansion of the Group's distribution channels. The remaining balance of approximately 10% of the net proceeds are intended to be used as the general working capital of the Group. The Directors are of the opinion that the Top-Up Placing provided an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company.

Details of the movements during the year in the share capital of the Company are set out in Note 23 to the consolidated financial statements.

Report of the Directors

Reserves

Details of the movements during the year in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 43.

In addition to the retained profits of the Company, the share premium account of the Company is also available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid in accordance with the Companies Law of the Cayman Islands.

As at 31 December 2010, the Company's distributable reserve was HK$1,900,010,000.

Charitable contributions

During the year, the Group made charitable contributions totalling HK$1,137,600.

Board of Directors

During the year ended 31 December 2010 and up to the date of this report the board of directors comprised:

Executive Directors

Mr. CHEAH Cheng Hye *(Chairman)*
Mr. CHAN Sheung Lai (appointed on 1 July 2010)
Mr. Michael Francis COOREY (appointed on 28 January 2011)
Ms. HUNG Yeuk Yan Renee
Mr. SO Chun Ki Louis
Mr. TSE Wai Ming

Independent Non-executive Directors

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

In accordance with articles 86 and 87 of the Company's articles of association, Mr. CHEAH Cheng Hye, Mr. CHAN Sheung Lai, Mr. Michael Francis COOREY, Ms. HUNG Yeuk Yan Renee and Dr. CHEN Shih Ta Michael will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors are independent.

Biographical details of the directors as at the date of this annual report are set out on pages 18 to 22.

Directors' service contracts

Each of the Executive Directors, has entered into a service contract with the Company for a term of three years. The service contract shall be terminated in accordance with the provisions of the service contract or, throughout the term of the appointment, by either party giving to the other party not less than three months' prior notice in writing (other than Mr. CHEAH Cheng Hye whose notice period is six months).

Each of the Independent Non-executive Directors has entered into a service contract with the Company for one year commencing on 22 November 2010 and either the Company or the Independent Non-executive Director may terminate the appointment by giving at least three months' notice in writing.

Save as disclosed above, none of the directors have entered or have proposed to enter into any service agreement with the Company or any member of the Group which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' interests in shares, underlying shares and debentures

As at 31 December 2010, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")) which had notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which had required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(a) Long position in shares of the Company ("Shares")

Name of Director	Nature of interest	Number of Shares	Number of underlying Shares in which the Directors hold under the share option scheme[3]	Approximate percentage of issued Shares
Mr. CHEAH Cheng Hye	Founder of trust/beneficial[1]	499,730,484	–	28.52%
	Beneficial	–	57,050,828	3.25%
Mr. CHAN Sheung Lai	Beneficial	50,000	1,500,000	0.08%
Ms. HUNG Yeuk Yan Renee	Founder of trust[2]	29,004,583	–	1.65%
	Beneficial	4,800,000	7,236,140	0.68%
Mr. SO Chun Ki Louis	Beneficial	34,521,583	8,736,140	2.46%
Mr. TSE Wai Ming	Beneficial	–	1,600,000	0.09%
Mr. LEE Siang Chin	Beneficial	500,000	–	0.02%

Notes:

(1) These Shares are directly held by Cheah Capital Management Limited ("CCML") which is wholly-owned by Cheah Company Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include Mr. CHEAH Cheng Hye and certain members of his family.

(2) These Shares are directly held by Bright Starlight Limited which is wholly-owned by Scenery Investments Limited which is in turn wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. HUNG Yeuk Yan Renee.

(3) The number of underlying Shares in which the Directors hold under the share option scheme are detailed in "Share options" section below.

(b) Interest in associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares	Approximate percentage of issued shares of the relevant associated corporation
Mr. CHEAH Cheng Hye	Value Partners Strategic Equity Fund	Beneficial	74,000 non-voting shares	0.49% of the total issued non-voting shares
Ms. HUNG Yeuk Yan Renee	Value Partners Strategic Equity Fund	Beneficial	10,000 non-voting shares	0.07% of the total issued non-voting shares
Mr. LEE Siang Chin	Value Partners Strategic Equity Fund	Corporate (Note)	50,000 non-voting shares	0.33% of the total issued non-voting shares

Note: These non-voting shares are directly held by Stenying Holdings Limited, whose entire issued share capital is held by Mr. LEE Siang Chin and Ms. KOO Yoon Kin in equal shares. Ms. KOO Yoon Kin is the spouse of Mr. LEE Siang Chin.

(c) Share options

The Company adopted a share option scheme on 24 October 2007 (and as amended on 15 May 2008) (the "Scheme"). Details of the grant of share options and a summary of the movements of the outstanding share options during the year ended 31 December 2010 were as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK$)	As at 01/01/2010	Number of Share Options Granted	Exercised	Lapsed	As at 31/12/2010
Directors								
Mr. CHEAH Cheng Hye	26/03/2008	26/03/2008-25/09/2014	5.50	1,600,000	–	–	–	1,600,000
	15/05/2008	15/05/2008-14/11/2014	5.50	55,450,828	–	–	–	55,450,828
Mr. CHAN Sheung Lai	23/06/2010	23/06/2011-22/12/2016	5.00	–	500,000	–	–	500,000
		23/06/2012-22/12/2016	5.00	–	500,000	–	–	500,000
		23/06/2013-22/12/2016	5.00	–	500,000	–	–	500,000
Ms. HUNG Yeuk Yan Renee	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	–	–	–	4,036,140
	27/04/2009	27/10/2009-26/10/2015	2.436	1,200,000	–	(1,200,000)	–	–
		27/10/2010-26/10/2015	2.436	3,600,000	–	(3,600,000)	–	–
		27/10/2011-26/10/2015	2.436	3,200,000	–	–	–	3,200,000
Mr. SO Chun Ki Louis	26/03/2008	26/03/2008-25/09/2014	5.50	4,036,140	–	–	–	4,036,140
	27/04/2009	27/10/2009-26/10/2015	2.436	1,200,000	–	(1,200,000)	–	–
		27/10/2010-26/10/2015	2.436	3,600,000	–	(3,600,000)	–	–
		27/10/2011-26/10/2015	2.436	3,200,000	–	–	–	3,200,000
	23/06/2010	23/06/2011-22/12/2016	5.00	–	500,000	–	–	500,000
		23/06/2012-22/12/2016	5.00	–	500,000	–	–	500,000
		23/06/2013-22/12/2016	5.00	–	500,000	–	–	500,000
Mr. TSE Wai Ming	26/03/2008	25/03/2009-25/09/2014	5.50	283,334	–	–	–	283,334
		25/03/2010-25/09/2014	5.50	283,334	–	–	–	283,334
		25/03/2011-25/09/2014	5.50	283,332	–	–	–	283,332
	23/06/2010	23/06/2011-22/12/2016	5.00	–	250,000	–	–	250,000
		23/06/2012-22/12/2016	5.00	–	250,000	–	–	250,000
		23/06/2013-22/12/2016	5.00	–	250,000	–	–	250,000
Dr. CHEN Shih-Ta Michael	15/05/2008	22/11/2008-21/11/2010	7.56	325,000	–	–	(325,000)	–
Mr. LEE Siang Chin	15/05/2008	22/11/2008-21/11/2010	7.56	325,000	–	–	(325,000)	–
Mr. Nobuo OYAMA	15/05/2008	22/11/2008-21/11/2010	7.56	325,000	–	–	(325,000)	–
Employees	26/03/2008	26/03/2008-25/09/2014	5.50	21,819,742	–	(850,000)	(2,400,000)	18,569,742
		25/03/2009-25/09/2014	5.50	3,404,983	–	(1,742,981)	(166,667)	1,495,335
		25/03/2010-25/09/2014	5.50	3,404,983	–	–	(1,909,648)	1,495,335
		25/03/2011-25/09/2014	5.50	3,404,977	–	–	(1,909,647)	1,495,330
	23/06/2010	23/06/2011-22/12/2016	5.00	–	1,450,003	–	–	1,450,003
		23/06/2012-22/12/2016	5.00	–	1,450,003	–	–	1,450,003
		23/06/2013-22/12/2016	5.00	–	1,449,994	–	–	1,449,994
Others	15/05/2008	14/05/2009-31/12/2010	7.56	889,000	–	–	–	889,000
		14/05/2010-31/12/2010	7.56	889,000	–	–	–	889,000
		02/07/2010-31/12/2010	7.56	889,000	–	–	–	889,000
Total				117,649,793	8,100,000	(12,192,981)	(7,360,962)	106,195,850

Notes:

1. The closing prices of the shares immediately before the share options granted on 26 March 2008, 15 May 2008, 27 April 2009 and 23 June 2010 were HK$5.50, HK$7.56, HK$2.20 and HK$5.00 respectively.

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

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

Save as disclosed above, at no time during the year was 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.

Substantial shareholders' interests

As at 31 December 2010, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the shares under the SFO

Name	Nature of interest	Number of Shares	Approximate percentage of issued Shares
Ms. TO Hau Yin(1)	Spouse	556,781,312	31.77%
Mr. YEH V-Nee	Beneficial	298,689,324	17.04%
Mrs. YEH Mira(2)	Spouse	298,689,324	17.04%
Cheah Capital Management Limited(3)	Beneficial	499,730,484	28.52%
Cheah Company Limited(3)	Corporate	499,730,484	28.52%
Hang Seng Bank Trustee International Limited(3)(4)	Trustee	535,044,067	30.53%
Hang Seng Bank Limited(3)(4)	Interest of controlled corporation	535,044,067	30.53%
HSBC Holdings plc(3)(4)	Interest of controlled corporation	535,044,067	30.53%
Ping An Insurance (Group) Company of China, Ltd.(5)	Corporate	156,586,000	8.93%
Legg Mason Inc.(6)	Interest of controlled corporation	87,954,400	5.01%

Notes:

(1) Ms. TO Hau Yin is the spouse of Mr. CHEAH Cheng Hye.

(2) Mrs. YEH Mira is the spouse of Mr. YEH V-Nee.

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

(4) This includes 499,730,484 Shares held by CCML and remaining Shares held by Bright Starlight Limited. Bright Starlight Limited is wholly-owned by Scenery Investments Limited which in turn is wholly-owned by Hang Seng Bank Trustee International Limited, a company incorporated in the Bahamas, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. HUNG Yeuk Yan Renee. For the purposes of the SFO, Ms. HUNG Yeuk Yan Renee is the founder of this trust. Hang Seng Bank Trustee International Limited is wholly-owned by Hang Seng Bank Limited and the ultimate holding company is HSBC Holdings plc.

(5) These Shares are held by Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd., and the ultimate holding company of each of the above companies is Ping An Insurance (Group) Company of China, Ltd.

(6) These Shares are held by Royce & Associates, LLC and the ultimate holding company is Legg Mason Inc.

Directors' interest in contracts of significance

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share options

A share option scheme (the "Share Option Scheme") was adopted by the sole shareholder's written resolution of the Company dated 24 October 2007 (and as amended on 15 May 2008). A summary of the principal terms of the Share Option Scheme is set out below.

1. Purpose of the Share Option Scheme

To reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole.

2. Participants of the Share Option Scheme

Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

3. Total number of shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2010

160,000,000 shares (9.13%)

4. Maximum entitlement of each participant under the Share Option Scheme

In any 12-month period, in aggregate not over:–

(a) 1% of the issued share capital (excluding substantial shareholders and Independent Non-executive Directors).

(b) 0.1% of the issued share capital and exceeding HK$5 million in aggregate value (for substantial shareholders and Independent Non-executive Directors).

Such further grant of options shall be subject to prior approval by a resolution of the Shareholders.

5. The period within which the shares must be taken up under an option

In respect of any particular option, the period to be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the date of grant.

6. The minimum period for which an option must be held before it can be exercised

Nil

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

Upon acceptance of the option, the grantee shall inform the Company together with HK$1 by way of consideration for the grant within 28 days from the date of offer.

8. The basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:–

(a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;

(b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

9. The remaining life of the Share Option Scheme

The Share Option Scheme will remain valid until 23 October 2017.

Connected transactions and continuing connected transactions

During the year, the Company did not have any connected transactions and continuing connected transactions which were subject to the disclosure requirements of the Listing Rules. The related-party transactions as disclosed in note 31 did not fall under the definition of connected transactions or continuing connected transactions in the Listing Rules.

Disclosure of information of Directors

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

- The monthly salary of Mr. CHEAH Cheng Hye was revised from HK$409,520 to HK$442,000 with effect from 1 January 2011.
- The monthly salary of Mr. CHAN Sheung Lai was revised from HK$162,400 to HK$171,000 with effect from 1 January 2011.
- The monthly salary of Ms. HUNG Yeuk Yan Renee was revised from HK$132,160 to HK$150,000 with effect from 1 January 2011.
- The monthly salary of Mr. SO Chun Ki Louis was revised from HK$132,160 to HK$171,000 with effect from 1 January 2011.
- The monthly salary of Mr. TSE Wai Ming was revised from HK$133,000 to HK$150,000 with effect from 1 January 2011.
- The annual remuneration of each of Dr. CHEN Shih-Ta Michael, Mr. LEE Siang Chin and Mr. Nobuo OYAMA was revised from HK$250,000 to HK$262,500 with effect from 23 November 2010.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' and the five highest paid individuals' emoluments

The Directors' fees and remuneration and the emoluments of the five highest paid individuals are disclosed in Note 7 to the consolidated financial statements. The emoluments of the Directors are determined with regard to their duties and responsibilities, the Company's performance, prevailing market conditions and after considering the market emoluments for Directors of other listed companies.

Pension schemes

Pension costs for the year are set out in Note 7 to the consolidated financial statements.

Sufficiency of public float

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

Report of the Directors

Purchase, redemption or sale of listed shares of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the Companies Law in the Cayman Islands.

Major customers and suppliers

The Group's five largest customers (in terms of AUM as of 31 December 2010) accounted for 42.3% of the Group's total fees income, and the Group's five largest suppliers accounted for 74.5% of the Group's distributions fees for the year ended 31 December 2010.

The Group's largest customer (in terms of AUM as at the end of year) accounted for approximately 6.0% of the Group's total fees income whereas our largest supplier accounted for approximately 28.3% of total distribution fees.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's top five largest customers or suppliers.

Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in Note 15 to the consolidated financial statements.

Post balance sheet event

On 21 January 2011, the Group signed an agreement with Yunnan Industrial Investment Holdings Ltd. to set up a private equity fund management company in Kumming, Yunnan, People's Republic of China.

Auditor

The consolidated financial statements for the year ended 31 December 2010 have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for reappointment.

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

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

Hong Kong, 10 March 2011

The Board of Directors of the Company (the "Board" or "Directors") strives to attain and maintain high standards of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safe guarding interests of shareholders, clients and other stakeholders. As running a regulated business, the Group adopted sound corporate governance principles that emphasis a quality Board, effective internal control, stringent compliance practices and transparency and accountability to all stakeholders.

In the Directors' opinion, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year of 2010. The Company continued to maintain high standards of corporate governance and business ethics, and to ensure the full compliance of our operations with applicable laws and regulations.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct in respect of transactions in securities of the Company by Directors. The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the Model Code by the Directors during the year.

Board of Directors

The Board, with one-third of the Board members are Independent Non-executive Directors, is responsible for overseeing and directing the senior management of the Company. The major duties of the Board are including:

- Formulating the vision of the Group;
- Reviewing and approving the interim and final results of the Group;
- Reviewing and approving, if thought fit, the business plans and financial budget of the Group;
- Ensuring a high standard of corporate governance, compliance, internal control and risk management; and
- Overseeing the performance of the senior management.

In order to facilitate the Directors' to discharge their duties, a management report incorporating financial highlights, business analysis and budget & forecast analysis has been circulated to the Directors on a monthly basis.

The Board held four meetings in 2010 and the attendance record of each Director at the board meetings is set out below:

	No. of board meetings attended/held
Executive Directors	
Mr. CHEAH Cheng Hye *(Chairman)*	4/4
Mr. CHAN Sheung Lai	2/2(Note)
Ms. HUNG Yeuk Yan Renee	4/4
Mr. SO Chun Ki Louis	3/4
Mr. TSE Wai Ming	4/4
Independent Non-executive Directors	
Dr. CHEN Shih-Ta Michael	4/4
Mr. LEE Siang Chin	4/4
Mr. Nobuo OYAMA	4/4

Note: Mr. CHAN Sheung Lai was appointed as Executive Director on 1 July 2010.

To the best knowledge of the Directors, the Board is not aware of any financial, business, family or other material/relevant relationships among the Board members. All the Directors had received training/briefing which covered topics in directors' duties and liabilities, continuing obligations of a listed company, corporate governance and compliance issues after their appointments. Ongoing updates of any applicable laws and regulations were provided by the Company to the Directors in a reasonable time frame.

Each of the Executive Directors entered into a service contract with the Company for a term of three years and each of the Independent Non-executive Directors entered into a service contract with the Company for a term of one year. Under the Company's articles of association, one-third of the Directors, who have served longest on the Board, must retire, thus becoming eligible for re-election at each annual general meeting.

The Company has received the annual confirmation of independence from all the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considered them independent to the Group.

The Company has arranged appropriate director and officer liability insurance coverage since 2007, which is reviewed on an annual basis, for liabilities arising out of corporate activities from being the Directors and senior management of the Group.

Chairman and Co-Chief Executive Officers

The Chairman of the Board, Mr. CHEAH Cheng Hye, chairs all the board meetings and general meetings. He is leading the overall business and investment strategies of the Group. Mr. CHAN Sheung Lai and Mr. Michael Francis COOREY, the Co-Chief Executive Officers of the Company, are responsible for the business development and external relations, and business and corporate management of the Group, respectively.

Nomination of Directors

The Company does not have a nomination committee, which is the practice followed by many listed companies. However, the Board believes it has adequate measures to ensure new appointments will be made on merit and against objective criteria. The Board is collectively responsible for nominating new Directors either to fill casual vacancies or as additional members.

The structure, size and composition of the Board will be reviewed from time to time to ensure the Board has balanced skills and expertise to provide effective leadership to the Company. In July 2010 and January 2011, Mr. CHAN Sheung Lai and Mr. Michael Francis COOREY were nominated and appointed as Executive Directors.

Board committees

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

1. Audit Committee

The Company established the Audit Committee on 24 October 2007 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are considering of how the Board should apply financial reporting and internal control principles and maintaining an appropriate relationship with the Company's auditor. The Audit Committee comprises Dr. CHEN Shih-Ta Michael, Mr. LEE Siang Chin and Mr. Nobuo OYAMA, all are Independent Non-executive Directors. The Audit Committee is chaired by Mr. LEE Siang Chin.

The Audit Committee held four meetings in 2010. The attendance record of each member at the Audit Committee meetings is set out below:

	No. of Audit Committee meetings attended/held
Mr. LEE Siang Chin *(Chairman)*	4/4
Dr. CHEN Shih-Ta Michael	4/4
Mr. Nobuo OYAMA	4/4

In 2010, the Audit Committee reviewed, discussed and approved the issues related to:

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

The auditor attended three of the above Audit Committee meetings. In order to further enhance independent reporting by the auditor, the members met with the auditor without the presence of the management once a year when reviewing the final results.

2. Executive Committee

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

The Executive Committee held eight meetings in 2010. The Executive Committee was dissolved after the appointment of Mr. CHAN Sheung Lai as Chief Exeuctive Officer of the Group on 1 July 2010.

3. Remuneration Committee

The Company established the Remuneration Committee on 24 October 2007 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee includes determining the policy and structure for the remuneration of Executive Directors and senior management, reviewing incentive schemes and Directors' service contracts, and confirming the performance based remuneration packages for all Directors and senior management. The Remuneration Committee comprises Mr. CHEAH Cheng Hye, Mr. TSE Wai Ming, Dr. CHEN Shih-Ta Michael, Mr. LEE Siang Chin and Mr. Nobuo OYAMA, three of which are Independent Non-executive Directors. The Remuneration Committee is chaired by Dr. CHEN Shih-Ta Michael.

The Remuneration Committee held two meetings in 2010. The attendance record of each member at the Remuneration Committee meetings is set out below:

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

In 2010, the Remuneration Committee reviewed, discussed and/or approved the issues related to:

- The remuneration level for Directors and senior management for the year 2011 which based on individual performance and also with reference to an independent salary survey report.
- The bonus allocation and the bonus paid to the Directors and senior management which in line with the Group's financial results and individual performance.
- The service contracts of Directors.
- The granting of the share options to certain Directors and employees under the share option scheme of the Company.

4. Risk Management Committee

The Company established the Risk Management Committee on 24 October 2007. The primary duties of the Risk Management Committee are to establish and maintain effective policies and guidelines to ensure proper management of risks to which the Group and its clients are exposed and to take appropriate and timely action to manage such risks. The Risk Management Committee comprises Mr. CHEAH Cheng Hye or his designated officer, Mr. CHAN Sheung Lai, Mr. LAW Ka Kin (Note), Ms. Vivienne LEE, Mr. SO Chun Ki Louis, Mr. TSE Wai Ming and Ms. WOO Lai Nga. The Risk Management Committee is chaired by Ms. WOO Lai Nga, the Chief Compliance Officer of the Group.

The Risk Management Committee held three meetings in 2010. The members reviewed, discussed and/or approved measures related to certain enhancement of fund management system, enhanced procedures in case of emergent market situations, enhanced allocation policy on initial public offerings and placement orders and policy on private equity investments.

Note: Mr. LAW Ka Kin ceased as a member of Risk Management Committee on 5 July 2010.

5. Valuation Committee

The Company established the Valuation Committee on 31 January 2008. The primary duties of the Valuation Committee are ensuring that the investment instruments of funds under the Group's management are appropriately valued by persons independent of those who manage the funds and, in particular that these values are fair to fund investors. The Valuation Committee comprises Mr. CHAN Sheung Lai, Mr. LAW Ka Kin (Note) and Mr. TSE Wai Ming. The Valuation Committee is chaired by Mr. TSE Wai Ming.

The Valuation Committee held nine meetings in 2010. The members updated the valuation policy and reviewed, discussed and/or approved the valuation of various securities, convertible bonds and funds invested by the Group.

Note: Mr. LAW Ka Kin ceased as a member of Valuation Committee on 5 July 2010.

Internal control

It is the responsibility of the Board to ensure that the Group maintains sound and effective system of internal controls. The key procedures to provide effective internal controls are described as follows:

- The internal control system of the Group has an organizational structure with clear reporting lines and supervisory and reporting responsibilities assigned to qualified and experienced persons.
- Business plans and budgets are prepared annually and subject to review and approval by the senior management team.
- Business decisions are governed under the established parameters of delegated authority.
- Key duties and functions are appropriately segregated.
- The Group employs independent, reputable and credible custodian banks to safeguard clients' assets.
- Client identification and prevention of money laundering and terrorist financing procedures are conducted to verify the identity and source of funds.
- All subscription/redemption monies are made payable directly to/from the custodian banks.
- Detailed written compliance manual, policies and procedures are in place with which all staff are provided, and are required to review and follow.
- Staff who are licensed persons are required to attend continuous professional training.
- Core business activities are conducted through a custom designed system with sufficient audit trail maintained.
- A business contingency plan is in place to provide continuation of critical business operations in the event of disaster, whether natural or man-made.

Corporate Governance Report

The Head of Internal Audit oversees internal audit matters. The roles and functions of the Internal Audit Department include:

- Conducting audit reviews to assess level of adherence to company policies and procedures and follow up on issues identified.
- Evaluating the adequacy, effectiveness and efficiency of internal controls and procedures and providing recommendations to senior management.
- Reviewing procedure manuals.

Periodic reports on the internal control status of the Group's operations prepared by the Internal Audit Department are submitted to the Audit Committee for review. The reports will specify any internal issues that may have been identified, details on how the issues have been dealt with and offer recommendations on how the procedures can be improved.

The Board, through the Audit Committee, assesses on an annual basis the effectiveness of the Group's internal control system which covers all material controls, including financial, operational, compliance and risk management functions, and considered the internal control systems were effective and adequate.

Auditor's remuneration

The remuneration of the audit services rendered by the auditor of the Company was mutually agreed in view of the scope of services to be provided. The audit fee for the year ended 31 December 2010 was approximately HK$2.2 million. In addition, the auditor of the Company also provided tax services and other engagements to the Group in 2010 and the fees were approximately HK$0.8 million and HK$0.4 million respectively.

Preparation of Financial Statements

The Directors acknowledge their responsibility for preparing consolidated financial statements of the Group for the year ended 31 December 2010 (the "Financial Statements") and the auditor of the Company also set out their reporting responsibilities on the Financial Statements in its auditor's report of this annual report.

Shareholders' rights

Pursuant to the articles of association of the Company, the Board may call an extraordinary general meeting whenever it thinks fit. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. The articles of association of the Company is available on the Company's website.

The Company regards the annual general meeting ("AGM") an important event as it provides a platform for the Board to communicate with the shareholders. All the Directors attended the AGM for the year 2010 and the Chairman himself took the chair in the AGM to ensure shareholders' views and questions are well communicated and answered by the Board. The Annual Report and the notice of AGM will be sent to the shareholders at least 20 clear business days prior to the date of AGM.

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

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VALUE PARTNERS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Value Partners Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 81, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Income			
Revenue	6	**1,075,209**	460,274
Other income	6	**9,752**	11,471
Total income		**1,084,961**	471,745
Expenses			
Distribution fees		**91,298**	37,248
Compensation and benefit expenses	7	**276,459**	168,711
Operating lease rentals		**7,322**	9,627
Advisory fees		**10,276**	4,659
Other expenses	8	**35,563**	28,723
Total expenses		**420,918**	248,968
Other gains — net	9	**95,438**	125,571
Operating profit		**759,481**	348,348
Share of loss of an associate	18	**(86)**	—
Share of loss of a joint venture	19	**(2,500)**	(2,641)
Profit before tax		**756,895**	345,707
Tax expense	10	**(103,723)**	(26,903)
Profit for the year		**653,172**	318,804
Other comprehensive income for the year			
Fair value gains on available-for-sale financial assets	24	**1,391**	985
Total comprehensive income for the year and total comprehensive income attributable to equity holders of the Company		**654,563**	319,789
Profit attributable to			
Equity holders of the Company		**653,172**	318,804
Earnings per share for profit attributable to the equity holders of the Company (HK cents per share)			
— basic	12.1	**40.1**	19.9
— diluted	12.2	**39.9**	19.9
Dividends (HK$'000)	13	**280,351**	128,000

The notes on pages 45 to 81 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	15	**7,951**	8,944
Intangible assets	16	**1,583**	1,567
Investment properties	17	**58,743**	—
Investment in an associate	18	**710**	—
Interest in a joint venture	19	**6,484**	8,984
Investments	20	**660,113**	462,882
Deferred tax assets	25	**—**	617
Other assets		**1,847**	1,891
		737,431	484,885
Current assets			
Investments	20	**164,920**	7,166
Fees receivable	21	**654,294**	201,371
Prepayments and other receivables		**16,886**	10,540
Cash and cash equivalents	22	**1,218,561**	517,071
		2,054,661	736,148
Current liabilities			
Accrued bonus		**190,184**	100,795
Distribution fees payable	26	**33,964**	13,255
Other payables and accrued expenses		**76,479**	17,423
Current tax liabilities		**73,499**	20,146
		374,126	151,619
Net current assets		**1,680,535**	584,529
Total assets less current liabilities		**2,417,966**	1,069,414
Non-current liabilities			
Deferred tax liabilities	25	**32**	—
Net assets		**2,417,934**	1,069,414
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Issued equity	23	**866,717**	53,767
Other reserves	24	**150,169**	139,631
Retained earnings			
— proposed dividends	13	**280,351**	128,000
— others		**1,120,697**	748,016
Total equity		**2,417,934**	1,069,414

On behalf of the Board

CHAN Sheung Lai
Director

TSE Wai Ming
Director

The notes on pages 45 to 81 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	14	**970,517**	969,517
Interest in a joint venture	19	**6,484**	8,984
Amounts due from subsidiaries	31.4	**730,610**	—
		1,707,611	978,501
Current assets			
Dividends receivable	31.5	**200,000**	100,000
Prepayments and other receivables		**290**	78
Cash and cash equivalents	22	**171,271**	156,958
		371,561	257,036
Current liabilities			
Other payables and accrued expenses		**2,943**	4,123
Current tax liabilities		**—**	269
		2,943	4,392
Net current assets		**368,618**	252,644
Total assets less current liabilities		**2,076,229**	1,231,145
Non-current liabilities			
Amounts due to a subsidiary	31.4	**1,000**	48,368
Net assets		**2,075,229**	1,182,777
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital and share premium	23	**1,733,531**	920,581
Share-based compensation reserve	24	**144,449**	135,302
Retained earnings	24	**197,249**	126,894
Total equity		**2,075,229**	1,182,777

On behalf of the Board

CHAN Sheung Lai
Director

TSE Wai Ming
Director

The notes on pages 45 to 81 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

		Attributable to equity holders of the Company			
	Note	Issued equity HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2009		53,767	131,108	557,212	742,087
Profit for the year		—	—	318,804	318,804
Other comprehensive income	24	—	985	—	985
Total comprehensive income		—	985	318,804	319,789
Transactions with owners					
Share-based compensation	23, 24	—	7,538	—	7,538
Total transactions with owners		—	7,538	—	7,538
At 31 December 2009		53,767	139,631	876,016	1,069,414
At 1 January 2010		**53,767**	**139,631**	**876,016**	**1,069,414**
Profit for the year		**—**	**—**	**653,172**	**653,172**
Other comprehensive income	24	**—**	**1,391**	**—**	**1,391**
Total comprehensive income		**—**	**1,391**	**653,172**	**654,563**
Transactions with owners					
Shares issued upon exercise of shares options	23	**37,648**	**—**	**—**	**37,648**
Shares issued, net of issuing expenses	23	**775,302**	**—**	**—**	**775,302**
Share-based compensation	23, 24	**—**	**9,147**	**—**	**9,147**
Dividends		**—**	**—**	**(128,140)**	**(128,140)**
Total transactions with owners		**812,950**	**9,147**	**(128,140)**	**693,957**
At 31 December 2010		**866,717**	**150,169**	**1,401,048**	**2,417,934**

The notes on pages 45 to 81 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Net cash generated from operations	28.1	**330,007**	157,870
Interest received		**1,469**	3,277
Tax paid		**(49,721)**	(7,785)
Net cash generated from operating activities		**281,755**	153,362
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(2,488)**	(8,661)
Purchase of investment properties		**(5,635)**	—
Acquisition of an associate		**(796)**	—
Disposal of subsidiaries	28.2	**—**	(15)
Purchase of investments		**(386,509)**	(204,730)
Disposal of investments		**125,995**	4,202
Return of capital from investments		**—**	1,097
Closing of derivative financial instruments		**(1,182)**	1,480
Dividends received from investments		**5,540**	8,171
Net cash used in investing activities		**(265,075)**	(198,456)
Cash flows from financing activities			
Proceeds from shares issued upon exercise of share options		**37,648**	—
Proceeds from shares issued, net of issuing expenses		**775,302**	—
Dividends paid		**(128,140)**	—
Net cash generated from financing activities		**684,810**	—
Net increase/(decrease) in cash and cash equivalents		**701,490**	(45,094)
Cash and cash equivalents at beginning of the year		**517,071**	562,165
Cash and cash equivalents at end of the year		**1,218,561**	517,071

The notes on pages 45 to 81 are an integral part of these consolidated financial statements.

1 General information

Value Partners Group Limited (the "Company") was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office and its principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 9th Floor, Nexxus Building, 41 Connaught Road Central, Hong Kong, respectively.

The Company acts as an investment holding company. The activities of its principal subsidiaries are disclosed in Note 14 below. The Company and its subsidiaries (together, the "Group") principally provides investment management services to investment funds and managed accounts. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 10 March 2011.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 below.

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as of 1 January 2010:

- HKFRS 3 (Revised) "Business Combinations", and consequential amendments to HKAS 27 "Consolidated and Separate Financial Statements", HKAS 28 "Investments in Associates", and HKAS 31 "Interests in Joint Ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) New standards, amendments and interpretations issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

- HKFRS 9 "Financial Instruments", issued in November 2009. This standard is the first step in the process to replace HKAS 39 "Financial Instruments: Recognition and Measurement". HKFRS 9 introduces new requirements for classifying and measuring financial assets. In December 2010, the HKICPA has released additions to HKFRS 9 dealing with financial liabilities. The additions, which are part of the HKICPA's plan to replace HKAS 39, retain most of the HKAS 39's requirements for financial liabilities. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income. The standard is not applicable until 1 January 2013 but is available for early adoption.

  The Group is yet to assess HKFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised HK$1,391,000 of such gains in other comprehensive income. The Group has not yet decided when to adopt HKFRS 9.

- HKAS 24 (Revised) "Related Party Disclosures", issued in November 2009. It supersedes HKAS 24 "Related Party Disclosures", issued in 2003. HKAS 24 is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. When the revised standard is applied, the Group and the Company will need to disclose any transactions between its subsidiaries and its associates. It is not expected to have a material impact on the Group's financial statements.

- Amendment to HKAS 12 "Income Taxes", issued in December 2010. The amendment introduces an exception to the existing principle for measurement of deferred tax assets or liabilities arising from investment properties measured at fair value. The amendment is effective for the annual periods beginning on or after 1 January 2012 where earlier adoption is permitted. The Group has not yet decided when to adopt the amendment.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries *(continued)*

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

In the Company's balance sheet the investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

The Group has invested in certain investment funds that it manages. As an investment manager, the Group may put seed capital in investment funds that it manages in order to facilitate their launch. The purpose of seed capital is to ensure that the investment funds can have a reasonable starting fund size to operate and to build track record. The Group may subsequently vary the holding of these seed capital investments depending on the market conditions and various other factors. The Group has applied the scope exclusion within HKAS 28 "Investments in Associates" for mutual funds, unit trusts and similar entities and such investments are classified as financial assets at fair value through profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(c) Joint ventures

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

The Group's share of its joint ventures' post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the interest. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are 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 financial assets are included in other comprehensive income.

(c) Translation from functional currency to presentation currency

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

2 Summary of significant accounting policies *(continued)*

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 accumulated 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 consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, as follows:

Leasehold improvements	Over the lease terms
Furniture and fixtures	Five years
Office equipment	Three years
Vehicles	Three years

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the consolidated statement of comprehensive income.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of a subsidiary is included in intangible assets.

Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. For the purpose of impairment testing, goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years).

2 Summary of significant accounting policies *(continued)*

2.7 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties comprise office buildings and are initially measured at cost, including related transaction costs. After initial recognition investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of comprehensive income.

2.8 Impairment

(a) Impairment of non-financial assets and investments in subsidiaries

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(b) Impairment of financial assets and investments in joint ventures and associates

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment testing of the investments in subsidiaries, joint ventures or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, joint venture or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.9 Financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those being designated in accordance with the scope exclusion within HKAS 28. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading.

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

2 Summary of significant accounting policies *(continued)*

2.9 Financial assets *(continued)*

(b) Loans and receivables

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

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting 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 assets. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. 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. Loans and receivables are carried at amortised cost using the effective interest method.

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

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as gains and losses from available-for-sale financial assets.

The fair value of quoted financial assets is based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using external valuations or valuation techniques. These include the use of quoted bid prices provided by fund administrators and valuations performed by external specialists, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity securities classified as available-for-sale financial assets are not reversed through the consolidated statement of comprehensive income.

2.10 Derivative financial instruments

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 current assets or liabilities. Changes in the fair value of any non-hedging derivative financial instruments are recognised immediately in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies *(continued)*

2.11 Fees receivable

Fees receivable are initially recognised at fair value of the fee income receivable and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of fees receivable is established when there is objective evidence that the Group will not be able to collect all amounts due.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and brokers and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

2.14 Current and deferred tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the jurisdictions where the Group, its joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset isrealised 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, joint ventures and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

2.15 Income recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the provision of services have been resolved. Revenue is 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.

2 Summary of significant accounting policies *(continued)*

2.15 Income recognition *(continued)*

(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.

2.16 Distribution fees

Distribution fees represent rebates of management fee, performance fee and front-end fee income by the Group to the distributors for selling its products. Distribution fees are 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.

2.17 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 equity holders of the Company and various other factors. The bonus is paid in cash to employees and directors. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan and has other equity-settled, share-based compensation arrangements. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options granted:

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2 Summary of significant accounting policies *(continued)*

2.17 Compensation and benefits *(continued)*

(b) Share-based compensation ***(continued)***

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity. In the same financial period, the Company makes a recharge to the subsidiary in respect of share options granted to the subsidiary's employees.

(c) Pension obligations

The Group participates in a mandatory provident fund scheme in Hong Kong which is a defined contribution plan generally funded through payments to trustee-administered funds. The Group pays contributions to the mandatory provident fund scheme on a mandatory basis. The Group has no legal or constructive obligations to pay further contributions if the mandatory provident fund scheme does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The contributions are recognised as compensation and benefit expenses when they are due.

(d) Other employee benefits

Short-term employee benefit costs are charged in the period to which the employee services relate.

Employee entitlements to annual leave and long-service leave are 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 reporting date.

2.18 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.19 Advisory fees

Advisory fees comprise fees paid and payable to the advisors for the provision of advisory services in relation to fund investment policies and strategies. Advisory fees are recognised when the advisory services are received by the Group.

2.20 Dividend distribution

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

2.21 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 consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements, where necessary, when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3 Financial risk management

3.1 Financial risk factors

The Group's activities in relation to financial instruments expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall financial risk management programme focuses on the analysis, evaluation and management of financial risks and seeks to minimise potential adverse effects on the Group's financial performance.

(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.

At 31 December 2010 and 2009, the majority of the assets and liabilities are denominated in the Hong Kong dollar (the Company's functional and presentation currency) and the United States dollar which is currently linked to the Hong Kong dollar within a narrow range.

Foreign exchange risk arises from fees receivable denominated in currencies other than the Hong Kong dollar and the United States dollar. Fees receivables are also subject to price risk as disclosed in Note 3.1(c) below.

Refer to Notes 20, 21, 22 and 26 below for additional disclosures on foreign exchange exposure.

(b) Interest rate risk

As the Group has no significant interest-bearing liabilities, the Group's expenses and financing cash flows are substantially independent of changes in market interest rates.

The Group is exposed to cash flow interest rate risk in respect of bank deposits which are interest-bearing at variable rates. All deposits are short-term deposits with maturities less than one year.

At 31 December 2010, if interest rates had been 50 basis points (2009: 50 basis points) (these represent a reasonable possible shift in the interest rates, having regard to the historical volatility of the interest rates) higher or lower with all other variables held constant, profit after tax would have been HK$3,011,000 (2009: HK$1,109,000) higher or lower, as a result of higher or lower interest income on the bank deposits.

(c) Price risk

The Group is exposed to securities price risk in respect of investments held by the Group. The majority of the Group's investments are investments in its own investment funds as seed capital and the rest are other investments in listed and unlisted equity securities and investment funds.

The table below summarises the impact of increases or decreases in the markets in which the Group's investments operate. For the purpose of measuring sensitivity of the Group's investments against markets, the Group uses the correlation between the price movements of the MSCI China Index and the Group's investments because the Group's investments mainly focus on the Greater China equities market and the directors consider that the MSCI China Index is a well-known index representing the universe of opportunities for investments in the Greater China equities market available to non-domestic investors.

The analysis is based on the assumption that the index had increased or decreased by the stated percentages (these represent a reasonable possible shift in the index, having regard to the historical volatility of the index) with all other variables held constant and the Group's investments moved according to the historical correlation with the index.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Price risk *(continued)*

	Change		Profit after tax	
	2010	2009	**2010**	2009
			HK$'000	HK$'000
The Group				
MSCI China Index	**+/-20%**	+/-30%	**+/-82,489**	+/-70,829

Profit after tax would increase or decrease as a result of gains or losses on investments classified as financial assets at fair value through profit or loss.

Refer to Note 20 below for additional disclosures on price risk.

In addition to securities price risk in respect of investments held by the Group, the Group is exposed to price risk indirectly in respect of management fee and performance fee income which are determined with reference to the net asset value and performance of the investment funds and managed accounts respectively.

(d) Credit risk

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

Credit risk is managed on a group basis and the credit quality of the counterparty is assessed, taking into account its financial position, past experience and other factors.

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

	2010	2009
	HK$'000	HK$'000
The Group		
AA-	**351,554**	191,558
A+	**24,431**	78,474
A-	**773,505**	247,131
BBB+	**66,983**	—
	1,216,473	517,163
The Company		
AA-	**144,163**	29,419
A-	**27,128**	127,573
	171,291	156,992

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(d) Credit risk *(continued)*

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

At 31 December 2010, fees receivable from the 5 major investment funds and managed accounts amounted to HK$457,482,000 (2009: HK$139,290,000), which accounted for 70% (2009: 69%) of the total outstanding balance. Refer to Note 21 below for additional disclosures on credit risk.

(e) Liquidity risk

The Group manages liquidity risk by maintaining a sufficient amount of liquid assets to ensure daily operational requirements are fulfilled. At 31 December 2010, the Group and the Company held liquid assets of HK$1,218,561,000 (2009: HK$517,071,000) and HK$171,271,000 (2009: HK$156,958,000) respectively, being cash and cash equivalents, that are expected to readily generate cash inflows for managing liquidity risk.

At 31 December 2010, other than other payables and accrued expenses of HK$983,000 (2009: HK$1,181,000) which have no stated maturity, all of the Group's non-derivative financial liabilities have contractual maturities not later than three months.

At 31 December 2010, other than amounts due to a subsidiary of HK$1,000,000 (2009: HK$48,368,000) which have no stated maturity, all of the Company's non-derivative financial liabilities have contractual maturities not later than three months.

3.2 Capital risk management

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce liabilities. The Group monitors capital on the basis of total equity as shown in the consolidated balance sheet. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

In addition, at 31 December 2010, Sensible Asset Management Limited, Value Partners Hong Kong Limited, Value Partners Limited and Value Partners Private Equity Limited, wholly-owned subsidiaries of the Group, and Sensible Asset Management Hong Kong Limited, a joint venture of the Group, are licensed to carry out regulated activities under the Hong Kong Securities and Futures Ordinance as follows:

Sensible Asset Management Limited (a)	Types 4 and 9
Value Partners Hong Kong Limited	Types 1, 4, 5 and 9
Value Partners Limited	Types 1, 4, 5, 6 and 9
Value Partners Private Equity Limited (a)	Types 4 and 9
Sensible Asset Management Hong Kong Limited (a)	Types 4 and 9

(a) The regulated entities are subject to specified licensing conditions.

3 Financial risk management *(continued)*

3.2 Capital risk management *(continued)*

The types of regulated activities are as follows:

Type 1	Dealing in securities
Type 4	Advising on securities
Type 5	Advising on futures contracts
Type 6	Advising on corporate finance
Type 9	Asset management

As a result, they are subject to capital requirements on the paid-up capital and liquid capital and file financial returns with the Securities and Futures Commission as follows:

Sensible Asset Management Limited	Half-yearly
Value Partners Hong Kong Limited	Monthly
Value Partners Limited	Monthly
Value Partners Private Equity Limited	Half-yearly
Sensible Asset Management Hong Kong Limited	Half-yearly

3.3 Fair value estimation

The following table presents the Group's financial instruments that are measured at fair value at the end of the reporting period by level of the fair value measurement hierarchy.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2010				
Investments	292,437	530,329	2,267	825,033
At 31 December 2009				
Investments	80,921	387,393	1,734	470,048

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

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

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

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

Specific valuation techniques used to value financial instruments include:

- Quoted bid prices (or net asset value) provided by fund administrators for unlisted investment funds. These investment funds invest substantially in listed equities.
- Other techniques, such as valuations performed by external valuation specialists, recent arm's length transactions or reference to other instruments that are substantially the same, for the remaining financial instruments.

The Group's investments in investment funds are analysed into the fair value measurement hierarchy in accordance with the above. At 31 December 2010 and 2009, the majority of the Group's investments in investment funds are included in level 2.

The following table presents the changes in level 3 instruments.

	Investments	
	2010 HK$'000	2009 HK$'000
Beginning of the year	**1,734**	2,950
Return of capital from investments	**—**	(1,097)
Gains/(losses) recognised in profit or loss	**533**	(119)
End of the year	**2,267**	1,734
Total gains/(losses) for the year included in the consolidated statement of comprehensive income for level 3 instruments held at the end of the year	**533**	(119)

4 Critical accounting estimates and judgements

Fair value estimation of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using external valuations or valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The resulting accounting estimates may not equal to the related actual results.

Fair value estimation of share options

The Group determines the fair value of its share options using the Black-Scholes valuation model which requires input of subjective assumptions as disclosed in Note 23 below. Any change in the subjective input assumptions may materially affect the fair value of an option.

5 Segment information

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

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

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

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

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

6 Income

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

	2010 HK$'000	2009 HK$'000
Revenue		
Management fees	**343,803**	233,461
Performance fees	**708,493**	219,751
Front-end fees	**22,573**	5,001
Back-end fees	**340**	2,061
Total revenue	**1,075,209**	460,274
Other income		
Interest income on cash and cash equivalents	**1,648**	1,888
Dividend income on financial assets at fair value through profit or loss	**2,382**	644
Dividend income on available-for-sale financial assets	**5,034**	7,642
Others	**688**	1,297
Total other income	**9,752**	11,471
Total income	**1,084,961**	471,745

Dividend income from listed and unlisted investments for the year ended 31 December 2010 amounted to HK$2,382,000 (2009: HK$542,000) and HK$5,034,000 (2009: HK$7,744,000) respectively.

7 Compensation and benefit expenses

	2010 HK$'000	2009 HK$'000
Management bonus	**190,184**	100,795
Salaries, wages and other benefits	**76,088**	59,467
Share-based compensation (Notes 23 and 24)	**9,147**	7,538
Pension costs — mandatory provident fund scheme	**1,040**	911
Total compensation and benefit expenses	**276,459**	168,711

7.1 Pension costs — mandatory provident fund scheme

There were no forfeited contributions utilised during the year ended 31 December 2010 (2009: Nil) and at 31 December 2010 (2009: Nil) to reduce future contributions.

At 31 December 2010, no contributions were payable to the mandatory provident fund scheme (2009: Nil).

7.2 Directors' emoluments

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

	Management bonus HK$'000	Salaries and other benefits (a) HK$'000	Share-based compen-sation HK$'000	Pension costs HK$'000	Total HK$'000
Year ended 31 December 2010					
Executive directors					
Mr Chan, Sheung Lai (e)	**5,661**	**975**	**701**	**6**	**7,343**
Mr Cheah, Cheng Hye	**57,999**	**10,630**	**—**	**12**	**68,641**
Ms Hung, Yeuk Yan Renee	**16,082**	**2,332**	**1,990**	**12**	**20,416**
Mr So, Chun Ki Louis	**22,782**	**1,555**	**2,691**	**12**	**27,040**
Mr Tse, Wai Ming (c)	**3,933**	**1,428**	**427**	**12**	**5,800**
Independent non-executive directors					
Dr Chen, Shih Ta Michael	**—**	**251**	**—**	**—**	**251**
Mr Lee, Siang Chin	**—**	**251**	**—**	**—**	**251**
Mr Oyama, Nobuo	**—**	**251**	**—**	**—**	**251**
	106,457	**17,673**	**5,809**	**54**	**129,993**
Year ended 31 December 2009					
Executive directors					
Ms Chau, Yee Man (d)	—	1,065	—	10	1,075
Mr Cheah, Cheng Hye	38,452	8,460	—	12	46,924
Mr Ho, Man Kei (d)	—	1,065	—	10	1,075
Ms Hung, Yeuk Yan Renee	8,327	2,076	1,987	12	12,402
Mr Law, Ka Kin (d)	—	1,400	—	10	1,410
Mr Ngan, Wai Wah (d)	—	1,680	—	10	1,690
Mr So, Chun Ki Louis	8,327	2,162	1,987	12	12,488
Mr Tse, Wai Ming (c)	1,792	184	168	2	2,146
Non-executive director					
Mr Choi, Nga Chung (b)	—	—	—	—	—
Independent non-executive directors					
Dr Chen, Shih Ta Michael	—	250	—	—	250
Mr Lee, Siang Chin	—	250	—	—	250
Mr Oyama, Nobuo	—	250	—	—	250
	56,898	18,842	4,142	78	79,960

7 Compensation and benefit expenses *(continued)*

7.2 Directors' emoluments *(continued)*

(a) Other benefits include rebates of management fees and performance fees by the Group in relation to the directors' investments in the investment funds under the Group's management. Rebates of management fees and performance fees for the year ended 31 December 2010 amounted to HK$5,986,000 (2009: HK$4,292,000).

(b) Mr Choi Nga Chung has resigned as a non-executive director of the Company with effect from 22 January 2009.

(c) Mr Tse Wai Ming became an executive director of the Company with effect from 1 November 2009. Mr Tse Wai Ming subsequently became the Deputy Chief Executive Officer of the Company with effect from 1 July 2010.

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

(e) Mr Chan Sheung Lai became the Chief Executive Officer and an executive director of the Company with effect from 1 July 2010.

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

None of the directors received or will receive any fees, inducement fees or compensation for loss of office as director for the year ended 31 December 2010 (2009: Nil). No directors waived or agreed to waive any emoluments for the year ended 31 December 2010 (2009: Nil).

7.3 Five highest paid individuals

The five highest paid individuals in the Group during the year ended 31 December 2010 included three (2009: three) directors whose emoluments are reflected in the analysis presented above. Details of the remuneration of the remaining two (2009: two) highest paid employees are as follows:

	2010 **HK$'000**	2009[(a)] HK$'000
Management bonus	**23,214**	16,653
Salaries, wages and other benefits	**3,526**	2,638
Share-based compensation	**234**	1,032
Pension costs — mandatory provident fund scheme	**24**	24
	26,998	20,347

(a) Amounts represented remunerations of two directors who have resigned as executive directors of the Company during the year ended 31 December 2009.

Individual emoluments were within the following bands:

	Number of individuals	
	2010	2009
HK$5,000,001 to HK$10,000,000	**1**	1
HK$10,000,001 to HK$15,000,000	**—**	1
HK$15,000,001 to HK$20,000,000	**1**	—

8 Other expenses

	2010 HK$'000	2009 HK$'000
Research expenses	**6,595**	5,536
Travelling expenses	**4,847**	2,217
Office expenses	**3,774**	3,241
Marketing expenses	**3,658**	1,162
Depreciation and amortisation (Notes 15 and 16)	**3,465**	4,280
Insurance expenses	**2,887**	3,020
Auditor's remuneration	**2,559**	2,908
Legal and professional fees	**2,434**	2,308
Registration and licensing fees	**1,251**	1,511
Recruitment and training expenses	**1,189**	725
Entertainment expenses	**827**	477
Others	**2,077**	1,338
Total other expenses	**35,563**	28,723

9 Other gains — net

	2010 HK$'000	2009 HK$'000
Gains on disposal of subsidiaries (Note 28.2)	**—**	7,699
Losses on disposal of subsidiaries	**—**	(68)
Gains on disposal of property, plant and equipment	**—**	330
Gains on financial assets at fair value through profit or loss	**93,975**	120,324
Losses on financial assets at fair value through profit or loss	**(2,083)**	(1,878)
Losses on available-for-sale financial assets	**—**	(1,683)
Net foreign exchange gains	**3,546**	847
Total other gains — net	**95,438**	125,571

10 Tax expense

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

Hong Kong profits tax has been provided on the estimated assessable profit for the year ended 31 December 2010 at the rate of 16.5% (2009: 16.5%).

	2010 HK$'000	2009 HK$'000
Current tax		
Hong Kong profits tax	**102,184**	35,888
Overseas tax	**552**	217
Adjustments in respect of prior years	**338**	(8,844)
Total current tax	**103,074**	27,261
Deferred tax		
Origination and reversal of temporary differences (Note 25)	**649**	(358)
Total tax expense	**103,723**	26,903

10 Tax expense *(continued)*

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

	2010 HK$'000	2009 HK$'000
Profit before tax	**756,895**	345,707
Tax calculated at domestic tax rates applicable to profits in the respective countries of 16.5% (2009: 16.5%)	**124,888**	57,042
Tax effects of:		
Share of an associate's results	**14**	—
Share of a joint venture's results	**412**	436
Non-taxable income and gains on investments	**(33,013)**	(25,761)
Non-deductible expenses and losses on investments	**11,084**	4,030
Adjustments in respect of prior years	**338**	(8,844)
Tax expense	**103,723**	26,903

11 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for the year ended 31 December 2010 was dealt with in the financial statements of the Company to the extent of HK$198,495,000 (2009: HK$191,676,000).

12 Earnings per share

12.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**653,172**	318,804
Weighted average number of ordinary shares in issue (thousands)	**1,627,819**	1,600,000
Basic earnings per share (HK cents per share)	**40.1**	19.9

12 Earnings per share *(continued)*

12.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is the share options. For share options, a calculation is made in order to determine the number of ordinary shares that could have been acquired at fair value (determined as the average closing market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of ordinary shares calculated as above is compared with the number of ordinary shares that would have been issued assuming the exercise of the share options.

	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**653,172**	318,804
Weighted average number of ordinary shares in issue (thousands)	**1,627,819**	1,600,000
Adjustments for share options (thousands)	**9,079**	2,078
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,636,898**	1,602,078
Diluted earnings per share (HK cents per share)	**39.9**	19.9

13 Dividends

	2010 HK$'000	2009 HK$'000
Proposed final dividend of HK16.0 cents (2009: HK8.0 cents) per ordinary share	**280,351**	128,000

The directors recommend payment of a final dividend of HK16.0 cents per ordinary share. The estimated total final dividends, based on the number of shares outstanding at 31 December 2010, are HK$280,350,877. Such dividends are to be approved by the shareholders at the Annual General Meeting of the Company on 4 May 2011 and have not been recognised as a liability at the balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

14 Investments in subsidiaries — the Company

	2010 HK$'000	2009 HK$'000
Unlisted shares	**970,517**	969,517

At 31 December 2010, the Company had direct interests in the following principal subsidiaries:

Name	Place of incorporation	Principal activitie and place of operation	Issued share capital	Interest held
Middle Star Capital Limited	Hong Kong	Investment holding	1 ordinary share of HK$1	100%
Sensible Asset Management Limited	British Virgin Islands	Investment management in Hong Kong	2,000,000 ordinary shares of US$0.1 each	100%
Value Funds Limited	Hong Kong	Investment holding	1 ordinary share of HK$1	100%
Value Funds 2 Limited	Hong Kong	Investment holding	1 ordinary share of HK$1	100%
Value Partners (Cayman GP) II Ltd	Cayman Islands	Managing member of three investment funds managed by Value Partners Hong Kong Limited and Value Partners Limited	1 ordinary share of US$1	100%
Value Partners Hong Kong Limited	Hong Kong	Investment management in Hong Kong	5,000,000 ordinary shares of HK$1 each	100%
Value Partners Index Services Limited	Hong Kong	Indexing services in Hong Kong	1 ordinary share of HK$1	100%
Value Partners Investment Advisory Limited (formerly Value Partners Consulting Limited)	Hong Kong	Consulting services in Hong Kong	1 ordinary share of HK$1	100%
Value Partners Investment Services Pte. Ltd.	Singapore	Sales and marketing activities in Singapore	150,000 ordinary shares of S$1 each	100%
Value Partners Limited	British Virgin Islands	Investment management in Hong Kong	11,409,459 Class A ordinary shares and 3,893,318 Class B ordinary shares of US$0.1 each	100%
Value Partners Private Equity Limited	British Virgin Islands	Investment management in Hong Kong	7,000,000 ordinary shares of US$0.1 each	100%
Valuegate Holdings Limited	British Virgin Islands	Trademark holding in Hong Kong	2 ordinary shares of US$1 each	100%

15 Property, plant and equipment — the Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Vehicles HK$'000	Total HK$'000
At 1 January 2009					
Cost	6,662	2,935	4,720	1,100	15,417
Accumulated depreciation	(5,189)	(1,713)	(3,250)	(1,100)	(11,252)
Net book amount	1,473	1,222	1,470	—	4,165
Year ended 31 December 2009					
Opening net book amount	1,473	1,222	1,470	—	4,165
Additions	6,109	666	354	1,406	8,535
Depreciation (Note 8)	(2,190)	(499)	(911)	(156)	(3,756)
Closing net book amount	5,392	1,389	913	1,250	8,944
At 31 December 2009					
Cost	6,486	3,601	5,074	1,406	16,567
Accumulated depreciation	(1,094)	(2,212)	(4,161)	(156)	(7,623)
Net book amount	5,392	1,389	913	1,250	8,944
Year ended 31 December 2010					
Opening net book amount	5,392	1,389	913	1,250	8,944
Additions	1,493	—	310	172	1,975
Depreciation (Note 8)	(1,370)	(534)	(590)	(474)	(2,968)
Closing net book amount	5,515	855	633	948	7,951
At 31 December 2010					
Cost	7,979	3,601	5,384	1,578	18,542
Accumulated depreciation	(2,464)	(2,746)	(4,751)	(630)	(10,591)
Net book amount	5,515	855	633	948	7,951

16 Intangible assets — the Group

	Goodwill HK$'000	Computer software HK$'000	Total HK$'000
At 1 January 2009			
Cost	393	3,536	3,929
Accumulated amortisation	—	(2,294)	(2,294)
Net book amount	393	1,242	1,635
Year ended 31 December 2009			
Opening net book amount	393	1,242	1,635
Additions	—	456	456
Amortisation (Note 8)	—	(524)	(524)
Closing net book amount	393	1,174	1,567
At 31 December 2009			
Cost	393	3,992	4,385
Accumulated amortisation	—	(2,818)	(2,818)
Net book amount	393	1,174	1,567
Year ended 31 December 2010			
Opening net book amount	393	1,174	1,567
Additions	—	513	513
Amortisation (Note 8)	—	(497)	(497)
Closing net book amount	393	1,190	1,583
At 31 December 2010			
Cost	393	4,505	4,898
Accumulated amortisation	—	(3,315)	(3,315)
Net book amount	393	1,190	1,583

17 Investment properties — the Group

	2010 HK$'000	2009 HK$'000
Beginning of the year	**—**	—
Additions	**58,743**	—
End of the year	**58,743**	—

The investment properties were purchased on 31 December 2010 and amounted to HK$58,743,000. The directors consider that no professional valuation by an independent valuer is required at 31 December 2010.

18 Investment in an associate — the Group

	2010 HK$'000	2009 HK$'000
Beginning of the year	—	—
Acquisition of an associate	796	—
Share of results — loss after tax	(86)	—
End of the year	710	—

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

Name	Place of incorporation	Interest held 2010	2009
Averon Capital Partners Limited	Hong Kong	19.9%	—

On 24 December 2010, the Group acquired 19.9% interest in Averon Capital Partners Limited for a consideration of HK$796,000. Pursuant to the Subscription and Shareholders Agreement, the Group has an immediately exercisable call option to purchase a total of 1,208,000 shares of Averon Capital Partners Limited. Upon exercise of the call option, the Group's interest in Averon Capital Partners Limited can reach 50.1%.

At 31 December 2010, the Group accounted for its investment in Averon Capital Partners Limited as an associate although the Group holds less than 20% of the issued share capital. The Group has the ability to exercise significant influence over Averon Capital Partners Limited with representation on its Board of Directors.

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

	2010 HK$'000	2009 HK$'000
Assets		
Non-current assets	1	—
Current assets	817	—
	818	—
Liabilities		
Current liabilities	(108)	—
Net assets	710	—
Income	—	—
Expenses	(86)	—
Loss after tax	(86)	—

There are no commitments and contingent liabilities relating to the Group's investment in the associate, and no commitments and contingent liabilities of the associate itself.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

19 Interest in a joint venture

On 1 September 2009, the Company sold 50% of its interest in one of its subsidiaries, Sensible Asset Management Hong Kong Limited, to China Ping An Insurance Overseas (Holdings) Limited, reducing its beneficiary interest and voting right in Sensible Asset Management Hong Kong Limited from 100% to 50%. As a result of the disposal, the interest in Sensible Asset Management Hong Kong Limited becomes a joint venture. Refer to Note 28.2 below for additional disclosures on the disposal of subsidiaries.

	2010 HK$'000	2009 HK$'000
The Group		
Beginning of the year	**8,984**	—
Deemed acquisition of a joint venture (Note 28.2)	**—**	11,625
Share of results — loss after tax	**(2,500)**	(2,641)
End of the year	**6,484**	8,984
The Company		
Unlisted shares, at cost	**11,625**	11,625
Less: Accumulated impairment losses	**(5,141)**	(2,641)
	6,484	8,984

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

Name	Place of incorporation	Principal activities	Interest held 2010	Interest held 2009
Sensible Asset Management Hong Kong Limited	Hong Kong	Investment management in Hong Kong	**50%**	50%

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

	2010 HK$'000	2009 HK$'000
Assets — current assets	**8,521**	9,636
Liabilities — current liabilities	**(2,037)**	(652)
Net assets	**6,484**	8,984
Income	**1,458**	53
Expenses	**(3,958)**	(2,694)
Loss after tax	**(2,500)**	(2,641)

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

20 Investments — the Group

Investments include the following:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Total	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Listed securities (by place of listing)						
Investment funds — Hong Kong	**284,865**	74,079	**—**	—	**284,865**	74,079
Investment funds — Singapore	**7,572**	6,842	**—**	—	**7,572**	6,842
Market value of listed securities	**292,437**	80,921	**—**	—	**292,437**	80,921
Unlisted securities (by place of incorporation/establishment)						
Equity securities — Singapore	**—**	—	**1,923**	2,631	**1,923**	2,631
Investment funds — Cayman Islands	**477,520**	334,265	**—**	—	**477,520**	334,265
Investment funds — Luxembourg	**7,435**	6,367	**—**	—	**7,435**	6,367
Investment funds — United States of America	**31,382**	33,627	**14,336**	12,237	**45,718**	45,864
Fair value of unlisted securities	**516,337**	374,259	**16,259**	14,868	**532,596**	389,127
Total investments	**808,774**	455,180	**16,259**	14,868	**825,033**	470,048
Representing:						
Non-current	**643,854**	448,014	**16,259**	14,868	**660,113**	462,882
Current	**164,920**	7,166	**—**	—	**164,920**	7,166
Total investments	**808,774**	455,180	**16,259**	14,868	**825,033**	470,048

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

	2010 HK$'000	2009 HK$'000
Beginning of the year	**14,868**	14,120
Additions	**—**	3,875
Disposals	**—**	(4,112)
Fair value gains transferred to equity (Note 24)	**1,391**	985
End of the year	**16,259**	14,868

There was no impairment provision on available-for-sale financial assets at 31 December 2010 (2009: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

20 Investments — the Group *(continued)*

Investments are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Hong Kong dollar	**303,357**	88,845
Singapore dollar	**1,923**	2,631
United States dollar	**519,753**	378,572
Total investments	**825,033**	470,048

21 Fees receivable — the Group

The carrying amounts of fees receivable approximate their fair value due to the short-term maturity. The maximum exposure to credit risk at the reporting date is the carrying amounts of the fees receivable. The Group did not hold any collateral as security at 31 December 2010 (2009: Nil).

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

	2010 HK$'000	2009 HK$'000
Fees receivable that were past due but not impaired		
1 — 30 days	**2,469**	1,342
31 — 60 days	**1,267**	306
61 — 90 days	**2,559**	—
Over 90 days	**2,297**	—
	8,592	1,648
Fees receivable that were within credit period	**645,702**	199,723
Total fees receivable	**654,294**	201,371

Fees receivable are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Australian dollar	**2,497**	—
Hong Kong dollar	**34,115**	9,809
United States dollar	**617,682**	191,562
Total fees receivable	**654,294**	201,371

Fees receivable from investment management activities are generally deducted from the net asset value of the investment funds and managed accounts and paid directly by the administrator or custodian of the investment funds and managed accounts at the end of the relevant valuation period or credit period, as appropriate.

There was no impairment provision on fees receivable at 31 December 2010 (2009: Nil).

22 Cash and cash equivalents

	2010 HK$'000	2009 HK$'000
The Group		
Cash at bank and in hand	**705,569**	260,673
Short-term bank deposits	**474,641**	247,123
Deposits with brokers	**38,351**	9,275
Total cash and cash equivalents	**1,218,561**	517,071
The Company		
Cash at bank and in hand	**144,163**	29,419
Short-term bank deposits	**27,108**	127,539
Total cash and cash equivalents	**171,271**	156,958

Cash and cash equivalents are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
The Group		
Australian dollar	**2,017**	—
Hong Kong dollar	**1,004,591**	396,124
Japanese yen	**227**	132
Renminbi	**136,036**	246
Singapore dollar	**11,538**	10,065
United States dollar	**64,152**	110,504
Total cash and cash equivalents	**1,218,561**	517,071
The Company		
Hong Kong dollar	**171,194**	156,880
United States dollar	**77**	78
Total cash and cash equivalents	**171,271**	156,958

23 Issued equity — the Group/Share capital and share premium — the Company

Issued equity — the Group

	Number of shares	Issued equity HK$'000
At 1 January 2009 and 31 December 2009	1,600,000,000	53,767
At 1 January 2010	1,600,000,000	53,767
Shares issued upon exercise of share options	12,192,981	37,648
Shares issued, net of issuing expenses	140,000,000	775,302
At 31 December 2010	1,752,192,981	866,717

At 31 December 2010, the total authorised number of ordinary shares of the Company was 5,000,000,000 shares (2009: 5,000,000,000 shares) with a par value of HK$0.1 (2009: HK$0.1) per share and all issued shares were fully paid.

The ordinary shares are non-redeemable and are entitled to dividends. Each ordinary share carries one vote. In the case of winding up of the Company, ordinary shares carry the right to return the paid-up capital and any balance then remaining.

On 26 October 2010, the Company issued 140,000,000 shares, with a par value of HK$0.1 each, at a price of HK$5.68 per share. Total issuing expenses incurred were approximately HK$19,898,000.

Share capital and share premium — the Company

	Share capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2009 and 31 December 2009	160,000	760,581	920,581
At 1 January 2010	160,000	760,581	920,581
Shares issued upon exercise of share options	1,219	36,429	37,648
Shares issued, net of issuing expenses	14,000	761,302	775,302
At 31 December 2010	175,219	1,558,312	1,733,531

Share options

The Group operates a share option scheme for directors, employees and others whom the Board of Directors considers, in its sole discretion, have contributed or will contribute to the Group. The share option scheme is effective for a period of ten years from the date it was adopted, after which no new share options will be granted but the provisions of the scheme will remain in full force and effect in all other respects. The share options are subject to terms as the Board of Directors may determine. Such terms may include the exercise price of the share options, the minimum period for which the share options must be held before they can be exercised in whole or in part, the conditions that must be reached before the share options can be exercised. The Group has no legal or constructive obligation to repurchase or settle the share options in cash. 8,100,000 options were granted under the share option scheme during the year ended 31 December 2010 (2009: 16,000,000 options).

23 Issued equity — the Group/Share capital and share premium — the Company *(continued)*

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 2009	5.57	112,398
Granted	2.44	16,000
Forfeited	5.50	(10,748)
At 31 December 2009	5.15	117,650
At 1 January 2010	5.15	117,650
Granted	5.00	8,100
Exercised	3.09	(12,193)
Forfeited	5.50	(6,386)
Expired	7.56	(975)
At 31 December 2010	5.33	106,196

Out of the 106,196,000 (2009: 117,650,000) outstanding share options, 89,917,000 (2009: 110,924,000) options were exercisable at 31 December 2010 with weighted average exercise price of HK$5.56 (2009: HK$5.47) per share. 12,193,000 share options were exercised during the year ended 31 December 2010 (2009: Nil).

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

Expiry date	Exercise price (HK$per share)	Number of options ('000) 2010	2009
21 November 2010	7.56	—	975
31 December 2010	7.56	**2,667**	2,667
25 September 2014	5.50	**33,578**	42,557
14 November 2014	5.50	**55,451**	55,451
26 October 2015	2.44	**6,400**	16,000
22 December 2016	5.00	**8,100**	—

The weighted average fair value of options granted during the year ended 31 December 2010 determined using the Black-Scholes valuation model was HK$1.90 (2009: HK$0.65) per option. The significant inputs into the model were weighted average share price of HK$5.00 (2009: HK$2.44) at the grant date, exercise price shown above, estimated volatility of 52.0% (2009: 48.1%), estimated dividend yield of 1.6% (2009: 2.5%) based on historical dividend of HK8.0 cents per share for the financial year 2009 (2009: HK5.5 cents per share for the financial year 2008), expected option life of 4.25 (2009: 4.00) years, and annual risk-free interest rate of 1.47% (2009: 1.30%). Refer to Note 7 above for the total expense recognised in the consolidated statement of comprehensive income for share options granted to directors and employees. The volatility was measured based on statistical analysis of the weekly share prices of relevant market comparables over 182 weeks prior to the grant date of the share option.

The measurement dates of the share options were 23 June 2010, 27 April 2009, 15 May 2008 and 26 March 2008, being the dates of grant of the share options. Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest or lapse. Forfeiture rate is also considered in determining the amount of share option expenses.

24 Other reserves — the Group/Share-based compensation reserve and retained earnings — the Company

The Group

	Share-based compensation reserve HK$'000	Revaluation reserve HK$'000	Total HK$'000
At 1 January 2009	127,764	3,344	131,108
Share-based compensation (Note 7)	7,538	—	7,538
Fair value gains on available-for-sale financial assets (Note 20)	—	985	985
At 31 December 2009	135,302	4,329	139,631
At 1 January 2010	135,302	4,329	139,631
Share-based compensation (Note 7)	9,147	—	9,147
Fair value gains on available-for-sale financial assets (Note 20)	—	1,391	1,391
At 31 December 2010	144,449	5,720	150,169

The Company

	Share-based compensation reserve HK$'000	Retained earnings HK$'000
At 1 January 2009	127,764	(64,782)
Share-based compensation (Note 7)	7,538	—
Profit for the year	—	191,676
At 31 December 2009	135,302	126,894
At 1 January 2010	135,302	126,894
Share-based compensation (Note 7)	9,147	—
Profit for the year	—	198,495
Dividends	—	(128,140)
At 31 December 2010	144,449	197,249

25 Deferred tax — the Group

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

	Accelerated tax depreciation HK$'000
At 1 January 2009	259
Credited to consolidated statement of comprehensive income (Note 10)	358
At 31 December 2009	617
At 1 January 2010	617
Charged to consolidated statement of comprehensive income (Note 10)	(649)
At 31 December 2010	(32)

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2010, the Group did not have any tax losses that can be carried forward against future taxable profits (2009: Nil).

26 Distribution fees payable — the Group

The carrying amounts of distribution fees payable approximate their fair value due to the short-term maturity. The ageing analysis of distribution fees payable is as follows:

	2010 HK$'000	2009 HK$'000
0 — 30 days	**32,661**	13,153
31 — 60 days	**665**	—
61 — 90 days	**384**	—
Over 90 days	**254**	102
Total distribution fees payable	**33,964**	13,255

Distribution fees payable are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Japanese yen	**51**	68
United States dollar	**33,913**	13,187
Total distribution fees payable	**33,964**	13,255

27 Financial instruments by category

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Category of financial assets				
Loans and receivables				
Amounts due from subsidiaries	**—**	—	**730,610**	—
Fees receivable	**654,294**	201,371	**—**	—
Dividends receivable	**1,869**	—	**200,000**	100,000
Other receivables	**6,363**	3,354	**20**	34
Cash and cash equivalents	**1,218,561**	517,071	**171,271**	156,958
	1,881,087	721,796	**1,101,901**	256,992
Financial assets at fair value through profit or loss				
Investments (Note 20)	**808,774**	455,180	**—**	—
Available-for-sale financial assets				
Investments (Note 20)	**16,259**	14,868	**—**	—
Total	**2,706,120**	1,191,844	**1,101,901**	256,992
Category of financial liabilities				
Other financial liabilities at amortised cost				
Accrued bonus	**190,184**	100,795	**—**	—
Distribution fees payable	**33,964**	13,255	**—**	—
Other payables and accrued expenses	**76,479**	17,423	**2,943**	4,123
Amounts due to a subsidiary	**—**	—	**1,000**	48,368
Total	**300,627**	131,473	**3,943**	52,491

28 Notes to consolidated cash flow statement

28.1 Net cash generated from operations

	2010 **HK$'000**	2009 HK$'000
Profit before tax	**756,895**	345,707
Adjustments for		
Interest income	**(1,648)**	(1,888)
Dividend income	**(7,416)**	(8,286)
Share-based compensation	**9,147**	7,538
Depreciation and amortisation	**3,465**	4,280
Other gains — net (excluding net foreign exchange gains)	**(91,892)**	(124,724)
Share of loss of an associate	**86**	—
Share of loss of a joint venture	**2,500**	2,641
Changes in working capital		
Other assets	**44**	(145)
Fees receivable	**(452,923)**	(168,012)
Prepayments and other receivables	**(4,298)**	(489)
Accrued bonus	**89,389**	92,813
Distribution fees payable	**20,709**	3,549
Other payables and accrued expenses	**5,949**	4,886
Net cash generated from operations	**330,007**	157,870

28.2 Disposal of subsidiaries

On 1 September 2009, the Company sold 50% of its interest in one of its subsidiaries, Sensible Asset Management Hong Kong Limited, to China Ping An Insurance Overseas (Holdings) Limited pursuant to an Agreement dated 12 August 2009 for an immediate cash payment of US$3,000,000 ("equivalent to HK$23,250,000, the Entry Price"). The gain on disposal of the subsidiary amounted to HK$7,699,000. A dividend guarantee and a put option were given by the Company to China Ping An Insurance Overseas (Holdings) Limited under the same Agreement. The exercise price of the put option is determined at the lower of the Entry Price or two times the net asset value per share based on the enlarged share capital of Sensible Asset Management Hong Kong Limited on the third anniversary of the date of the Agreement.

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

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

29 Operating lease commitments

The Group leases various offices and office equipment under non-cancellable operating lease agreements. The lease terms are between two and five years. The majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2010 **HK$'000**	2009 HK$'000
Not later than one year	**10,665**	6,670
Later than one year and not later than five years	**24,227**	21,572
Total operating lease commitments	**34,892**	28,242

30 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.

30.1 Contingent assets

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

As a result, at 31 December 2010 and 2009, performance fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding year have not been recognised. These performance fees may be receivable in cash if a positive performance results (for non-private equity fund products) or a performance threshold is exceeded (for private equity fund products) on the performance fee valuation days, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

30.2 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 31 December 2010 and 2009, the performance fee element of distribution fees in respect of performance periods ending on a performance fee valuation day not falling within the corresponding 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.

31 Related-party transactions

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

Apart from those disclosed elsewhere in the financial statements, the Group has also entered into the following significant related-party transactions which, in the opinion of the directors, were carried out in the ordinary and usual course of the Group's business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

31 Related-party transactions *(continued)*

31.1 Key management compensation

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

	2010 HK$'000	2009 HK$'000
Management bonus, salaries and other short-term employee benefits	**123,377**	95,192
Share-based compensation	**5,809**	5,174
Pension costs — mandatory provident fund scheme	**54**	94
Total key management compensation	**129,240**	100,460

31.2 Investments in own investment funds

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

	2010 Fair value HK$'000	2009 Fair value HK$'000
Asia Value Formula Fund	**82,257**	62,155
Manulife Global Fund — China Value Fund (a)	**7,435**	6,367
Value China ETF	**—**	73,900
Value Gold ETF	**127,517**	—
Value Partners Asia Fund, LLC	**31,382**	33,627
Value Partners Cash Management Fund (b)	**38,592**	77,429
Value Partners China Greenchip Fund Limited (c)	**10,920**	7,924
Value Partners Classic Fund (d)	**16,808**	13,927
Value Partners Credit Fund (b), (e)	**184,996**	53,912
Value Partners Greater China Property Hedge Fund (b), (f)	**45,535**	38,460
Value Partners Hedge Fund Limited (f)	**18,338**	15,451
Value Partners High-Dividend Stocks Fund	**17,807**	14,092
Value Partners Intelligent Funds — China Convergence Fund	**21,260**	17,448
Value Partners Intelligent Funds — Chinese Mainland Focus Fund	**19,892**	15,985
Value Partners Strategic Equity Fund (g)	**2,257**	1,724
Value Partners Taiwan Fund	**18,848**	15,748
Total investments in own investment funds	**643,844**	448,149

(a) The shares held were Class A shares.
(b) The Group has waived its voting rights in respect of its holding of the shares.
(c) The shares held were redeemable Class A shares.
(d) The units held were "A" units.
(e) Formerly Value Partners Bond Fund before 15 January 2010.
(f) The shares held were participating redeemable preference shares.
(g) The shares held were non-voting shares.

31 Related-party transactions *(continued)*

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

At 31 December 2010, the Group had investments in Malabar India Fund, LP amounted to HK$14,336,000 (2009: HK$12,237,000) which is managed by Malabar Investment LLC in which the Group had an interest of 8.20% (2009: 8.75%). The Group also had a receivable of HK$1,167,000 (2009: HK$1,163,000) from Malabar Investment LLC at 31 December 2010.

31.4 Amounts due from and to subsidiaries

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

31.5 Dividends receivable

The amount is an interim dividend for the year ended 31 December 2010 and 2009 respectively declared by Value Partners Limited to Value Partners Group Limited. The amount is unsecured, non-interest bearing and repayable on demand.

32 Subsequent events

On 21 January 2011, the Group signed an agreement with Yunnan Industrial Investment Holding Group Ltd. to set up a private equity fund management company in Kumming, Yunnan, People's Republic of China. The initial registered capital of the fund management company would be RMB15 million.

Particulars of Subsidiaries

As at 31 December 2010, details of the Group's subsidiaries under the Listing Rules are as follows:

Name	Place of incorporation	Principal activities and place of operation	Issued share capital
Hongkong Fund Management Limited	Hong Kong	Dormant	1 ordinary share of HK$1
Hongkong Investment Management Limited	Hong Kong	Dormant	1 ordinary share of HK$1
Middle Star Capital Limited	Hong Kong	Investment holding	1 ordinary share of HK$1
Sensible Asset Management Limited	British Virgin Islands	Investment management in Hong Kong	2,000,000 ordinary shares of US$0.1 each
Sensible Asset Management Asia Limited	Hong Kong	Dormant	1,000,000 ordinary shares of HK$1.00 each
Value Funds Limited	Hong Kong	Investment holding	1 ordinary share of HK$1
Value Funds 2 Limited	Hong Kong	Investment holding	1 ordinary share of HK$1
Value Partners (Cayman GP) II Ltd	Cayman Islands	Managing member of three investment funds managed by Value Partners Hong Kong Limited and Value Partners Limited	1 ordinary share of US$1
Value Partners Investment Advisory Limited (formerly the Value Partners Consulting Limited)	Hong Kong	Consulting services	1 ordinary share of HK$1
Value Partners Hong Kong Limited	Hong Kong	Investment management in Hong Kong	5,000,000 ordinary shares of HK$1 each
Value Partners Index Services Limited	Hong Kong	Indexing services in Hong Kong	1 ordinary share of HK$1
Value Partners Investment Services Pte. Ltd.	Singapore	Sales and marketing activities in Singapore	150,000 ordinary shares of S$1 each
Value Partners Limited	British Virgin Islands	Investment management, investment holding and securities dealing in Hong Kong	11,409,459 Class A ordinary shares and 3,893,318 Class B ordinary shares of US$0.1 each
Value Partners Private Equity Limited	British Virgin Islands	Investment management and provision of research and investment advisory services in Hong Kong	7,000,000 ordinary shares of US$0.1 each
Valuegate Holdings Limited	British Virgin Islands	Trademark holding in Hong Kong	2 ordinary shares of US$1 each
Value Partners Strategic Equity Fund (Note)	Cayman Islands	Investment fund	1,000 voting non-participating management shares of US$1 each

Note: Value Partners Strategic Equity Fund ("VPSEF") is the Group's subsidiary for the purposes of Listing Rules. In accordance with Hong Kong Financial Reporting Standards, the interest in VPSEF is accounted for as an investment and is classified as investment at fair value through profit & loss accounts rather than a subsidiary of the Group in view of the economic substance of the transaction and other considerations according to the accounting standards. Therefore, VPSEF's results are not accounted for by the Group in the consolidated financial statements and VPSEF also is not included in the list of subsidiaries in Note 14 to the consolidated financial statements.

Corporate Recognition 公司獎項

LIPPER FUND AWARDS 2011 HONG KONG

Lipper Fund Awards 2011 – Hong Kong
Best Equity Group – 3 Years
理柏基金香港年獎2011
最佳股票團隊獎 – 三年組別

Lipper
理柏

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

Thomson Reuters Extel Asia Pacific Survey 2010
2010年 Thomson Reuters Extel 亞太區調查

EXTEL SURVEYS IDENTIFYING EXCELLENCE

Buyside Individuals – General Equities/Strategy
1st Place – Mr. George Yang (Value Partners' Senior Analyst)
2nd Place – Mr. Eric Chow (Value Partners' Senior Fund Manager)
3rd Place – Ms. Ada Lau (Value Partners' Senior Fund Manager)
買方個人基金經理 – 一般股票/策略
第一位 – 楊曉帆先生(惠理高級分析員)
第二位 – 周翊祥先生(惠理高級基金經理)
第三位 – 劉曉儀女士(惠理高級基金經理)

Thomson Reuters Extel Asia Pacific Survey 2010
2010年 Thomson Reuters Extel 亞太區調查

Leading Buyside Individuals – Asia
1st Place – Mr. George Yang (Value Partners' Senior Analyst)
3rd Place – Mr. Eric Chow (Value Partners' Senior Fund Manager)
領先買方個人基金經理 – 亞洲區
第一位 – 楊曉帆先生(惠理高級分析員)
第三位 – 周翊祥先生(惠理高級基金經理)

Thomson Reuters Extel Asia Pacific Survey 2010
2010年 Thomson Reuters Extel 亞太區調查

AsiaHedge Awards 2010

Management Firm of the Year
管理公司年度獎

AsiaHedge Awards 2010

Asian Investor

Mr. Cheah Cheng Hye, Chairman and Co-CIO of Value Partners, named one of The 25 Most Influential People in Asian Hedge Funds
惠理集團主席兼聯席首席投資總監謝清海先生獲表彰為亞洲對沖基金行業廿五位最具影響力人物之一

AsianInvestor, October 2010
AsianInvestor, 2010年10月號

Institutional Investor

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

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

Institutional Investor

2010 – Hedge Fund 100
Value Partners was ranked as Asia's largest hedge fund manager, and 79th worldwide
2010年對沖基金100
惠理獲評為亞洲最大之對沖基金公司，在全球排名中名列第79

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

EXTEL SURVEYS IDENTIFYING EXCELLENCE

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

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

Leading Buyside Individual – Asia
1st Place – Mr. Eric Chow
(Value Partners' Fund Manager)
領先買方個人基金經理 – 亞洲區
第一位 – 周翊祥先生(惠理基金經理)

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

Alpha magazine

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

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

Asian Investor

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

AsianInvestor, May 2009
AsianInvestor, 2009年5月號

ACHIEVEMENT AWARDS FinanceAsia 2007

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

FinanceAsia

Asia Asset Management THE JOURNAL OF INVESTMENTS & PENSIONS

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

Asia Asset Management Journal

HONG KONG BUSINESS AWARDS 2005

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

DHL / South China Morning Post
DHL / 南華早報

Value Partners Group Limited
惠理集團有限公司

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

www.valuepartnersgroup.com.hk