Value Partners
Investing through discipline

VALUE PARTNERS GROUP LIMITED
惠 理 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 806)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

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

(In HK$ million)	**2009**	2008	% Change
Total revenue	**460.3**	421.9	+9.1%
Gross management fees	**233.5**	331.4	-29.5%
Gross performance fees	**219.8**	69.4	+216.7%
Net profit	**318.8**	66.6	+378.7%
Earnings per share (HK cents)	**19.9**	4.2	+373.8%
Interim dividend per share (HK cents)	**Nil**	5.5	
Final dividend per share (HK cents)	**8.0**	Nil	

FINAL RESULTS

The Board of Directors (the "Board") of Value Partners Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 together with respective comparative figures. The following financial information, including the comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKFRS").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	**2009** **HK$'000**	2008 HK$'000
Income			
Revenue	2	**460,274**	421,860
Other income	2	**11,471**	37,523
Total income		**471,745**	459,383
Expenses			
Distribution fees		**37,248**	49,205
Compensation and benefit expenses	3	**168,711**	199,115
Operating lease rentals		**9,627**	9,808
Advisory fees		**4,659**	11,923
Other expenses	4	**28,723**	38,665
Total expenses		**248,968**	308,716
Other gains/(losses) — net	5	**125,571**	(58,161)
Operating profit		**348,348**	92,506
Share of loss of a joint venture		**(2,641)**	—
Profit before tax		**345,707**	92,506
Tax expense	6	**(26,903)**	(25,908)
Profit for the year		**318,804**	66,598
Other comprehensive income — gains/losses recognised directly in equity			
Fair value gains/(losses) on available-for-sale financial assets		**985**	(12,935)
Adjustment on an available-for-sale financial asset		**—**	3,420
Other comprehensive income for the year		**985**	(9,515)
Total comprehensive income for the year		**319,789**	57,083
Profit attributable to			
Equity holders of the Company		**318,804**	66,598
Total comprehensive income attributable to			
Equity holders of the Company		**319,789**	57,083
Earnings per share for profit attributable to the equity holders of the Company (HK cents per share)			
— basic	7	**19.9**	4.2
— diluted	7	**19.9**	4.2
Dividends (HK$'000)	8	**128,000**	88,000

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**8,944**	4,165
Intangible assets		**1,567**	1,635
Interest in a joint venture		**8,984**	—
Investments	9	**462,882**	146,757
Deferred tax assets		**617**	259
Other assets		**1,891**	1,746
		484,885	154,562
Current assets			
Investments	9	**7,166**	7,596
Fees receivable	10	**201,371**	33,359
Prepayments and other receivables		**10,540**	11,439
Cash and cash equivalents	11	**517,071**	562,165
		736,148	614,559
Current liabilities			
Accrued bonus		**100,795**	7,982
Distribution fees payable	12	**13,255**	9,706
Other payables and accrued expenses		**17,423**	8,676
Current tax liabilities		**20,146**	670
		151,619	27,034
Net current assets		**584,529**	587,525
Total assets less current liabilities		**1,069,414**	742,087
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital and share premium	13	**53,767**	53,767
Other reserves		**139,631**	131,108
Retained earnings			
— proposed dividends	8	**128,000**	—
— others		**748,016**	557,212
Total equity		**1,069,414**	742,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKFRS").

Certain new standards, amendments to existing standards or interpretations have been published that are mandatory for the financial year beginning 1 January 2009. Those new and amended standards which have been adopted by the Group are as follows:

- HKAS 1 (Revised) "Presentation of Financial Statements"
- HKFRS 2 (Amendment) "Share-based Payment"
- HKFRS 7 "Financial Instruments — Disclosures" (Amendment)
- HKFRS 8 "Operating Segments"

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

- HKAS 1 (Amendment) "Presentation of Financial Statements"
- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from 1 July 2009)
- HKAS 38 (Amendment) "Intangible Assets"
- HKFRS 2 (Amendment) "Group Cash-settled and Share-based Payment Transactions"
- HKFRS 3 (Revised) "Business Combinations" (effective from 1 July 2009)
- HKFRS 9 "Financial Instruments Part 1: Classification and Measurement" (effective from 1 January 2013)

2. Income

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

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Management fees	**233,461**	331,449
Performance fees	**219,751**	69,358
Front-end fees	**5,001**	2,605
Back-end fees	**2,061**	18,448
Total revenue	**460,274**	421,860
Other income		
Interest income on cash and cash equivalents	**1,888**	19,602
Dividend income on financial assets at fair value through profit or loss	**644**	629
Dividend income on available-for-sale financial assets	**7,642**	17,123
Others	**1,297**	169
Total other income	**11,471**	37,523
Total income	**471,745**	459,383

3. Compensation and benefit expenses

	2009	2008
	HK$'000	*HK$'000*
Bonus	**100,795**	7,982
Salaries, wages and other benefits	**59,467**	62,376
Share-based compensation	**7,538**	127,190
Termination benefits	**—**	513
Pension costs — mandatory provident fund scheme	**911**	1,054
Total compensation and benefit expenses	**168,711**	199,115

4. Other expenses

	2009	2008
	HK$'000	*HK$'000*
Research expenses	**5,536**	5,105
Depreciation and amortisation	**4,280**	4,844
Office expenses	**3,241**	3,552
Insurance expenses	**3,020**	2,776
Auditor's remuneration	**2,908**	2,942
Legal and professional fees	**2,308**	5,233
Travelling expenses	**2,217**	3,991
Registration and licensing fees	**1,511**	1,478
Marketing expenses	**1,162**	2,375
Recruitment and training expenses	**725**	1,688
Entertainment expenses	**477**	616
IPO expenses	**—**	968
Others	**1,338**	3,097
Total other expenses	**28,723**	38,665

5. Other gains/(losses) — net

	2009	2008
	HK$'000	*HK$'000*
Gains on disposal of subsidiaries	**7,699**	—
Losses on disposal of subsidiaries	**(68)**	(190)
Gains on disposal of property, plant and equipment	**330**	—
Gains on financial assets at fair value through profit or loss	**120,324**	4,853
Losses on financial assets at fair value through profit or loss	**(1,878)**	(123,180)
Gains on available-for-sale financial assets	**—**	1,154
Losses on available-for-sale financial assets	**(1,683)**	—
Net foreign exchange gains	**847**	4,602
Cash gift *(note)*	**—**	54,600
Total other gains/(losses) — net	**125,571**	(58,161)

note: In 2008, the Board of Directors was informed by an existing shareholder and two previous shareholders of the Company that they would like to make a cash gift of US$7,000,000 to the management and employees of the Group as a token of appreciation for their efforts and as a reward of their performance over the years, After due considerations, management proposed and the gift was made to the Group to demonstrate management's support and commitment to the Group and so that the benefit of the gift would be shared by all the shareholders and employees of the Group.

6. Tax expense

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

Hong Kong profits tax has been provided on the estimated assessable profit for the year ended 31 December 2009 at the rate of 16.5% (2008: 16.5%).

	2009	2008
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax	**35,888**	28,212
Overseas tax	**217**	51
Adjustments in respect of prior years	**(8,844)**	(1,970)
Total current tax	**27,261**	26,293
Deferred tax		
Origination and reversal of temporary differences	**(358)**	(367)
Impact of change in Hong Kong tax rate	**—**	(18)
Total deferred tax	**(358)**	(385)
Total tax expense	**26,903**	25,908

7. Earnings per share

The calculations of basic and diluted earnings per share are based on the profit attributable to equity holders of the Company of $318,804,000 (2008: $66,598,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,600,000,000 (2008: 1,600,000,000). The diluted earnings per share is based on 1,602,078,000 (2008: 1,600,000,000) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 2,078,000 (2008: nil) shares deemed to be issued at no consideration if all outstanding options had been exercised.

8. Dividends

	2009	2008
	HK$'000	*HK$'000*
Proposed final dividend of HK8.0 cents (2008: Nil) per ordinary share	**128,000**	—
Interim dividend of Nil (2008: HK5.5 cents) per ordinary share	**—**	88,000
	128,000	88,000

The directors recommend payment of a final dividend of HK8.0 cents per ordinary share. The estimated total final dividends, based on the number of shares outstanding at 31 December 2009, are HK$128,000,000. Such dividends are to be approved by the shareholders at the Annual General Meeting of the Company on 27 April 2010 and have not been recognised as a liability at the balance sheet date.

9. Investments

Investments include the following:

	Financial assets at fair value through profit or loss		**Available-for-sale financial assets**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Listed securities (by place of listing)						
Investment funds — Hong Kong	**74,079**	100	**—**	—	**74,079**	100
Investment funds — Singapore	**6,842**	3,383	**—**	—	**6,842**	3,383
Market value of listed securities	**80,921**	3,483	**—**	—	**80,921**	3,483
Unlisted securities (by place of incorporation/establishment)						
Equity securities — Singapore	**—**	—	**2,631**	4,703	**2,631**	4,703
Investment funds — Cayman Islands	**334,265**	115,486	**12,237**	9,417	**346,502**	124,903
Investment funds — Luxembourg	**6,367**	3,869	**—**	—	**6,367**	3,869
Investment funds — United States of America	**33,627**	17,395	**—**	—	**33,627**	17,395
	374,259	136,750	**14,868**	14,120	**389,127**	150,870
Total investments	**455,180**	140,233	**14,868**	14,120	**470,048**	154,353
Representing:						
Non-current	**448,014**	136,750	**14,868**	10,007	**462,882**	146,757
Current	**7,166**	3,483	**—**	4,113	**7,166**	7,596
Total investments	**455,180**	140,233	**14,868**	14,120	**470,048**	154,353

There was no impairment provision on available-for-sale financial assets at 31 December 2009 (2008: Nil).

10. Fees receivable

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

	2009	2008
	HK$'000	*HK$'000*
Fees receivable that were past due but not impaired		
1-30 days	**133,867**	27,601
31-60 days	**58**	955
61-90 days	**—**	656
Over 90 days	**—**	64
	133,925	29,276
Fees receivable that were within credit period	**67,446**	4,083
Total fees receivable	**201,371**	33,359

11. Cash and cash equivalents

	2009	2008
	HK$'000	*HK$'000*
Cash at bank and in hand	**260,673**	175,331
Short-term bank deposits	**247,123**	385,835
Deposits with brokers	**9,275**	999
Total cash and cash equivalents	**517,071**	562,165

12. Distribution fees payable

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:

	2009	2008
	HK$'000	*HK$'000*
1-30 days	**13,153**	5,440
Over 90 days	**102**	4,266
Total distribution fees payable	**13,255**	9,706

13. Share capital and share premium

	Share capital *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
The Group			
At 1 January 2008,			
and 31 December 2008 and 2009	11,855	41,912	53,767

	Number of shares
Equity structure	
— The Company	
At 1 January 2008, and 31 December 2008 and 2009	1,600,000,000

CHAIRMAN'S STATEMENT

In 2009, we emerged from the global financial crisis with a remarkable recovery in the performance of our funds, a much better profit for our group and new management initiatives to strengthen the business. Value Partners Group's net profit for 2009 came to HK$318.8 million (earnings per share: HK19.9 cents), 378.7% higher than the HK$66.6 million recorded in 2008. We are pleased to propose a final dividend of HK8.0 cents per share.

The key factor for us, as always, was the performance of our funds under management. In 2009, our flagship Value Partners Classic Fund, for example, gained a net 82.9%[ϕ], one of its best-ever calendar-year performances. The fund's gain was well ahead of the overall market (for comparison, the Hang Seng and MSCI China indices rose 56.6% and 62.3%, respectively, in 2009.) In the 10 years ended 2009, the fund has returned an average of 23.7% per annum (net)[ϕ], compounded, compared to returns of 4.6% and 9.0% per annum recorded by the Hang Seng and MSCI China indices, respectively, over this period.

That's the key to the business: leadership in investment research and funds' performance. Our declared corporate objective is for Value Partners to be a "Temple of Value Investing" for the Asia-Pacific region and in 2009, further progress was achieved, including the opening of a new research office in Shanghai. As always, we concentrated on original, bottom-up research to obtain quality investment ideas, and in 2009, our Investment Team carried out more than 2,000 company visits (this total excludes phone interviews) across China and elsewhere in the Asia-Pacific region.

With growing recognition of our brand comes the credibility to enable Value Partners to launch new products. Thus, in 2009, we introduced our first exchange-traded fund (ETF), named the "Value China ETF," listed successfully on the Hong Kong Stock Exchange in December 2009 (stock code: 3046). This ETF is now managed by a 50:50 joint venture with our strategic partner, Ping An of China. We believe Value China ETF represents the first-ever application of the "fundamental indexing" concept to China-related stocks; the ETF follows an index, designed by Value Partners Index Services Limited[Δ] and maintained by FTSE Group, that filters out the numerous China-related stocks listed in Hong Kong, to pick out those offering high quality value.

We aim to expand our menu of innovative ETFs, carrying out this line of business under its own brand ("Sensible Asset Management") to differentiate it from our core "Value Partners" brand.

Outlook

The Greater China area has remained our focus, though we now have investments under management across the Asia-Pacific region. In our view, China's outlook is positive — but fragile. The Beijing government had responded to the global financial crisis with a massive fiscal stimulus program that must now be gradually withdrawn if China is to avoid a dangerous bubble. In 2010, investors need to worry over whether the government will mess up its exit strategy (our guess is that it won't, but we can't be sure). Another risk, simply, is that the global economy could suffer a "double dip," which would hurt China as well as other countries.

Our experience with China is that observers and the media tend to over-dramatize the situation, whether positively or negatively. Almost all the time, the eventual outcome is somewhere between the more extreme expectations or interpretations. Investors with overly sensational viewpoints have missed out on numerous bread-and-butter opportunities, and we intend to stay well-invested in the China story, though with heightened caution for the time being.

Other matters

Mr. Jimmy Chan Sheung Lai joins Value Partners as a Managing Director from January 2010. He assumes a leadership role in the corporate and business affairs of Value Partners Group, following the departure of Mr. Franco Ngan Wai Wah, our Chief Executive Officer in the past several years. An accountant by training, Mr. Chan has more than 20 years of experience in business management, corporate finance and investment work. He was previously Chief Executive (Beijing and North China) of KaiLong REI Investment, which was involved in real-estate investment in China, with funds raised from overseas institutions. Before that, he was a partner of Deloitte Touche Tohmatsu, China.

Furthermore, Mr. William Chow Wai Chiu joins us as a Managing Director from February 2010. With more than 10 years experience in ETFs and portfolio management, he holds a leadership role in Value Partners Group's ETF activities, including the development and management of ETFs and the infrastructure. He was previously a Senior Portfolio Manager at Blackrock North Asia Ltd, participating in iShares — ETFs product development. He was also the lead portfolio manager of a number of ETFs established under iShares. Prior to joining iShares, he spent four years at State Street Global Advisors Asia Ltd (SSgA), where he was a portfolio manager for various institutional equity index, asset allocation and currency hedging strategies, as well as managing ETFs including the Tracker Fund of Hong Kong. Before SSgA, William worked for UBS AG.

In another development, we welcome Affiliated Managers Group Inc ("AMG") of the United States as a new strategic partner. AMG, which is listed in New York and holds strategic stakes in a diverse group of asset-management firms, took a 5.05% shareholding in Value Partners Group in November 2009 and has started working with us on joint product development and strategic distribution opportunities.

Separately, Value Partners has been named one of the three leading fund management firms in the region in the prestigious Thomson Reuters Extel Asia-Pacific Survey 2009. The survey, published in December 2009, analyses the industry in terms of depth of knowledge and quality of work. Value Partners' overall ranking as one of the top three in the category of "Best Overall Fund Management Firm — Asia" puts us ahead of many other firms larger than us.

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

CHEAH Cheng Hye
Chairman and Chief Investment Officer

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

Δ *Value Partners Index Services Limited is a wholly owned subsidiary of Value Partners Group Limited.*

REPORT OF THE EXECUTIVE COMMITTEE

Robust results in 2009

During the year, the Group's business and financial performance was very encouraging. Our assets under management ("AUM") grew by 71.6% to US$5.5 billion as at 31 December 2009, from US$3.2 billion at the beginning of the year. Average asset-weighted return of our investment funds and portfolios was 71.5% for the year, compared favorably to 56.6% of the Hang Seng Index and 62.3% of the MSCI China Index. Net subscriptions totalled US$82 million. With the robust fund performance and growth in AUM, the two key drivers of our profitability, our net profit almost quadrupled compared with the previous year, surging 378.7% to HK$318.8 million from HK$66.6 million recorded in 2008.

Our value investing

In 2009, we emerged from the global financial crisis with a remarkable recovery in the performance of our funds. Indeed, our value investing principles through proprietary research again proved highly effective. It is inspiring that all our major funds clocked in impressive performance. Amongst our own branded funds, the flagship Value Partners Classic Fund gained a net return of 82.9% in 2009, one of its best-ever yearly performances. Value Partners High-Dividend Stocks Fund* gained a net 82.8%; China Convergence Fund[#] gained a net 87.1%. Overall, the average asset-weighted return of our investment funds and portfolios was 71.5%.

In line with our aim to deliver consistently superior returns, we further strengthened our research capabilities during the year. Our Investment Team, now consisting of 23 professionals, made more than 2,000 company visits during the year, exclusive of phone interviews. In September, a new research office was opened in Shanghai, augmenting our coverage of the mainland. These demonstrate our commitment, resources and effort we put into our original, bottom-up research to obtain productive investment ideas.

Moreover, our Senior Fund Managers, Ms. Renee Hung Yeuk Yan and Mr. Louis So Chun Ki, were promoted to the positions of Deputy Chief Investment Officer and in this capacity they are jointly responsible for the overall management of the Investment Team. Apart from this, the Group strengthened its investment management capabilities with the appointment of Mr. Fawaz Habel as Senior Fund Manager. Mr. Habel, who is a top-rated Asian fixed income investment expert, is responsible for the management of the new credit fund[Δ] and the fixed-income component of the Group's other funds.

During the year, the Group and its fund managers won several accolades. The Group was recognized as one of Asia's top three fund management companies according to Thomson Reuters Extel Asia Pacific Survey 2009, and as the second Largest Hedge Fund Manager in Asia by Alpha Magazine July/August 2009 edition. In addition, Mr. Eric Chow Yik Cheung, our Fund Manager, was ranked the "Leading Buy-side Individual — Asia" by the Thomson Reuters Extel Asia Pacific Survey 2009. Mr. Cheah Cheng Hye, our Chairman and Chief Investment Officer, was also recognized as one of the "25 most influential people in Asset Management in Asia" by AsianInvestor in May 2009.

Product development

With regard to product development for our premium product suite[φ], we won two new institutional investment management and advisory mandates and launched several new investment funds during the year. Amongst these, in the first half of the year, we launched the new credit fund[Δ], which is an absolute-return fund with focus on high-yield bonds and credit related instruments mainly in the Asia-Pacific region. In the second half of the year, we started two new investment funds with our business partners, one with Manulife Asset Management in Hong Kong and the other one with Premium China Group in Australia.

In addition to new products, we also introduced a new daily dealing class of units for our flagship Value Partners Classic Fund in October 2009. As investors prefer products with greater liquidity following the global credit crisis, we expect this initiative will make the fund more attractive to existing and potential investors. We are also considering to change the dealing frequency of some of our other authorized funds to daily dealing.

Entry into ETF market

On our high-capacity product suite[φ], we reached an important milestone as we launched our first exchange-traded fund (“ETF”) in collaboration with Ping An of China (“Ping An”).

The Group collaborated with FTSE Group, the global index provider, and launched the FTSE Value-Stocks China Index in July 2009. The index captures the performance of a basket of 25 Chinese stocks listed on the Hong Kong Stock Exchange, which are selected based on a proprietary value-based screening methodology designed by the Group. From its launch in July to the end of the year, the FTSE Value-Stocks China Index recorded a return of 22.4%, outperforming the Hang Seng China Enterprise Index’s return of 20.1%.

Following the creation of this index, the Group established a joint venture with Ping An in September to launch ETFs. This joint venture was established after Ping An had acquired a 50% stake in Sensible Asset Management Hong Kong Limited (“SAMHK”) from the Group. Subsequent to this, SAMHK launched the Value China ETF (stock code: 3046) in December, which tracks the FTSE Value-Stocks China Index.

This new line of business is under our another brand, Sensible Asset Management, to differentiate it from our core Value Partners brand. We aim to expand our ETF menu by launching other innovatively structured ETFs in the future.

Collaboration with Affiliated Managers Group

In November, the Group and Affiliated Managers Group Inc (“AMG”) agreed to work together on joint product development and strategic distribution opportunities. We believe this will help in developing and enhancing our distribution channels and therefore achieve wider access to the key and target market of us.

AMG is a US-based asset management company with equity investments in a diverse group of investment management firms. In November, AMG purchased a 5.05% stake in the Group and become a strategic shareholder of our Group. We are currently in discussion with AMG on certain potential distribution arrangements.

Management team

During the year, the Group made certain changes and additions to the management team to strengthen our senior management and also streamline the Board of Directors.

An Executive Committee has been formed to assume responsibility for overseeing the Group's overall business and operations following the departure of Mr. Franco Ngan Wai Wah, the Group's former Chief Executive Officer. Mr. Ngan joined the Group in 2004 and helped navigate the Group through some of its most important challenges. We would like to take this opportunity to express our gratitude for his valuable contributions.

In order to streamline our Board of Directors, the number of Executive Directors was reduced from seven to four. Ms. Chau Yee Man, Mr. Norman Ho Man Kei and Mr. Eugene Law Ka Kin resigned from their roles as Executive Directors in November 2009. These moves have allowed Ms. Chau and Mr. Ho to focus exclusively on their roles as Senior Fund Managers, and Mr. Law to focus on his role in business and operations management. At the same time, Mr. Timothy Tse Wai Ming, the Group's Chief Financial Officer, was appointed as Executive Director.

In early 2010, the Group appointed Mr. Jimmy Chan Sheung Lai and Mr. William Chow Wai Chiu as Managing Directors of Value Partners Limited. Mr. Chan has a leadership role in the corporate and business affairs of the Group while Mr. Chow has a leadership role in the Group's ETF activities.

Overall, we believe that the above changes and additions will further strengthen the management of the Group.

Thanks and appreciation

Finally, we would like to take this opportunity to express our heartfelt thanks and appreciation to our staff. Their commitment and diligence have been vital in this challenging time and we are fortunate enough to have a group of high quality staff. We would also like to thank our business partners and our shareholders. With their continued trust and support, we are confident that the Group will overcome any difficulties that may come ahead and emerge all the strongest.

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* *Performance of Value Partners High-Dividend Stocks Fund over past five years: 2009, +82.8%; 2008, -46.8%; 2007, +44.2%; 2006, +35.0%; 2005, +11.0%. Performance figures are calculated in US dollar terms on NAV-to-NAV basis and net of all fees.*

\# *Performance of China Convergence Fund over past five years: 2009, 87.1%; 2008, -45.2%; 2007, +56.6%; 2006, +86.9%; 2005, +3.9%. Performance figures are calculated in US dollar terms on NAV-to NAV basis with dividends reinvested and net of all fees.*

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

ρ *Please refer to Financial Review for an introduction of our product development strategy.*

FINANCIAL REVIEW

Introduction

Value Partners Group's primary business is asset management in the Asia-Pacific region with investment focus on Greater China, which includes the People's Republic of China, Hong Kong and Taiwan. We actively invest in this geographical location by offering a board range of products including absolute return long-biased funds, long-short hedge funds, exchange-traded funds, quantitative funds and private equity funds. The Group also manages white label or co-branded funds and portfolios for institutional investors. All the Group's products and services are guided by the same core value investing principles. As at 31 December 2009, Value Partners Group had US$5.5 billion of assets under management ("AUM").

The Group's long-term product development strategy is to develop two complementary categories of investment products — a premium suite and a high-capacity suite, which we refer to our Bar-bell Strategy. Under this Bar-bell Strategy, the premium suite of products would derive more of its income from performance fees. Performance fees will rise along with fund performance. Products in this category may take longer to scale up. Our absolute return long-biased funds, long-short hedge funds and private equity funds would belong to this category of products.

On the other side of the Bar-bell, the high-capacity suite of products derives income primarily from management fees, which in turn is driven by the size of their AUM. A combination of fund performance and active marketing would be used to attract inflows of funds. These products would focus on mainstream stocks, which give them greater flexibility to scale up to take advantage of growth in demand. This means capacity is less of a concern with this category of funds. Products in this category would include exchange-traded funds and quantitative products under the Sensible Asset Management ("SAM") brand.

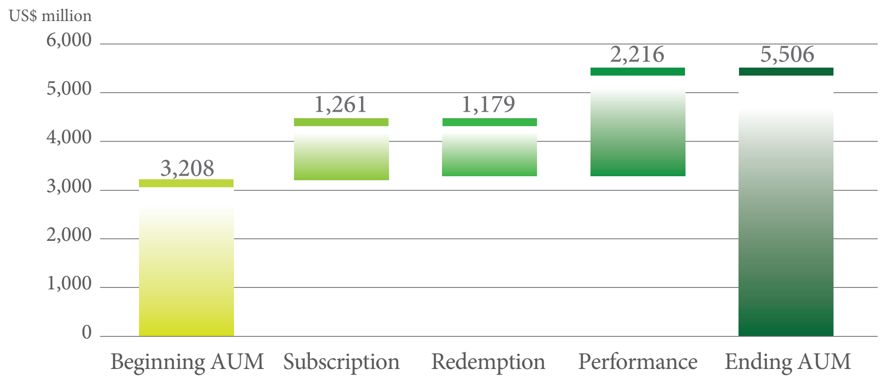
Assets Under Management

AUM and return

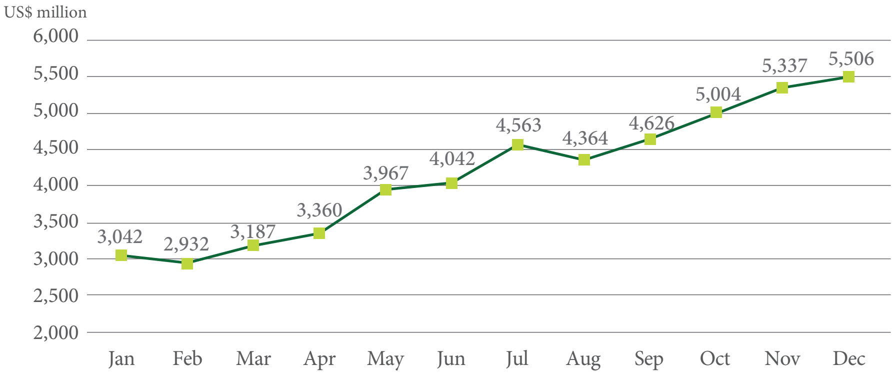
The Group's AUM stood at US$5,506 million as of 31 December 2009, compared with US$3,208 million a year earlier, representing a 71.6% increase. The growth was mainly driven by the strong performance of our funds, which accounted for a US$2,216 million increase in AUM. In terms of fund performance, Value Partners Classic Fund, our flagship fund, recorded a 82.9% gain compared to the Hang Seng Index and MSCI China Index with gains of 56.6% and 62.3% ended 2009, respectively. In aggregate, we managed to generate an asset-weighted average return of funds under management of 71.5%.

Average AUM decreased from US$5,117 million to US$4,088 million, representing a 20.1% decline. Gross subscriptions slightly decreased from US$1,408 million to US$1,261 million. Since the beginning of second half of the year, we saw gross subscriptions picked up. Net subscriptions for the period under review amounted to US$82 million, compared to the net redemptions of US$797 million a year earlier.

AUM change in the year 2009



Monthly AUM in the year 2009

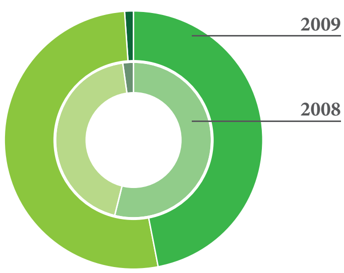


AUM by category

The charts below provide analysis of the Group's AUM by different classification systems, including brand, strategy and fund type as at 31 December 2009.

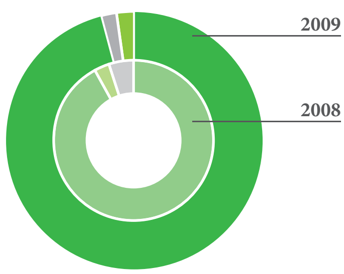
During the period under review, there was stronger fund inflow to White Label Funds (such as mandatory provident fund product) than Own Branded Funds. As a result, White Label Funds increased from 44% to 52% at end of the year. Absolute Return Long-biased Funds remain the majority of our funds by strategy. In terms of fund type, proportion of Non-authorized Funds decreased as a result of fund outflow from those funds targeting United States and European clients.

Classification by brand



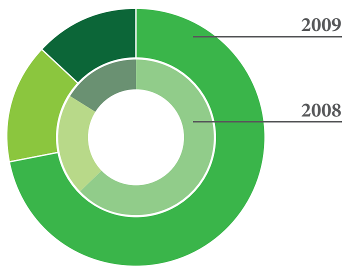
	2009	2008
Own Branded Funds	**47%**	54%
White Label Funds	**52%**	44%
Co-branded Funds	**1%**	2%

Classification by strategy



	2009	2008
Absolute Return Long-biased Funds	**96%**	92%
Long-short Hedge Funds	**2%**	3%
Others	**2%**	5%

Classification by type of funds



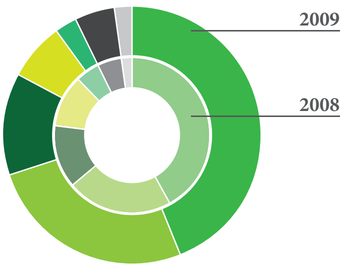
	2009	2008
Authorized Funds	**72%**	63%
Non-authorized Funds	**15%**	21%
Managed Accounts	**13%**	16%

Client base

Institutional clients, the Group's primary group of fund investors, made up 87% of total AUM as at 31 December 2009, same as last year. Retail investors accounted for 13%. Institutional clients include institutions, pension funds, endowments and foundations, high-net-worth individuals, funds of funds and family offices and trusts. Pension funds increased from 22% to 26% due to stronger fund inflow to our mandatory provident fund product.

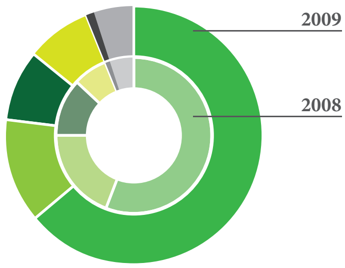
By geographical region, Hong Kong clients accounted for 64% of the Group's AUM. United States clients and European clients had more fund outflow during the period. Australian clients continued to show good momentum.

Client analysis by type



	2009	2008
Institutions	**44%**	42%
Pension funds	**26%**	22%
Retails	**13%**	13%
Endowments and foundations	**7%**	11%
High-net-worth individuals	**5%**	5%
Funds of funds	**3%**	5%
Family offices and trusts	**2%**	2%

Client analysis by geographical region



	2009	2008
Hong Kong	**64%**	56%
United States	**13%**	19%
Europe	**9%**	12%
Australia	**8%**	7%
Japan	**1%**	1%
Others	**5%**	5%

Summary of results

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

(In HK$ million)	2009	2008	% Change
Total revenue	**460.3**	421.9	+9.1%
Gross management fees	**233.5**	331.4	-29.5%
Gross performance fees	**219.8**	69.4	+216.7%
Net profit	**318.8**	66.6	+378.7%
Earnings per share (HK cents)	**19.9**	4.2	+373.8%
Interim dividend per share (HK cents)	**Nil**	5.5	
Final dividend per share (HK cents)	**8.0**	Nil	

Revenue and fee margins

The Group's total revenue increased by 9.1% to HK$460.3 million from HK$421.9 million in previous financial year, as a result of an increase in performance fees despite a decrease in management fees.

Gross performance fees rose 216.7% to HK$219.8 million, compared with HK$69.4 million in the previous year. Out of the total, an amount of HK$52.6 million was generated from a private equity fund which the Group has managed previously. The remaining was generated from a number of the Group's funds which have exceeded the high watermark or benchmark and were able to generate performance fees.

Gross management fees fell 29.5% to HK$233.5 million from HK$331.4 million in 2008, while net management fees fell 27.0% to HK$199.0 million from HK$272.7 million over the same period. These declines were in line with the decrease in the Group's average AUM. The net management fee margin came to 63 basis points, compared with 68 basis points recorded in the previous year. This margin contraction was due to an increase in the AUM of funds that carry a lower margin, e.g. mandatory provident fund product.

Other income, comprising mainly dividend income and interest income, came to HK$11.5 million, declining from HK$37.5 million in the previous year. Dividend income stood at HK$8.3 million and interest income came to HK$1.9 million. The decrease in dividend income was due to decrease in dividend from investee companies, while the drop in interest income was due to lower deposits interest rates.

Other gains and losses

Other gains and losses mainly represented by the change in the fair value of seed capital. The Group has changed its accounting treatment of seed capital which allows changes in the fair value of seed capital to be reflected in the profit and loss accounts with effect from 2008. In so doing, an unrealized gain of HK$114.2 million (compared with HK$116.1 million unrealized loss in 2008) was recorded in the profit and loss accounts for the year under review, reflecting the performance of respective investment funds managed by the Group.

Besides, the Group also recognized a gain on disposal of 50% interest in a subsidiary (Sensible Asset Management Hong Kong Limited ("SAMHK")) to Ping An of China for the purpose of setting up a joint venture for exchange-traded fund ("ETF") business. The gain amounted to approximately HK$7.7 million.

Share of loss of a joint venture amounted to HK$2.6 million which represented the preliminary expenses relating to the launch of our first ETF — Value China ETF.

Cost management

The Group's total expenses, which consist of distribution and advisory fees, fixed operating expenses, share-based compensation expenses and management bonuses, fell 19.3% to HK$249.0 million, as compared with HK$308.7 million recorded the year before.

Distribution and advisory fees, an expense paid to fund distributors and usually calculated as a share of management fees income, decreased by 31.4% to HK$41.9 million from HK$61.1 million a year earlier, in line with the decrease in management fee income.

The Group aims to keep its fixed and recurring expenses, such as fixed salaries, rent and other administrative and office expenses, well covered by its management fees income, which is considered a relatively stable source of income. Internally, the Group measures this objective by using the fixed cost coverage ratio, an indicator which shows how many times fixed and recurring expenses are covered by management fees income. In 2009, the management maintained the Group's fixed cost coverage at 2.4 times through prudent, closely monitored cost management. Indeed, fixed operating expenses decreased by 11.4% to HK$98.7 million in 2009 from HK$111.4 million in 2008.

Apart from operating expenses, the Group recorded an expense of HK$7.5 million relating to stock options granted to employees. This item of expense did not impact cash flow and is recognized here to comply with Hong Kong Financial Reporting Standards ("HKFRS").

Management bonus amounted to HK$100.8 million for the year under review. This is consistent with the Group's compensation policy which distributes 25% of a net profit pool each year as a 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 commitment, while aligns the interests of employees with those of shareholders.

From 2010 onwards, the Group will slightly adjust the calculation of management bonus. The applicable rate to the net profit pool for the purpose of calculation of bonus will reduce from 25% to a range of 20% to 23% and the change in market value of seed capital investments will not be included in the net profit pool. Gains and losses on other investments will be included in the net profit pool at completion of disposal of investment.

Net profit and core earnings

Net profit increased by 378.7% to HK$318.8 million from HK$66.6 million the year before.

Core earnings are used to provide a measure of the Group's core operating performance (exclude non-recurring and non-operating items). In 2009, core earnings were HK$202.6 million, representing a decrease of 15.4% from HK$239.5 million reported the year before.

Dividends

From 2009 onwards, the Group has begun practicing a more consistent and sustainable dividend distribution policy that takes into account the relatively more volatile nature of asset-management income streams. This policy stipulates that dividends (if any) will be declared once a year at the end of each financial year to better align them with the Group's full-year performance.

For 2009, the Board of Directors recommended a final dividend of HK8.0 cents per share to shareholders.

Liquidity and financial resources

Fee income is the Group's main source of income. Other sources include interest income generated from bank deposits and dividend income from investments held. During the year, the Group's balance sheet and cash flow remained strong. As at 31 December 2009, the Group had a net cash balance of HK$517.1 million. For the year ended 31 December 2009, net cash inflows from operating activities amounted to HK$153.4 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 4.9 times.

Capital structure

As at 31 December 2009, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK$1,069.4 million and 1.6 billion, respectively.

OTHER INFORMATION

Human Resources

As at 31 December 2009, the Group employed 82 staff. Remuneration packages that take into account of business performance, market practices and competitive market conditions are offered to employees in compensation for their contributions. In line with our emphasis on recognition for performance and human capital retention, we reward our employees with year-end discretionary bonuses which are linked to our level of profits for that financial year.

Dividends

No interim dividend was paid during the year. The Board is pleased to recommend the distribution of a final dividend of HK8.0 cents per share for the year ended 31 December 2009. Subject to the approval of shareholders of the Company at the Annual General Meeting for the year 2010, the dividends will be payable on or about 12 May 2010 to the shareholders whose names appear on the Registers of Members of the Company at close of business on 27 April 2010. The Board will continue to review the Group's financial position and capital needs every year in deciding its dividend recommendation going forward.

Annual General Meeting

It is proposed that the Annual General Meeting of the Company will be held on Tuesday, 27 April 2010. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 23 April 2010 to Tuesday, 27 April 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 22 April 2010.

Purchase, Sale or Redemption of the Company's Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the financial year ended 31 December 2009.

Audit Committee

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has an audit committee comprises three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the consolidated results of the Group for the year ended 31 December 2009.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2009.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 to the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2009.

Publication of Final Results and Annual Report on the Stock Exchange

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

Our Appreciation

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

By order of the board of
Value Partners Group Limited
CHEAH Cheng Hye
Chairman and Chief Investment Officer

Hong Kong, 11 March 2010

As at the date of this Announcement, our Directors are Mr. Cheah Cheng Hye, Ms. Hung Yeuk Yan Renee, Mr. So Chun Ki Louis and Mr. Tse Wai Ming as Executive Directors, and Dr. Chen Shih Ta Michael, Mr. Lee Siang Chin and Mr. Nobuo Oyama as Independent Non-executive Directors.