
OUR BUSINESS

1. INTRODUCTION TO VALUE PARTNERS

1.1 Introduction

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

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

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

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

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

1.2 The corporate history and development of our Group

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

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

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

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

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

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

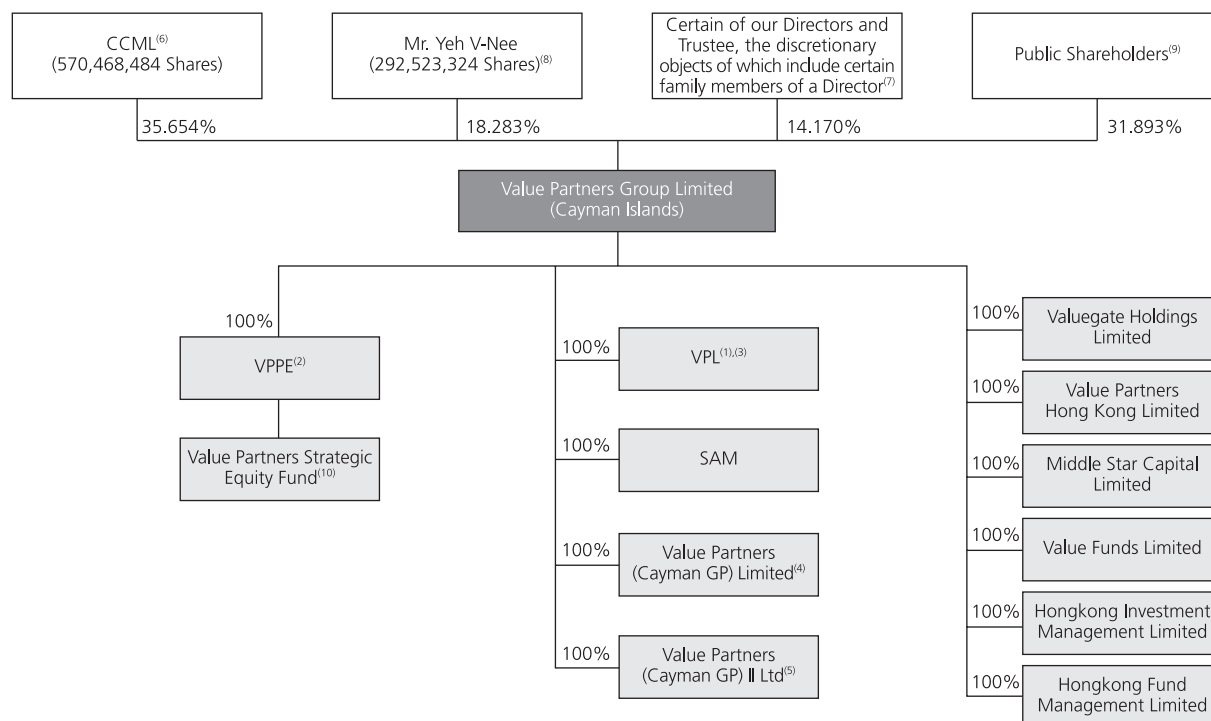
In 2005, Ms. Chau Yee Man joined us as a senior fund manager from Crédit Agricole Asset Management where she had been responsible for managing Hong Kong and Greater China portfolios. She became a shareholder of VPL in 2006.

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

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

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



Notes:

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

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⁽⁹⁾ This includes the following interests:

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

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

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

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

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

Public shareholders

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

Notes:

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

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

Brief particulars of our subsidiaries are set out below.

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

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

Notes:

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

1.3 The history and development of our business and funds

The Value Partners fund series

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

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Expansion of Value Partners fund series

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

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

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

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

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

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

Our first hedge fund

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

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Introducing SAM

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

Our Private Equity Funds

Our current private equity funds

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

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

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

Our previous private equity funds

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

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

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

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

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

Other business areas

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

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

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

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1.4 Our Investment Philosophy

The key drivers of our investment philosophy are:

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

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

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

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

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

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

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

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

- ***Cross-selling***

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

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1.5 Our Investment Process

- ***Our investment team***

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

- ***Structure of investment team***

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

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

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

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

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

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

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- **Central dealing**

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

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

- **Corporate governance**

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

1.6 Our Investment Team

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

CIO

Mr. Cheah Cheng Hye

Senior fund managers

Mr. Choi Nga Chung

Mr. Ho Man Kei

Ms. Hung Yeuk Yan, Renee

Mr. So, Louis Chun Ki

Ms. Chau Yee Man

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

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

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

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1.7 AUM

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

AUM breakdown

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

Notes:

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

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

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

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

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

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

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

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

2. OUR STRENGTHS

2.1 Sustained strong investment performance

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

2.2 A highly experienced investment team with a distinctive investment culture

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

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

2.3 Long track record and performance through investment cycles

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

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

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

2.4 Exceptional brand strength and client loyalty

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

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

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

2.6 Significant management and employee ownership

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

2.7 Efficient operations

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

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2.8 Focus on compliance and risk management

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

3. OUR STRATEGY

3.1 Create shareholder value through continuing to achieve strong investment performance

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

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

3.2 Our commitment to value investing principles

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

3.3 Diversification of our suite of products

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

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

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

3.4 Maintenance of our distinctive investment culture

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

3.5 Further institutionalisation of our business model

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

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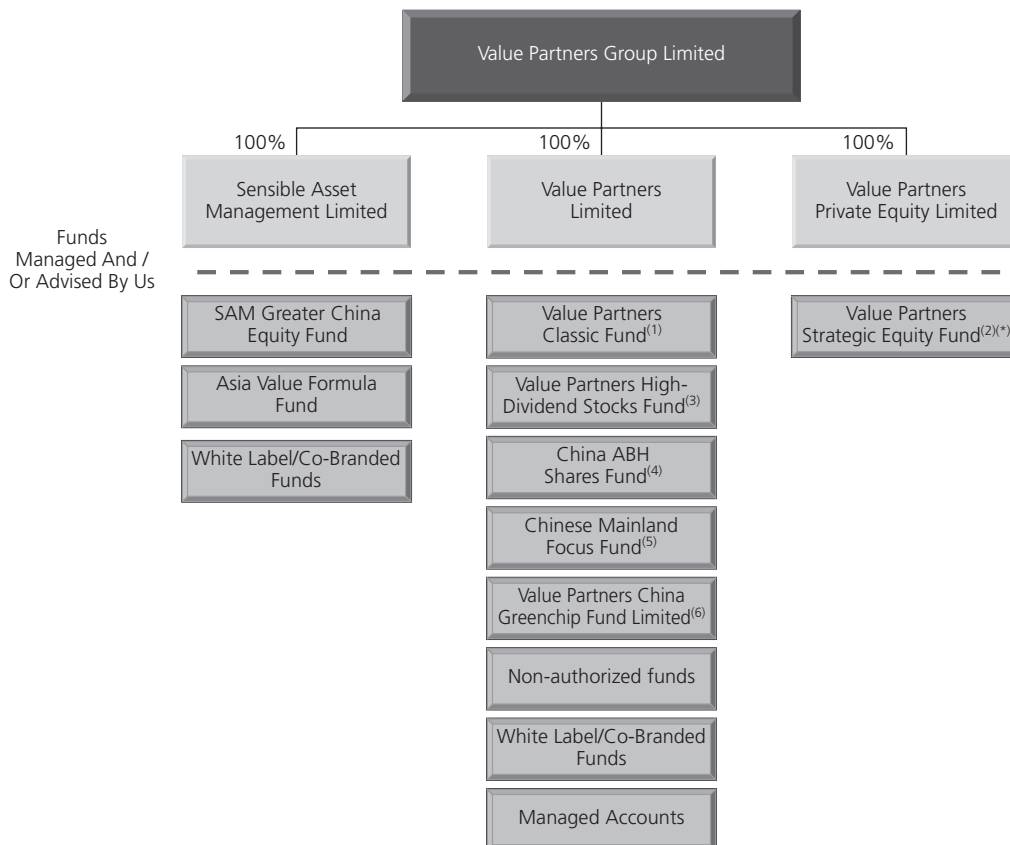
the recruitment of Mr. Mark Dickens in July 2007 as CRO, our Group has strategically invested in key management to drive the development of our business strategy, marketing, administration, finance, technology, risk management and legal and compliance infrastructure. The addition of employees to support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

3.6 Further development and ability to respond to market needs

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

4. OUR PRODUCTS

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



(*) Non SFC authorized funds

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Notes:

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

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

4.1 Authorized funds

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

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

Notes:

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

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

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4.2 Non-authorized funds

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

4.3 White label/co-branded funds

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

4.4 Managed accounts

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

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

4.5 Private equity funds and others

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

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

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5. FEE STRUCTURE

5.1 Authorized funds

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

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

Value Partners Classic Fund

Performance Fee

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

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

Management Fee

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

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

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Value Partners High-Dividend Stocks Fund

Performance Fee

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

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

Management Fee

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

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

Notes:

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

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Value Partners Intelligent Funds — Chinese Mainland Focus Fund

Performance Fee

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

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

Management Fee

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

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

Notes:

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

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Value Partners Intelligent Funds — China ABH Shares Fund

Performance Fee

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

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

Management Fee

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

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

Notes:

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

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Value Partners China Greenchip Fund Limited

Performance Fee

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

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

Where:

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

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

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

Management Fee

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

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

OUR BUSINESS

Performance Fee

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

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

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

Management Fee

Notes:

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

OUR BUSINESS

Asia Value Formula Fund

Performance Fee

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

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

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

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

Management Fee

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

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

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

Notes:

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

OUR BUSINESS

SAM Greater China Equity Fund

Performance Fee

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

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

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

Notes:

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

Management Fee

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

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

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

OUR BUSINESS

5.2 Non-authorized funds

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

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

5.3 White label/co-branded funds and managed accounts

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

5.4 Front-end and back-end fees

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

5.5 Private equity funds and others

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

6 THE STRUCTURE AND THE PROMOTION OF OUR FUNDS

6.1 Our funds

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

OUR BUSINESS

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

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

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

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

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

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

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

OUR BUSINESS

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

6.4 Our customers

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

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

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

7. AWARDS & RECOGNITION

VPL

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

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

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

OUR BUSINESS

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

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

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

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

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

OUR BUSINESS

8. SALES, MARKETING DISTRIBUTION SOFT COMMISSION ARRANGEMENTS

8.1 Sales and Marketing

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

8.2 Distribution

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

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

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

8.3 Our top suppliers

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

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

OUR BUSINESS

8.4 Typical distribution fee structure

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

8.5 Soft commission arrangements

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

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

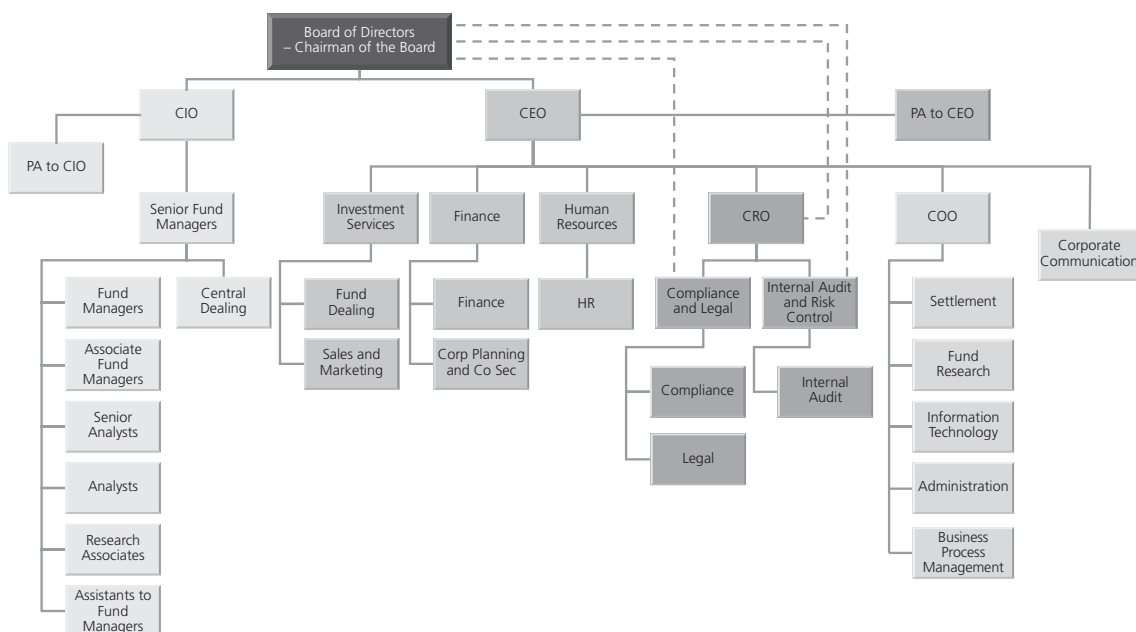
As our business continues to develop, we are marketing or seeking to market our funds increasingly to overseas markets where regulations regarding soft commission arrangements have recently been changed, or are expected to change, generally to impose greater restrictions on such arrangements. Instead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

OUR BUSINESS

9. OUR ORGANISATION STRUCTURE AND HUMAN RESOURCES

9.1 Our organisation structure

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



9.2 Our employees

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

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

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

Notes:

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

OUR BUSINESS

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

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

Notes:

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

9.3 Employee benefits

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

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

9.4 The growth of our investment team

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

OUR BUSINESS

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

10. COMPLIANCE

10.1 Introduction

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

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

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

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

OUR BUSINESS

10.2 Compliance manual

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

10.3 Anti-money laundering

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

10.4 Personal dealing

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

10.5 Compliance failures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10.6 External reviews on compliance

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

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

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

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

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

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

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

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

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

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

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

10.7 Legal Support

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

10.8 Ongoing compliance

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

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

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

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

11. RISK MANAGEMENT

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

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

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

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

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

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

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

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

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12. SETTLEMENT AND BACK OFFICE

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

13. INFORMATION TECHNOLOGY

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

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

14. COMPETITION

14.1 Competitive landscape

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

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

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

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

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

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

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

14.2 Direct competitors

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

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

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

14.3 Limitations on competitive strengths

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

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

15. LITIGATION

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

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

16. PROCEEDS OF THE GLOBAL OFFERING

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

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

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

17. RELATIONSHIPS WITH OUR CONTROLLING SHAREHOLDERS AND OUR CONNECTED PERSONS

17.1 Independence of operations

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

17.2 Non-competition undertaking

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

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

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

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

17.3 Disclosures under Rule 8.10 of the Listing Rules

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

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

17.4 Possible future connected transactions

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

18. PROPERTY

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

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

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19. INTELLECTUAL PROPERTY

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

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