



**Value Partners Limited**

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*In the event of inconsistency, the English text of this Annual Report shall prevail over the Chinese text.*

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# CHINESE MAINLAND FOCUS FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

## GENERAL INFORMATION

### Manager

Value Partners Limited  
Level 14, Three Pacific Place  
1 Queen's Road East  
Hong Kong

### Directors of the Manager

Mr Cheah Cheng Hye  
Mr Ho Man Kei  
Mr Ngan Wai Wah

### Trustee, Registrar, Administrator and Principal Office

Bank of Bermuda (Cayman) Limited  
PO Box 513  
HSBC House  
68 West Bay Road  
Grand Cayman KY1-1106  
Cayman Islands

### Custodian and Registrar's Agent

HSBC Institutional Trust Services (Asia) Limited  
39/F, Dorset House  
Taikoo Place  
979 King's Road  
Hong Kong

### Legal Advisors

*With respect to Cayman Islands law:*  
Maples and Calder  
53/F, The Center  
99 Queen's Road Central  
Hong Kong

*With respect to Hong Kong law:*  
Stephenson Harwood & Lo  
18/F Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

### Auditors

KPMG  
PO Box 493  
Century Yard  
Cricket Square  
Grand Cayman KY1-1106  
Cayman Islands

### Information available from

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**GENERAL INFORMATION (Continued)****A selection of awards and ratings**

<b>Corporate awards</b>	
<b>2008</b>	<ul style="list-style-type: none"> <li>• <b>2nd Largest Hedge Fund Manager in Asia in 2007 &amp; 2008</b> – <i>Alpha Magazine, Jul/Aug 2007 &amp; Jul/Aug 2008 editions</i></li> </ul>
<b>2007</b>	<ul style="list-style-type: none"> <li>• <b>2007 Achievement Awards – Capital Markets Person of the Year: Mr. Cheah Cheng Hye, Value Partners</b> – <i>FinanceAsia</i></li> </ul>
<b>2006</b>	<ul style="list-style-type: none"> <li>• <b>Best of the Best Country Awards 2006 Hong Kong – Most Improved Institutional Fund House</b> – <i>Asia Asset Management Journal</i></li> </ul>
<b>2005</b>	<ul style="list-style-type: none"> <li>• <b>Hong Kong Business Awards – Enterprise Award 2005</b> – <i>DHL/South China Morning Post</i></li> </ul>
<b>2004</b>	<ul style="list-style-type: none"> <li>• <b>2004 Fund Management Team of the Year</b> – <i>Global Money Management, London</i> (an Institutional Investor publication)</li> </ul>
<b>2003</b>	<ul style="list-style-type: none"> <li>• <b>Most Astute Investor title goes to Mr. Cheah Cheng Hye, Chairman &amp; CIO of Value Partners</b> – <i>The Asset Benchmark Survey, October 2003</i></li> </ul>
<b>2000</b>	<ul style="list-style-type: none"> <li>• <b>Ranked No. 5 among the top 20 fund management groups for Hong Kong/China</b> – <i>The Reuters Survey 2000</i></li> <li><b>Mr. Cheah Cheng Hye was ranked No. 16 among the top individual fund managers/buy side analysts</b> – <i>The Reuters Survey 2000</i></li> </ul>
<b>1999</b>	<ul style="list-style-type: none"> <li>• <b>Ranked No. 2 among the top fund managers for Hong Kong/China in the Global Reuters Survey</b> – <i>The Reuters Survey 1999</i></li> </ul>

## MANAGER'S REPORT

Chinese Mainland Focus Fund declined 45.4% in 2008, its worst performance since inception in 2003. The big hit came in October 2008, when the fund fell 16.2% amidst a worldwide financial panic. The good news is that we have been recovering, with December returning 9.9%.

Although no one can be sure, we think the worst may be over for the China markets. From late 2007, China-related stocks started falling sharply, even before the global financial crisis began. The first to enter crisis could well be the first to emerge. Share prices have dropped so much that the stockmarket now reflects extreme pessimism which, if proven unjustified, should bring back buyers. The Beijing government, able to mobilize huge resources, has made 8% economic growth this year its No. 1 priority. For now, the headlines about China's economy remain negative, but this could change from the second half as government measures take effect.

Our 2008 performance – down 45.4% – compares with losses of 49.9%, in the Hang Seng H Shares Index<sup>#</sup>. China's domestic stockmarkets crashed, with Shanghai Composite<sup>+</sup> and Shenzhen Composite<sup>+</sup> Indices falling 65.4% and 61.8% respectively in 2008.

### Review of the fund

Chinese Mainland Focus Fund's investment journey through the financial crisis can be summarized as follows: from late 2007, we found it difficult to find bargains among the mainland Chinese stocks, so we raised cash. With hindsight, this turned out to be smart (though we didn't anticipate a crash). Part of the cash was switched to Taiwan stocks, and we also invested in energy-related stocks, in particular CNOOC and PetroChina, the two leading Chinese oil producers. In first-half 2008, a decent performance from both Taiwan and energy helped to absorb the impact of a crash in mainland Chinese stocks. But from second-half 2008, almost every part of the portfolio suffered as the global financial turmoil took its toll.

Now we are coming full circle, gradually re-investing in mainland Chinese stocks. We are not short of ideas, but remain price-sensitive. At the same time, we have retained our holdings of Taiwan and energy, where the stocks had been selected based on fundamental value. As at 31 December 2008, Taiwan stocks made up 8% of the fund and energy-related stocks about 9%.

## MANAGER'S REPORT (Continued)

The fund is strongly positioned for reinvestment, with cash at 12%<sup>△</sup>, plus another 9%<sup>△</sup> in gold. (As previously reported, we started buying the precious metal from 2004, in various forms, including gold bullion, holding the gold as a form of “emergency reserve” for the fund. Typically, gold forms about 8% of the fund; the level has gone up due to outperformance, not new purchases.)

### The market environment

While the crash in China-related stocks has various causes, we think straightforward profit-taking (an “overdue correction,” to use the media jargon) is a big part of the explanation. It is worth reminding that in the five years ended 31 December 2007, the Hang Seng H Shares Index recorded a 769% gain, compared to a 87% gain by the S & P 500 Index in New York, an outperformance that must have tempted many investors to cash in their profits.

The nasty crash that followed has pushed valuations down to low levels, and today, we find that China-related stocks are cheap again. In the discussion that follows, we use the Hang Seng Index<sup>△</sup> as our reference point, simply because its history goes back much further than the MSCI China Index, which started from the early 1990s. (The Hang Seng Index, 57% weighted in mainland Chinese companies that have listings in Hong Kong, is made up of 42 blue-chip stocks that together constitute 66% of the entire Hong Kong stock market in terms of market capitalization.)

Two points:

- As of year end 2008, the Hang Seng Index traded at 8.5 times historical earnings and at its book value. This is not that much above all-time lows seen during past crises; for example, the Asian Financial Crisis of 1998 pushed the index to a low of 8.1 times earnings and 0.76 times price/book; the 1982 “handover crisis,” triggered by panic over Hong Kong’s future, saw the market drop to 5.6 times earnings and 0.76 times price/book. (At one point in the October 2008 sell-off, the index fell as low as 7.5 times earnings and 0.87 price/book.)

<sup>△</sup> All figures were calculated in accordance with the Fund’s explanatory memorandum.

## MANAGER'S REPORT (Continued)

- It's also useful to look at how much stocks fell in previous crises before they bottomed out. From a top in 1997 to the bottom in the 1998 crisis, the index dropped 60%. From the top in 1981 to the bottom in 1982, the drop was also 60%. And it turns out, this time round, that stocks again fell 60% from their 2007 high to their October 2008 bottom. (The fall is 53% if measured from the 2007 high to year end 2008.)

### Original research

Whether markets are good or bad, Value Partners has a consistent approach, relying on intensive bottom-up research to find original ideas suitable for a long-term value investor. In 2008, our Investment Team carried out more than 2,000 company visits (excluding phone interviews); the majority of these were on the Chinese mainland and in Hong Kong and Taiwan, but we also travelled to other parts of the Asia-Pacific region, including Australia, where we looked into various mining companies.

We believe our ability to do our own research will make us increasingly different from other fund management companies, which have been saving on research expense through headcount reductions, in response to the industry's difficulties. These companies become reliant on research reports provided by outside brokers. For Value Partners, this cannot do, as we believe a high value-added fund manager must have original ideas backed by actual research, rather than borrow from outsiders.

The depth of our research can be illustrated by how our path crossed with that of Warren Buffett, on the occasion that he entered the Greater China markets. A stock picked by Mr. Buffett was already among the biggest holdings in our portfolio, as we have previously reported. (Based on public disclosures, Mr. Buffett invested in PetroChina in 2002 and 2003, and in September, 2008 he invested in BYD Co., a Hong Kong-listed company engaged in battery, phone and car manufacturing.)

## MANAGER'S REPORT (Continued)

### China's economy

For mainland China, what started as a normal business-cycle downturn (the economy started slowing after reaching a cyclical peak in first-half 2007) became something far more serious: the biggest threat to growth and employment since the Asian Financial Crisis of 1998. It is tempting to blame the global financial turmoil for turning an inconvenience into a serious problem for China, but with hindsight, some of the blame must be shared by the government. To cite some points:

- Although the government talked about encouraging domestic consumption, its emphasis remained on exports, thus increasing the country's exposure when the global crisis erupted. Amid concern over an overheating economy, Beijing announced tightening measures in 2004 – but what it really did was to dampen domestic demand, while still encouraging businesses to maximize shipments overseas. In recent years, the contribution of net exports to economic growth reached 20%, whereas in the 1990s, the contribution was slight. Large current-account surpluses reflected China's tendency to build up its reserves rather than allow the money to go into spending by the Chinese people.
- Beijing identified the wrong target, and reacted late to the global turmoil. The policy-making Politburo waited till July 2008 before it officially ended the policy of tightening to fight inflation and overheating – and switched over to a new policy of fighting deflation and a slowdown.

The biggest concerns now include rising unemployment, with severe cutbacks in the export industries and reduced labor demand from the real-estate and construction sector, which has slumped since reaching a top in late 2007. We have seen projections of 10% unemployment among urban workers in 2009, while for college graduates, we have an estimate of 20% unemployment. It is an abrupt change from 2006 and 2007, when the talk in China was about a labor shortage. From 2000 to 2007, an average of 13.6 million jobs per annum had been created in China's non-farm sector.

## MANAGER'S REPORT (Continued)

This is the one issue that can really focus policy-makers' minds, for employment is a foundation for stability on the Chinese mainland. Now, we are seeing an urgent government campaign to achieve 8% growth in 2008, with a central government stimulus package of Rmb 4 trillion (US\$580 billion) for 2009 and 2010, joined by local government spending proposals totalling trillions of Renminbi. As 2009 started, Premier Wen Jiabao came out to say further measures were on the way.

### Forceful measures

The good news is that China and its government doesn't face a crisis and are in a strong position to spend. The banking system is robust (with a loan to deposit ratio of only 64%); government debt is low, with huge room for expansion; foreign exchange reserves are high and the domestic savings rate is very high, with a 27.5% savings ratio recorded by urban households in 2007.

To cite one veteran analyst, BNP Paribas' Chief Economist Chen Xingdong says "we don't think it is too hard to achieve" the 8% growth target. Mr Chen's analysis dated December 2008, shared by other economists, is that domestic demand can generate 5.5 to 6.5 percentage points of growth for China in 2009, with another 2 to 3 percentage points contributed by the stimulus program. His "worst-case scenario", based on an even worse than expected export performance, is for 6.4% growth – very unsatisfactory for China, but not a disaster.

Government efforts include forceful measures to improve domestic sales of housing, cars and consumer electronics (for example, subsidizing the price of a TV by 13% for farmers); expanding railway and other public works; broadening hospital, education and social welfare services and promoting the services sector.

It is very unlikely that Beijing will resort to a currency devaluation, nor is it likely that deflation will become a persistent problem in China.

## MANAGER'S REPORT (Continued)

One measure we are aware is being discussed at high levels – but there is no consensus on whether it will be implemented – would involve using government money to buy up shares of China's listed companies, including those listed in Hong Kong (known as "H" shares.) Those in favor of a move into "H" shares argue that using a part of China's hoard of foreign-exchange reserves to purchase such shares (which are Hong Kong-dollar denominated) makes better sense than leaving the money in U.S. Treasuries or buying stakes in unfamiliar companies in the West.

Needless to say, government buying of Chinese companies listed in Hong Kong, if it were to happen, would give a nice lift to investment sentiment.

Finally, we need to look beyond 2009. Even after the business cycle recovers, we doubt that the Chinese economy will be able to repeat the double-digit growth rates of recent years. The world has changed; exports can no longer be a massive growth engine, and by 2015 or so, the country will start to feel the impact of an ageing population. While we still expect healthy growth rates for China in the medium term, investors will no longer be able to rely on a massive, fast-rising tide lifting all boats; instead, they will require quality research and stock-picking skills. The China story remains intact, as the country emerges to become the world's biggest economy, but it won't be as easy as before to benefit.

**Value Partners Limited**

23 April 2009

**MANAGER'S REPORT (Continued)**

**Chinese Mainland Focus Fund: 5 biggest security holdings as at 31 December 2008**

Stock	Industry	Valuation (2009 Est.)	Remarks
BYD Co (Code: 1211 HK) Market cap: US\$3.3 billion	Technology, hardware & equipment	Price: HK\$12.70 P/E: 14.1x P/B: 1.7x Yield: 1.4%	BYD is a major player in batteries, handset components, and more recently, "green" cars. We first noticed BYD in 2006, after the company reported a 49% earnings drop. What we found was a group of strong businesses simply suffering a temporary setback, and an innovative electric car pipeline. All of this was available at a cheap price, so we started buying BYD shares from April 2006. Our funds have since become among BYD's largest shareholders. In September 2008 MidAmerican Energy Company, a subsidiary of Warren Buffett's Berkshire Hathaway, bought 9.9% of BYD.
China Shipping Development (Code: 1138 HK) Market cap: US\$3.4 billion	Transportation	Price: HK\$7.70 P/E: 9.8x P/B: 0.9x Yield: 4.1%	Many investors were scared away from shipping by global recession concerns, giving us an opportunity to invest in China Shipping Development (CSD), which is the largest carrier along the Chinese seaboard. CSD has a market share of more than 70% for crude oil shipments, and more than 30% for coal shipments. CSD has one of the most defensive earnings profiles due to its long term contracts and its dominant hold on various aspects of China's coastal shipping services.
CNOOC (Code: 883 HK) Market cap: US\$41.4 billion	Energy	Price: HK\$7.24 P/E: 8.0x P/B: 1.4x Yield: 4.5%	CNOOC is China's largest producer of offshore oil and gas. It has four major production areas off the Chinese coast, and has also expanded to Indonesia, emerging as one of the largest offshore oil producers in that country. Many oil companies worldwide have a stagnant production profile, but CNOOC is among the minority still able to increase crude production in coming years.

**MANAGER'S REPORT (Continued)****Chinese Mainland Focus Fund: 5 biggest security holdings as at 31 December 2008  
(Continued)**

Stock	Industry	Valuation (2009 Est.)	Remarks
GZI Transportation (Code: 1052 HK) Market cap: US\$0.5 billion	Transportation	Price: HK\$2.30 P/E: 6.4x P/B: 0.4x Yield: 5.5%	GZI Transport operates 14 toll roads in Guangdong province, including major expressways linking major districts in Guangzhou as well as national highways linking Guangdong to other provinces. A beneficiary of rising vehicle penetration in China, the company's existing toll road portfolio may generate a sustainable traffic growth in a long run. Given its defensive earnings, cash business nature and a strong balance sheet with a net cash position, we believe the company can hold up well in the current economic slowdown, and it is well-positioned to grow through new acquisitions of toll roads.
PetroChina (Code: 857 HK) Market cap: US\$159.5 billion	Energy	Price: HK\$6.79 P/E: 8.4x P/B: 1.3x Yield: 4.9%	PetroChina is the largest integrated oil company in Asia. Substantially all of its crude oil and production-related assets are located in China. In the first half of 2008, the company produced about 434.5 million barrels of oil. For the most of 2008, PetroChina did not benefit from high oil prices, because its huge downstream business (refining and marketing of gasoline and other oil products) was hurt by government-imposed price controls. Investors often overlook PetroChina's vast natural gas reserves, which may provide an earnings surprise as various gas projects are completed.

*Note: The above investments make up 21% of Chinese Mainland Focus Fund as at 31 December 2008. The stock prices are based on the closing of 31 December 2008.*

*Individual stock performance/yield is not indicative of overall fund performance.*

# CHINESE MAINLAND FOCUS FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

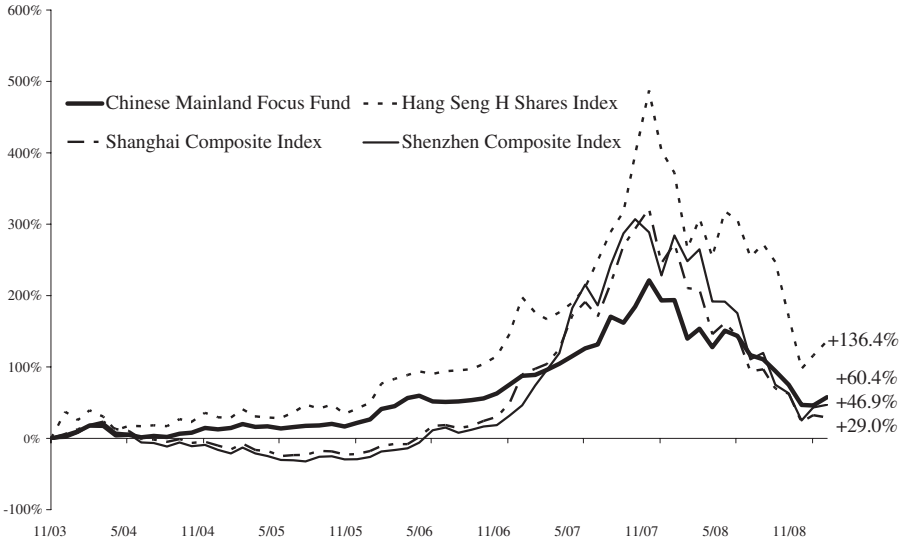
## MANAGER'S REPORT (Continued)

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

NAV per unit = US\$16.04 (as at 31 December 2008)

#### Since launch return compared to indices

27 November 2003 to 31 December 2008



^ Hang Seng Index refers to Hang Seng Price Return Index up to 31 December 2004, thereafter it is the Hang Seng Total Return Index. Hang Seng Total Return Index includes dividend reinvestment whereas Hang Seng Price Return Index does not take into account reinvestment of dividends.

# Hang Seng H Shares Index refers to Hang Seng China Enterprise Price Return Index up to 31 December 2004, thereafter it is the Hang Seng China Enterprise Total Return Index. Hang Seng China Enterprise Total Return Index includes dividend reinvestment whereas Hang Seng China Enterprise Price Return Index does not take into account reinvestment of dividends.

+ Shanghai Composite and Shenzhen Composite are price return Indices that do not include dividend reinvestment.

All performance figures sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg (Data computed in US\$ terms on NAV-to-NAV basis with dividends reinvested) as at 31 December 2008. Performance data is net of all fees.

Individual stock performance is not indicative of fund performance.

Investment involves risks. The price of units may go down as well as up and past performance is not indicative of future results. Investors should read the explanatory memorandum for details and risk factors in particular those associated with investment in emerging markets and in companies with medium or small capitalization.

## STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

### Manager's responsibilities

The Manager of Chinese Mainland Focus Fund (the "Sub-fund") is required by the Hong Kong Code on Unit Trusts and Mutual Funds established by the Hong Kong Securities and Futures Commission and the Trust Deed to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-fund at the end of that period and of the transactions for the period then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Sub-fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Sub-fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

### Trustee's responsibilities

The Trustee of the Sub-fund is required to:

- ensure that the Sub-fund is managed by the Manager in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Sub-fund and rights attaching thereto; and
- report to the unitholders for each annual accounting period on the conduct of the Manager in the management of the Sub-fund.

## **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF VALUE PARTNERS INTELLIGENT FUNDS – CHINESE MAINLAND FOCUS FUND**

*(A Cayman Islands Unit Trust)*

We have audited the accompanying financial statements of Chinese Mainland Focus Fund (the “Sub-fund”), a sub-fund of Value Partners Intelligent Funds (the “Trust”), set out on pages 17 to 52, which comprise the statement of assets and liabilities as at 31 December 2008, and income statement, statement of changes in net assets attributable to holders of redeemable units and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Manager’s and Trustee’s responsibilities for the financial statements**

The Manager and the Trustee of the Sub-fund are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for ensuring that the financial statements comply with the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements set out in Appendix E to the Hong Kong Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (“the Code”). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors’ responsibility**

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF VALUE PARTNERS INTELLIGENT FUNDS – CHINESE MAINLAND FOCUS FUND (Continued)**

*(A Cayman Islands Unit Trust)*

### **Auditors' responsibility (Continued)**

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

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-fund as at 31 December 2008 and of its transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements of the Code.

**KPMG**

Cayman Islands

23 April 2009

**TRUSTEE'S REPORT TO THE UNITHOLDERS OF  
VALUE PARTNERS INTELLIGENT FUNDS –  
CHINESE MAINLAND FOCUS FUND**

We hereby confirm that, in our opinion, the Manager has in all material respects, managed the Chinese Mainland Focus Fund (the “Sub-fund”) in accordance with the provisions of the Trust Deed dated 21 June 2000 and supplemental Trust Deeds dated 22 October 2001, 3 November 2003, 10 November 2003 and 10 December 2004 and the Deed of Substitution dated 31 May 2005 and supplemental Trust Deed to the Deed of Substitution dated 30 March 2007 of the Sub-fund for the year ended 31 December 2008.

For and on behalf of  
**Bank of Bermuda (Cayman) Limited**

Trustee,  
23 April 2009

**STATEMENT OF ASSETS AND LIABILITIES**

AT 31 DECEMBER 2008

	<i>Note</i>	<b>2008</b> US\$	<b>2007</b> US\$
<b>Assets</b>			
Commodity	3	6,952,395	10,419,375
Derivative financial instruments	6	–	120,083
Debt investments	3	1,769,383	1,695,560
Equity investments	3, 12(e)	53,803,530	175,944,732
Interest, dividends and other receivables		35,446	121,350
Amounts due from unitholders		44,659	675,345
Amounts due from brokers	5, 12(c)	6,309,908	14,404,384
Cash and cash equivalents	4, 12(b)	10,355,714	25,456,896
<b>Total assets</b>		<u>79,271,035</u>	<u>228,837,725</u>
<b>Liabilities</b>			
Securities sold short	6, 12(c)	4,250,242	–
Amounts due to unitholders		982,995	3,183,358
Amounts due to brokers	5	1,664,367	75,457
Management fees payable	10, 12(a)	83,682	233,224
Performance fees payable	12(a)	–	15,586,712
Trustee fees payable	8	12,591	34,094
Accrued expenses and other payables	9	40,664	43,855
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>		<u>7,034,541</u>	<u>19,156,700</u>
<b>Net assets attributable to holders of redeemable units (bid-market prices)</b>		<u>72,236,494</u>	<u>209,681,025</u>

**STATEMENT OF ASSETS AND LIABILITIES (Continued)**

AT 31 DECEMBER 2008

	<i>Note</i>	<b>2008</b> <i>US\$</i>	<b>2007</b> <i>US\$</i>
Represented by:			
– net assets attributable to holders of redeemable units (last traded prices)		73,536,255	210,357,609
– adjustment from last trade prices to bid prices		<u>(1,299,761)</u>	<u>(676,584)</u>
<b>Net assets value per unit at last traded prices, based on 4,585,581 (2007: 7,164,805) units outstanding</b>	<i>12(d), 13</i>	<u>16.04</u>	<u>29.36</u>

Approved and authorised for issue by the Manager and the Trustee on 23 April 2009.

Signed by:

**Value Partners Limited, *Manager*****Bank of Bermuda (Cayman) Limited, *Trustee***

The notes on pages 22 to 52 form part of these financial statements.

**INCOME STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2008

	<i>Note</i>	<b>2008</b> US\$	<b>2007</b> US\$
Interest income	12(b)	315,488	403,289
Dividend income		10,192,097	3,072,948
Net gain/(loss) on derivatives		2,724,223	(1,185,291)
Gains on equity investments	7	31,514,225	163,868,778
Losses on equity investments	7	(129,265,345)	(56,059,983)
Net gain/(loss) on commodity		8,970	(2,304,302)
Net loss on debt investments		(367,593)	(942,672)
Net gain on securities sold short		618,072	–
Net foreign exchange gain		93,838	2,206
Other income	12(c), 12(e)	199,912	69,400
<b>Net investment (loss)/income</b>		<u>(83,966,113)</u>	<u>106,924,373</u>
Management fees	10, 12(a)	(1,599,651)	(2,617,652)
Transaction fees	9	(842,358)	(1,300,942)
Trustee fees	8	(236,350)	(382,942)
Dividend expenses		(133,449)	–
Bank charges	12(b)	(36,203)	(21,663)
Auditors' remuneration		(21,402)	(30,753)
Commission expenses		(6,078)	(4,180)
Annual fees		(3,401)	(2,486)
Professional fees		(2,555)	(9,088)
Performance fees	12(a)	–	(15,586,712)
Other operating expenses	12(c)	(112,011)	(53,670)
<b>Operating expenses</b>		<u>(2,993,458)</u>	<u>(20,010,088)</u>
<b>Change in net assets attributable to holders of redeemable units resulting from operations</b>		<u><u>(86,959,571)</u></u>	<u><u>86,914,285</u></u>

The notes on pages 22 to 52 form part of these financial statements.

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE  
TO HOLDERS OF REDEEMABLE UNITS**

FOR THE YEAR ENDED 31 DECEMBER 2008

	<i>Note</i>	<b>2008</b> US\$	<b>2007</b> US\$
<b>Balance at 1 January</b>		209,681,025	186,529,098
Change in net assets attributable to holders of redeemable units resulting from operations		(86,959,571)	86,914,285
Issue of redeemable units during the year	<i>13</i>	4,482,669	28,800,207
Redemption of redeemable units during the year	<i>13</i>	(54,967,629)	(92,562,565)
Net redemption		(50,484,960)	(63,762,358)
<b>Balance at 31 December</b>		<b>72,236,494</b>	<b>209,681,025</b>

The notes on pages 22 to 52 form part of these financial statements.

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2008

	<b>2008</b>	<b>2007</b>
	<i>US\$</i>	<i>US\$</i>
<b>Operating activities</b>		
Interest received	366,839	474,555
Dividends received	10,226,744	3,501,915
Other income received	199,818	69,400
Proceeds from sale of investments	184,096,040	248,870,959
Purchase of investments	(133,670,327)	(168,837,638)
Operating expenses paid	(18,660,568)	(16,761,034)
Cash collateral paid for borrowed securities	(5,605,091)	—
<b>Cash flows from operating activities</b>	<u>36,953,455</u>	<u>67,318,157</u>
<b>Financing activities</b>		
Proceeds from issue of redeemable units	5,113,355	28,124,862
Payments on redemption of redeemable units	(57,167,992)	(92,422,124)
<b>Cash flows used in financing activities</b>	<u>(52,054,637)</u>	<u>(64,297,262)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(15,101,182)	3,020,895
<b>Cash and cash equivalents at 1 January</b>	<u>25,456,896</u>	<u>22,436,001</u>
<b>Cash and cash equivalents at 31 December</b>	<u><u>10,355,714</u></u>	<u><u>25,456,896</u></u>

The notes on pages 22 to 52 form part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 GENERAL**

Value Partners Intelligent Funds (the “Trust”) is an open-ended umbrella unit trust established under the laws of the Cayman Islands pursuant to a Trust Deed dated 21 June 2000 (as amended). The Trust was registered under the Mutual Funds Law of the Cayman Islands on 30 June 2000.

The Trust is able to issue redeemable units in various sub-funds and as at 31 December 2008, the China Convergence Fund, JA-VP China New Century Fund, Chinese Mainland Focus Fund and JA-VP Chugokutairiku Focus Fund have been launched. China Convergence Fund, JA-VP China New Century Fund, Chinese Mainland Focus Fund and JA-VP Chugokutairiku Focus Fund commenced operations on 17 July 2000, 7 March 2002, 27 November 2003 and 21 June 2004 respectively. JA-VP China New Century Fund and JA-VP Chugokutairiku Focus Fund are not authorised in Hong Kong and not available to the public generally in Hong Kong.

Each separate sub-fund may be represented in whole or in part by a separate portfolio and be maintained with separate accounting records. However, notwithstanding the operation of separate sub-funds and/or portfolios, the Trust may be treated as one entity. Thus all of the assets of the Trust may be available to meet all of the liabilities of the Trust, regardless of the separate sub-fund or portfolio to which such assets or liabilities are attributable. In practice, cross-unit liability will usually only arise where any sub-fund becomes insolvent or exhausts its assets and is unable to meet all of its liabilities. In this case, all of the assets of the Trust attributable to the other sub-funds may be applied to cover the liabilities of the insolvent sub-fund.

The accompanying financial statements have been prepared for Value Partners Intelligent Funds – Chinese Mainland Focus Fund (the “Sub-fund”). The financial statements of China Convergence Fund, JA-VP China New Century Fund and JA-VP Chugokutairiku Focus Fund have been prepared individually and consequently are not included in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****1 GENERAL (Continued)**

As at 31 December 2008, the combined net assets of the Trust are as follows:

Name of sub-fund	Combined net assets	
	2008 US\$	2007 US\$
China Convergence Fund	125,510,312	406,749,655
JA-VP China New Century Fund	19,397,319	68,016,017
Chinese Mainland Focus Fund	72,236,494	209,681,025
JA-VP Chugokutairiku Focus Fund	8,474,351	37,831,927
	<u>225,618,476</u>	<u>722,278,624</u>
Value Partners Intelligent Funds	<u>225,618,476</u>	<u>722,278,624</u>

The investment activities of the Sub-fund are managed by Value Partners Limited (the “Manager”) and the administration of the Sub-fund is delegated to Bank of Bermuda (Cayman) Limited which has further delegated its role to HSBC Institutional Trust Services (Asia) Limited.

The Sub-fund is authorised by the Hong Kong Securities and Futures Commission under Section 104 of the Hong Kong Securities and Futures Ordinance. The Sub-fund is also recognised by the Monetary Authority of Singapore as a restricted scheme under paragraph 3 of the Sixth Schedule of the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005.

**2 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standards Board (“IASB”), the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements of the Hong Kong Code on Unit Trusts and Mutual Funds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Basis of preparation

The measurement currency of the financial statements is United States dollars and not Cayman Islands dollars reflecting the fact that most of the transactions are denominated in the Hong Kong dollars which is pegged to the United States dollars, units of the Sub-fund are issued in United States dollars and distributions to investors are also made in United States dollars.

The financial statements are presented in United States dollars.

The financial statements are prepared on a fair value basis for financial instruments at fair value through profit or loss and derivative financial instruments. Other financial assets and financial liabilities are stated at amortised cost or redemption amount (redeemable units).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently by the Sub-fund and are consistent with those used in the previous year.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Foreign currency translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to United States dollars at the foreign currency closing exchange rate ruling at the balance sheet date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to United States dollars at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to trading investments are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the income statement.

#### (d) Financial instruments

##### (i) *Classification*

The Sub-fund designates all its equity and debt investments into the financial assets at fair value through profit or loss category. The category of financial assets and financial liabilities at fair value through profit or loss comprises financial instruments held for trading and financial instruments designated at fair value through profit or loss upon initial recognition.

All of the Sub-fund's investments are classified as held for trading.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Financial instruments (Continued)

##### (i) Classification (Continued)

Trading instruments are those that the Sub-fund has acquired principally for the purpose of short-term profit taking. These include investments in debt and equity securities, futures, options and warrants. All derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as financial assets held-for-trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held-for-trading.

Financial assets that are classified as loans and receivables include balances due from unitholders and brokers and accounts receivables.

Financial liabilities that are not held-for-trading include balances due to unitholders and brokers, accounts payables and financial liabilities arising from redeemable units.

##### (ii) Recognition

The Sub-fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of International Accounting Standard 39 (“IAS 39”).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Financial instruments (Continued)

##### (iii) *Measurement*

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial instruments held for trading are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all trading instruments are measured at fair value with changes in their fair value recognised in the income statement.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities are measured at amortised cost using the effective interest rate. Financial liabilities arising from the redeemable units issued by the Sub-fund are carried at the redemption amount representing the investors' right to a residual interest in the Sub-fund's assets.

##### (iv) *Fair value measurement principles*

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Financial instruments (Continued)

##### (iv) *Fair value measurement principles (Continued)*

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Sub-fund would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties. Specifically, the fair value of an option contract is determined by applying the binomial valuation model.

Investments in other unlisted investment funds are recorded at the net asset value per share as reported by the managers of such funds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Financial instruments (Continued)

##### (v) *Impairment*

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

##### (vi) *Derecognition*

The Sub-fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Sub-fund uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Financial instruments (Continued)

##### (vii) *Specific instruments*

###### Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

###### Futures contracts

A futures contract is an agreement between two parties to buy and sell a security or currency at a specific price or rate at a future date. The daily change in contract value is recorded as an unrealised gain or loss and the Sub-fund recognises a realised gain or loss when the contract is closed. Unrealised gains and losses on futures contracts are recognised in the income statement.

###### Options

When the Sub-fund purchases an option, an amount equal to the premium paid (or received) by the Sub-fund is reflected as an asset and an equivalent liability. The amount of the asset or liability is subsequently marked to market to reflect the current market value of the option. When a security is purchased or sold through the exercise of an option, the related premium paid (or received) is added to (or deducted from) the cost of the security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Sub-fund enters into a closing transaction), the Sub-fund realises a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Financial instruments (Continued)

##### (vii) *Specific instruments (Continued)*

Securities sold short and associated securities borrowing

Securities sold short are those positions where the Sub-fund has sold a security that it does not own in anticipation of a decline in the market value of the security and are classified as liabilities held-for-trading. To enter a short sale, the Sub-fund may need to borrow the security for delivery to the buyer. On each day obligations to deliver securities borrowed by the Sub-fund to fulfil its short sale contracts are marked-to-market and an unrealised gain or loss is recorded in gains and losses on investments in the income statement. While the transaction is open the Sub-fund will also incur an expense for any dividends or interest that will be paid to the lender of the securities.

#### (e) Commodity

Commodity comprises of gold bullion. Gold bullion is stated at the gold price prevailing at the close of business at the balance sheet date. Differences arising from changes in gold prices are dealt with in the income statement.

#### (f) Interest income

Interest income is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Dividend income and expense

Dividend income relating to exchange-traded equity investments and dividend expense relating to securities sold short are recognised in the income statement on the ex-dividend date.

In some cases, the Sub-fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Sub-fund recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

#### (h) Expenses

All expenses, including management fees, performance fees, trustee fees and custodian fees, are recognised in the income statement on an accrual basis.

#### (i) Foreign exchange gains and losses

Foreign exchange gains and losses on financial instruments held for trading are recognised together with other changes in the fair value. Included in the income statement line item *Net foreign exchange gain* are foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified as held-for-trading.

#### (j) Taxation

Under the current system of taxation in the Cayman Islands, the Sub-fund is exempt from paying taxes on income, profits or capital gains. The Trust has received an undertaking from the Governor-in-Cabinet of the Cayman Islands exempting it from tax for a period of 50 years since inception of the Trust.

Dividend and interest income received by the Sub-fund may be subject to withholding tax imposed in the country of origin. Investment income is recorded gross of such taxes and the withholding tax is recognised in the income statement as incurred.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Redeemable units

All redeemable units issued by the Sub-fund provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the Sub-fund's net assets at the redemption date. In accordance with IAS 32 such instruments give rise to a financial liability for the present value of the redemption amount. In accordance with the Explanatory Memorandum, the Sub-fund is contractually obliged to redeem units at a price calculated with investments being valued at last traded prices.

#### (l) Related parties

For the purpose of these financial statements, parties are considered to be related to the Sub-fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Sub-fund in making financial and operating decisions. Related parties may be individuals or entities.

### 3 FINANCIAL RISK MANAGEMENT

The investment objective of the Sub-fund is to achieve medium to long-term capital appreciation by investing primarily in investments which are related to the mainland of the People's Republic of China and investments whose value the Manager believes would be boosted by a Renminbi appreciation.

In terms of geographical area, the Sub-fund will focus primarily on the mainland of the PRC and at least 70 per cent of the Sub-fund's non-cash assets will be related to the mainland of the PRC at all times.

The Sub-fund invests in listed and unlisted commodity, debt securities and equity securities and therefore is exposed to market risk (including foreign exchange risk, cash flow interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments held.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****3 FINANCIAL RISK MANAGEMENT (Continued)**

The Sub-fund's overall financial risk management program focuses on the analysis, evaluation and management of financial risks and seeks to minimise potential adverse effects on the Sub-fund's financial performance.

The risk and respective risk management policies employed by the Sub-fund to manage these risks are discussed below:

**(a) Market risk***(i) Foreign exchange risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-fund's overall currency positions are monitored on a daily basis by the Manager.

As at 31 December 2008, had the United States dollar weakened by 0.5% in relation to respective currencies, with all other variables held constant, the operating results and the net assets attributable to holders of redeemable units would have increased by the amounts shown below. The analysis was performed on the same basis for 2007.

As at 31 December 2008	Net exposure US\$	Change in net assets attributable to holders of redeemable units if the US dollar weakened by 0.5% US\$
Renminbi yuan	473,375	2,367
Singapore dollar	2,382,181	11,911
Taiwan dollar	6,651,618	33,258
	<u>9,507,174</u>	<u>47,536</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****3 FINANCIAL RISK MANAGEMENT (Continued)****(a) Market risk (Continued)***(i) Foreign exchange risk (Continued)*

As at 31 December 2007	Net exposure US\$	Change in net assets attributable to holders of redeemable units if the US dollar weakened by 0.5% US\$
Canadian dollar	1,845,860	9,229
Singapore dollar	4,275,879	21,379
Taiwan dollar	1,219,896	6,100
	<u>7,341,635</u>	<u>36,708</u>

As the Hong Kong dollar (“HKD”) is pegged to the United States dollar (“USD”), the Sub-fund does not expect any significant movements in HKD/USD exchange rate. A 0.5% appreciation of the United States dollar against the above currencies would have resulted in an equal but opposite effect on the financial statements, on the basis that all other variables remain constant.

*(ii) Price risk*

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-fund trades in financial instruments, taking positions in traded and over-the-counter instruments, including derivatives, to take advantage of market movements.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## (a) Market risk (Continued)

## (ii) Price risk (Continued)

All securities investments present a risk of loss of capital. The Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits stated in the Explanatory Memorandum. The Sub-fund's overall market positions are monitored on a daily basis by the Manager.

As at 31 December, the Sub-fund's overall market exposures and estimated market sensitivity were as follows:

Equity instruments	Fair value US\$	Relevant benchmark index for the Sub-fund	Reasonably possible change of the relevant benchmark index	Estimated change in operating profit and the net assets US\$
As at 31 December 2008	49,553,288	MSCI China Index	+/-20%	+/- 7,894,517
As at 31 December 2007	175,944,732	MSCI China Index	+/-20%	+/- 29,081,683

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## (a) Market risk (Continued)

## (ii) Price risk (Continued)

Commodity	Fair value US\$	Reasonably possible change of gold price	Estimated change in operating profit and the net assets US\$
As at 31 December 2008	<u>6,952,395</u>	+/- 10%	<u>+/- 695,240</u>
As at 31 December 2007	<u>10,419,375</u>	+/- 10%	<u>+/- 1,041,398</u>

## (iii) Interest rate risk

The majority of the Sub-fund's financial assets and liabilities are non-interest bearing. As a result, the Sub-fund is not subject to significant amount of risk due to fluctuations in the prevailing levels of market interest rates.

The Sub-fund's interest rate risk arises from bank balances of US\$10,355,714 (2007: US\$25,456,896) and fixed and floating-rate debt instruments held of US\$1,769,383 (2007: \$1,695,560). As at 31 December 2008, the maturity dates of the majority of interest-bearing assets are within 5 years. The bank balances expose the Sub-fund to cash flow interest rate risk and the fixed and floating-rate debt instruments expose the Sub-fund to fair value interest rate risk.

At 31 December 2008, if interest rates had been 50 basis points higher or lower with all other variables held constant, the operating profit and the net assets attributable to holders of redeemable units would have been approximately US\$80,001 higher or lower, gross of fees, for the year ended 31 December 2008 (2007: US\$122,569 higher or lower), as a result of higher or lower interest income on bank balances and a decrease or increase in the fair value of the fixed-rate debt instruments.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****3 FINANCIAL RISK MANAGEMENT (Continued)****(b) Credit risk**

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-fund. Financial assets which potentially subject the Sub-fund to concentrations of credit risk consist principally of financial assets held with custodians, bank balances and receivables.

The Sub-fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Manager considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of securities sold is only made when the broker has received payment. In a purchase, payment is made when the securities have been received by the broker. If either party fails to meet its obligation, the trade will fail. Accordingly, there is no significant concentration of credit risk.

The table below shows the major counterparties at the balance sheet date. The credit ratings are issued by Standard & Poor's:

<b>Counterparty</b>	<b>Credit rating</b>	<b>2008</b> <i>US\$</i>	<b>2007</b> <i>US\$</i>
Bank A	AA-	15,958,645	12,621,065
Custodian A	AA-	52,298,964	185,942,086
		<u>68,257,609</u>	<u>198,563,151</u>

The Sub-fund may invest in debt instruments which are unrated or rated with low credit ratings. These securities are subject to greater risk of loss of principal and interest than securities with higher credit ratings. The Sub-fund may also invest in emerging markets where the clearing, settlement and registration systems available to effect trades are less developed than those in more mature markets. These can result in delays and other difficulties in settling trades and registering transfers of securities.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****3 FINANCIAL RISK MANAGEMENT (Continued)****(c) Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in settling a liability or selling a financial asset quickly at close to its fair value.

The markets in which the Sub-fund invests may be relatively illiquid and the liquidity of these markets generally has fluctuated substantially over time. Investment of the Sub-fund's assets in relatively illiquid securities may restrict the ability of the Sub-fund to dispose of its investments at a price and time that it wishes. The risk of illiquidity also arises in the case of over-the-counter transactions. There is no regulated market for such transactions, and the prices will be established by dealers in those transactions based on market supply and demand. The Manager monitors the liquidity of the Sub-fund by conducting liquidity testing on the investment portfolio on a monthly and ad-hoc basis.

The Sub-fund is exposed to bi-weekly cash redemption of units. The Manager considered that there is no significant liquidity risk on redemption of value as, according to the provisions of the Trust Deed dated 21 June 2000 (as amended) of the Sub-fund, the Manager may limit the total number of units redeemed on any dealing day to 10% of the total number of units in issue. The contractual maturity of all other liabilities is less than one month.

**4 CASH AND CASH EQUIVALENTS**

	<b>2008</b>	<b>2007</b>
	<i>US\$</i>	<i>US\$</i>
Current deposits with banks	10,355,714	1,729,692
Fixed deposits with banks	—	23,727,204
	<u>10,355,714</u>	<u>25,456,896</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 5 AMOUNTS DUE FROM/TO BROKERS

	2008	2007
	US\$	US\$
<b>Balance due from brokers</b>		
Sales awaiting settlement	704,817	14,404,384
Cash collateral for borrowed securities	<u>5,605,091</u>	<u>—</u>
	<u><u>6,309,908</u></u>	<u><u>14,404,384</u></u>
<b>Balance due to brokers</b>		
Purchases awaiting settlement	<u><u>1,664,367</u></u>	<u><u>75,457</u></u>

Cash collateral for borrowed securities represents cash deposits with brokers, as collateral for transactions involving borrowed securities.

In accordance with the Sub-fund's policy of trade date accounting for regular way sale and purchase transactions, sales/purchases awaiting settlement represent amounts receivable/payable for securities sold/purchased, but not yet settled.

## 6 SPECIFIC INSTRUMENTS

**Securities sold short and associated securities borrowing**

When the Sub-fund sells securities which it does not possess it has to cover this short position by acquiring the securities at a later date and is therefore exposed to price risk of those securities sold short. The sales agreement is usually settled by delivering borrowed securities. However, the Sub-fund required to return those borrowed securities at a later date.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****6 SPECIFIC INSTRUMENTS (Continued)****Derivative financial instruments**

The Sub-fund had no holding in derivatives at 31 December 2008. As at 31 December 2007, the Sub-fund's holdings in derivatives translated into United States dollars are specified in the table as follows:

**As at 31 December 2007**

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding US\$	Fair value liabilities US\$
Options	28/04/2008	Exchange – traded foreign currencies (Hong Kong dollars)	34,000,000	12,224
Options	29/04/2008	Exchange – traded foreign currencies (Hong Kong dollars)	42,000,000	15,467
				27,691
Rights	3/01/2008	Wharf Holdings Ltd	351,433	92,392
Warrants	16/04/2008	Champion Technology Holdings Ltd	314,789	–
				120,083
				120,083

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6 SPECIFIC INSTRUMENTS (Continued)

#### Derivative financial instruments (Continued)

(i) *Futures*

Futures are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Futures are standardised exchange-traded contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in the future contract values are settled daily. Futures contracts have little credit risk because the counterparties are futures exchanges.

Futures result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures trading account. As a result, a relatively small price movement in an underlying of futures may result in substantial losses to the Sub-fund. Futures trading may be illiquid as certain futures exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, the Sub-fund could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

Notional amounts are the underlying reference amounts to stock exchange indices, equities and foreign currencies upon which the fair value of the futures traded by the Sub-fund are based. While notional amounts do not represent the current fair value and are not necessarily indicative of the future cash flows of the Sub-fund's futures, the underlying price changes in relation to the variables specified by the notional amounts affect the fair value of these derivative financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6 SPECIFIC INSTRUMENTS (Continued)

#### Derivative financial instruments (Continued)

(ii) *Options*

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Sub-fund enters into exchange-traded and over-the-counter option contracts to meet the requirements of its risk management and trading activities.

The Sub-fund monitors its positions to reduce the risk of potential loss due to changes in market value or failure of counterparties to perform. For exchange-traded option contracts, the stock exchange acts as the counterparty to specific transactions and therefore, bears the risk of delivery to and from counterparties of specific positions. Over-the-counter option contracts are not guaranteed by any regulated stock exchange. The Sub-fund, as a buyer of over-the-counter options, is subject to credit risk since the counterparty is obliged to make payments under the terms of the contract if the Sub-fund exercises the option.

The risk in buying an option is that the Sub-fund pays a premium whether or not the option is exercised. The Sub-fund also has the additional risk of not being able to enter into a closing transaction if a liquid secondary market does not exist.

The Sub-fund's risk of loss is not represented by the notional contract amounts. Contract or notional amounts reflect the involvement of the Sub-fund in the financial instruments, risks arise from possible adverse movements in foreign currency exchange rates and the prices of the underlying securities.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 7 GAINS AND LOSSES ON EQUITY INVESTMENTS

	2008	2007
	US\$	US\$
Realised gains	27,885,145	87,594,638
Unrealised gains	<u>3,629,080</u>	<u>76,274,140</u>
Total gains on equity investments	<u><u>31,514,225</u></u>	<u><u>163,868,778</u></u>
Realised losses	(30,282,005)	(4,635,540)
Unrealised losses	<u>(98,983,340)</u>	<u>(51,424,443)</u>
Total losses on equity investments	<u><u>(129,265,345)</u></u>	<u><u>(56,059,983)</u></u>

## 8 TRUSTEE FEES

The Bank of Bermuda (Cayman) Limited, the Trustee of the Sub-fund, is entitled to trustee's fees which are determined based on the bi-weekly net asset value of the Sub-fund as below:

Net asset value	Trustee fee per annum shown as % of net asset value
First US\$20 million	0.20%
Next US\$20 million	0.19%
Thereafter	0.18%

The trustee fees are subject to a monthly minimum of US\$3,000 (2007: US\$3,000).

Under the terms of the Trust Deed, the Trustee is also entitled to a fixed annual fee of US\$3,000 (2007: US\$3,000).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 9 TRANSACTION FEES

Bank of Bermuda (Cayman) Limited, the Administrator, and HSBC Institutional Trust Services (Asia) Limited, the Custodian, are entitled to transaction fees from the Sub-fund for sale and purchase transactions.

### 10 MANAGEMENT FEES

The Manager receives management fees of 1.25% per annum of net asset value of the Sub-fund. The Manager is also entitled to a performance fee and the details are described in note 12(a).

### 11 TAXATION

There are no taxes on income or gains in the Cayman Islands as the Trust has received an undertaking from the Governor-in-Cabinet of the Cayman Islands exempting it from all local income, profits and capital taxes until 2050. Accordingly, no provision for income taxes is included in these financial statements.

No provision for Hong Kong profits tax has been made in the financial statements as the Trust is exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

### 12 RELATED PARTIES

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Sub-fund entered into the following material related party transactions for the period. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

- (a) The Sub-fund appointed Value Partners Limited, an investment management company incorporated in British Virgin Islands, to implement the investment strategy as specified in the Explanatory Memorandum. Under the Investment Management Agreement, the Manager receives a management fee monthly in arrears at an annual rate of 1.25% of the net assets attributable to holders of redeemable units on each valuation day as defined in the Explanatory Memorandum. A management fee of US\$1,599,651 (2007: US\$2,617,652) were charged to the income statement during the year. Included in liabilities at 31 December 2008 are management fees payable of US\$83,682 (2007: US\$233,224).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12 RELATED PARTIES (Continued)

- (a) (Continued)

Under the Investment Management Agreement, the Manager is also entitled to a performance fee, calculated at a high-on-high basis, if the net asset value per unit as at the last valuation day of a financial year (prior to the accrual of any performance fee for that financial year) exceeds the higher of:

- (i) the net asset value per unit as at the close of business on the last valuation day in the last financial year in respect of which a performance fee was paid to the Manager in respect of the Sub-fund, after payment of such performance fee; and
- (ii) the initial offer price at which the units were first offered.

The rate of performance fee payable is 15% and is calculated by multiplying this fee rate by the product of the excess of the net asset value per unit (calculated as stated above) and the average of the number of units in issue immediately after each valuation day in the relevant financial year.

A performance fee of US\$Nil (2007: US\$15,586,712) was charged to the income statement during the year. Included in liabilities at 31 December 2008 are performance fees payable of US\$Nil (2007: US\$15,586,712).

- (b) The Sub-fund maintains bank accounts with HSBC Fund Services, which is a group company of the Trustee, Registrar, Administrator and Custodian of the Sub-fund. Information relating to the bank accounts is set out below:

	2008 US\$	2007 US\$
Bank balance	<u>10,353,555</u>	<u>12,621,065</u>
Interest income	<u>146,897</u>	<u>237,778</u>
Bank charges	<u>(2,756)</u>	<u>(6,026)</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12 RELATED PARTIES (Continued)

- (c) The Sub-fund maintains cash deposits which are held as collateral for transactions involving borrowed securities with the Hongkong and Shanghai Banking Corporation Limited, which is a group company of the Trustee, Registrar, Administrator and Custodian of the Sub-fund. Information relating to the borrowed securities is set out below:

	2008 US\$	2007 US\$
Cash collateral for borrowed securities	<u>5,605,091</u>	<u>–</u>
Rebate income	<u>41,896</u>	<u>–</u>
Stock lending expenses	<u>(38,486)</u>	<u>–</u>

- (d) As at 31 December 2008, 69,121 units (2007: 69,121 units) of the Sub-fund were held by the Manager. Units held by the related parties of the Manager are listed out below:

	2008	2007
Mr Cheah Cheng Hye	<u>10,000</u>	<u>10,000</u>

- (e) As at 31 December 2008, the Sub-fund held 423,800 (2007: 423,800) shares of Development Partners Fund with a fair value of US\$1,356,160 (2007: US\$11,484,980). In addition, the Sub-fund has commitments to purchase the shares of Development Partners Fund as disclosed in note 15. A rebate of management fee amounting to US\$132,116 (2007: US\$65,208) was received from Development Partners Fund during the year. Mr Ho Man Kei, a director of the Manager, is also a director and investment committee member of Development Partners Fund. Mr Ho resigned as director of Development Partners Fund on 26 October 2007. Development Partners Fund is not authorised in Hong Kong and not available to the public generally in Hong Kong.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****12 RELATED PARTIES (Continued)**

(e) (Continued)

As at 31 December 2008, the Sub-fund held 68,420 (2007: 68,420) shares of Value Partners Strategic Equity Fund with a fair value of US\$103,818 (2007: US\$205,260). In addition, the Sub-fund has commitments to purchase the shares of Value Partners Strategic Equity Fund as disclosed in note 15. A rebate of management fee amounting to US\$10,538 (2007: US\$Nil). Value Partners Strategic Equity Fund is managed by a related party of the Manager. Value Partners Strategic Equity Fund is not authorised in Hong Kong and not available to the public generally in Hong Kong.

**13 REDEEMABLE UNITS IN ISSUE**

	<b>2008</b>	<b>2007</b>
As at 1 January	7,164,805	9,972,794
Number of redeemable units issued	210,622	1,170,140
Number of redeemable units redeemed	<u>(2,789,846)</u>	<u>(3,978,129)</u>
As at 31 December	<u><u>4,585,581</u></u>	<u><u>7,164,805</u></u>

The rights attaching to each unit are as follows:

The holders of the units have the right to receive notice of, attend and vote at meetings of the Sub-fund. The holder of each such unit has the right to one vote for each such unit registered in his name. The holders are entitled to receive all dividends declared and paid by the Sub-fund. Upon winding up, the holders are entitled to a return of capital based on the net assets value per unit of the Sub-fund.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 13 REDEEMABLE UNITS IN ISSUE (Continued)

Any distributable profits of the Sub-fund may be accumulated or distributed by the Manager, in its absolute discretion. Where distributions are made, unless unitholders indicate otherwise to the Manager, any such distributions will automatically be reinvested in further units in the Sub-fund to be issued to such unitholders in proportion to the number of units held by them on the distribution date as defined in the Trust Deed.

The Trust and the Sub-fund do not have any externally imposed capital requirements.

### 14 FAIR VALUE INFORMATION

Many of the Sub-fund's financial instruments are carried at fair value on the balance sheet. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including amounts due from/to brokers and unitholders, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The carrying amounts of all the Sub-fund's financial assets and financial liabilities at the balance sheet date approximated their fair values.

#### Estimation of fair values

The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in note 2(d) of the significant accounting policies section.

At 31 December 2008, the carrying amounts of financial assets, including commodity, debt and equity investments which fair values were determined directly in full or in part, by reference to published price quotations amounted to US\$60,646,637 (2007: US\$174,673,867). The carry amounts of securities sold short which fair values were determined directly in full or in part, by reference to published price quotations amounted US\$4,250,242 (2007: US\$Nil). The carrying amounts of financial assets for which fair values were determined using valuation techniques amounted to US\$1,878,671 (2007: US\$13,505,883).

The total amount of the change in fair value estimated using a valuation technique that was recognised in income statement for the year ended 31 December 2008 amounted to a net loss of US\$(10,525,930) (2007: net gain of US\$3,744,137).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 15 COMMITMENTS

Details of investment commitments entered into by the Sub-fund in 2008 are listed as follows:

	Outstanding commitment	
	2008	2007
	US\$	US\$
Development Partners Fund	84,760	125,640
Value Partners Strategic Equity Fund	478,940	478,940
	<u>563,700</u>	<u>604,580</u>

## 16 SOFT COMMISSION ARRANGEMENTS

The Manager and/or any company associated with it and its delegates may receive, and are entitled to retain, research products and services (known as soft dollar benefits) which are of demonstrable benefit to the Sub-fund (as may be permitted under applicable rules and regulations) from brokers and other persons through whom investment transactions are carried out (“brokers”) provided that the quality of transaction execution is consistent with best execution standards. The Manager will consider many judgmental factors deemed relevant in determining whether a broker will provide best execution, which may include the provision of research products and investment ideas, introductory services to potential investee companies, access to investment opportunities and initial public offerings and placements which are for the benefit of the Sub-fund. The commission rates charged by brokers in these circumstances may be higher than those charged by other brokers who do not offer such services or by the same broker if it only provides execution services. Examples of research products and services that the Manager may receive from brokers include analyses and reports concerning industries, securities and, economic factors and trends. The Sub-fund generally will pay customary full service brokerage rates where execution, research and other services cannot be unbundled for the same commission rate.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 16 SOFT COMMISSION ARRANGEMENTS (Continued)

In particular cases where execution, research and other services can be unbundled, the Sub-fund will pay a brokerage commission that is discounted from customary full service brokerage rates if no research or other services are provided in addition to brokerage execution. In addition, the Manager has the discretion to cause the Sub-fund to pay brokerage commissions in excess of discounted rates, and up to full service brokerage rates, for quality brokerage execution and the provision of research or other appropriate services that the Manager determines to be beneficial to the Sub-fund.

The Manager may pay brokers commissions for effecting portfolio transactions in excess of amounts other brokers would have charged for effecting similar transactions if the Manager determines in good faith that such amounts are reasonable in relation to the value of the research and other services provided, viewed in terms of the particular transaction or the Manager's overall duty to its clients.

### 17 COMPARATIVE FIGURES

The presentation of certain items and balances in the financial statements have been revised to conform to the current year's presentation including the reclassification of transaction handling fee from unrealised gain/loss to transaction fees in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008**

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Sub-fund is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Sub-fund's results of operations and financial position.

The following revised or amended standards may result in new or amended disclosures or presentation in the financial statements:

		<b>Effective for accounting periods beginning on or after</b>
IAS 1 (Revised)	Presentation of financial statements: Disclosure	1 January 2009
Amendment to IAS 32	Financial instruments: Presentation	1 January 2009

**INVESTMENT PORTFOLIO**

AT 31 DECEMBER 2008 (UNAUDITED)

	<b>Holdings</b>	<b>Fair value US\$</b>	<b>% of net assets</b>
<b>LISTED INVESTMENTS IN LONG POSITION</b>			
<b>Commodity in long position</b>			
<i>United Kingdom</i>			
Loco London Gold (in ounces)	7,900	6,952,395	9.62
<b>Equity investments in long position</b>			
<i>China</i>			
China Vanke Co Ltd – B Shares	1,611,300	1,237,063	1.71
Konka Group Co Ltd – B Shares	916,800	203,471	0.28
Shanghai Jinjiang International Industrial Investment Co Ltd – B Shares	1,440,284	913,140	1.27
Weifu High-Technology Co Ltd – B Shares	544,577	212,209	0.29
<b>Total China listed equity investments in long position</b>		2,565,883	3.55
<i>Hong Kong</i>			
AAC Acoustic Technologies Holdings Inc	1,872,000	799,525	1.11
BYD Co Ltd – H Shares	1,385,900	2,271,088	3.14
BYD Electronic (International) Co Ltd	3,869,000	1,352,902	1.87
China BlueChemical Ltd – H Shares	3,272,000	1,342,576	1.86
China Ground Source Energy Ltd	26,872,000	159,498	0.22
China Insurance International Holdings Co Ltd	1,136,000	1,729,652	2.39

# CHINESE MAINLAND FOCUS FUND

A Sub-fund of Value Partners Intelligent Funds  
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## INVESTMENT PORTFOLIO (Continued)

AT 31 DECEMBER 2008 (UNAUDITED)

	Holdings	Fair value US\$	% of net assets
<b>LISTED INVESTMENTS IN LONG POSITION</b>			
<b>(Continued)</b>			
<b>Equity investments in long position (Continued)</b>			
<i>Hong Kong (Continued)</i>			
China Mobile Ltd	124,500	1,249,819	1.73
China Resources Land Ltd	450,000	545,806	0.76
China Shanshui Cement Group Ltd	634,000	143,979	0.20
China Shipping Development Co Ltd – H Shares	3,546,000	3,454,490	4.78
China South Locomotive and Rolling Stock Corporation – H Shares	601,000	324,928	0.45
China Southern Airlines Co Ltd – H Shares	9,162,000	1,525,030	2.11
China Yurun Food Group Ltd	299,000	351,470	0.49
Chongqing Iron & Steel Co Ltd – H Shares	526,000	133,706	0.18
Chow Sang Sang Holdings International Ltd	2,714,000	1,400,774	1.94
CNOOC Ltd	4,072,000	3,798,782	5.26
Coslight Technology International Group Ltd	868,000	378,560	0.52
Denway Motors Ltd	2,302,000	715,848	0.99
Dongfang Electric Corporation Ltd – H Shares	84,200	210,772	0.29
Enerchina Holdings Ltd	6,706,000	99,508	0.14
Goldlion Holdings Ltd	1,883,000	250,257	0.35
Great Wall Motor Co Ltd – H Shares	5,253,000	1,782,631	2.47
GZI Transport Ltd	8,154,000	2,409,375	3.34
Hi Sun Technology (China) Ltd	3,441,000	284,160	0.39
Hopson Development Holdings Ltd	730,000	519,948	0.72
Industrial and Commercial Bank of China Ltd – H Shares	2,391,000	1,258,746	1.74
Jiangsu Expressway Co Ltd – H Shares	746,000	548,671	0.76
K Wah International Holdings Ltd	3,733,000	597,280	0.83

**INVESTMENT PORTFOLIO (Continued)**

AT 31 DECEMBER 2008 (UNAUDITED)

	<b>Holdings</b>	<b>Fair value US\$</b>	<b>% of net assets</b>
<b>LISTED INVESTMENTS IN LONG POSITION</b>			
<b>(Continued)</b>			
<b>Equity investments in long position (Continued)</b>			
<i>Hong Kong (Continued)</i>			
Kingboard Chemical Holdings Ltd	1,101,500	1,944,325	2.69
KWG Property Holding Ltd	1,851,000	549,329	0.76
Lee & Man Holding Ltd	2,094,000	121,587	0.17
Ming Fung Jewellery Group Ltd	3,020,000	101,316	0.14
Minth Group Ltd	1,426,000	570,400	0.79
Peace Mark (Holdings) Ltd	1,030,000	–	–
PetroChina Co Ltd – H Shares	3,463,000	3,029,567	4.19
Shimao Property Holdings Ltd	1,253,500	865,319	1.20
Television Broadcasts Ltd	207,000	673,084	0.93
Tianneng Power International Ltd	3,704,000	449,259	0.62
Uni-President China Holdings Ltd	1,328,000	344,423	0.48
VTech Holdings Ltd	27,000	114,271	0.16
Weichai Power Co Ltd – H Shares	800,000	1,507,097	2.09
Xtep International Holdings Ltd	1,402,500	322,123	0.45
Yue Da Mining Holdings Ltd	662,000	52,106	0.07
Zhejiang Expressway Co Ltd – H Shares	1,334,000	774,580	1.07
<b>Total Hong Kong listed equity investments in long position</b>		<u>41,058,567</u>	<u>56.84</u>

# CHINESE MAINLAND FOCUS FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

## INVESTMENT PORTFOLIO (Continued)

AT 31 DECEMBER 2008 (UNAUDITED)

	Holdings	Fair value US\$	% of net assets
<b>LISTED INVESTMENTS IN LONG POSITION</b>			
<b>(Continued)</b>			
<b>Equity investments in long position (Continued)</b>			
<i>Luxembourg</i>			
Finance Street Holding Co Ltd – A (Credit Suisse Nassau P Note 01/04/2010)	1,177,400	1,312,801	1.82
Guangzhou Friendship Co Ltd (Credit Suisse Nassau P Note 25/11/2011)	157,700	<u>244,593</u>	<u>0.34</u>
<b>Total Luxembourg listed equity investments in long position</b>		<u>1,557,394</u>	<u>2.16</u>
<i>Singapore</i>			
Yanlord Land Group Ltd	1,900,000	<u>1,183,450</u>	<u>1.64</u>
<b>Total Singapore listed equity investments in long position</b>		<u>1,183,450</u>	<u>1.64</u>

**INVESTMENT PORTFOLIO (Continued)**

AT 31 DECEMBER 2008 (UNAUDITED)

	<b>Holdings</b>	<b>Fair value US\$</b>	<b>% of net assets</b>
<b>LISTED INVESTMENTS IN LONG POSITION</b>			
<b>(Continued)</b>			
<b>Equity investments in long position (Continued)</b>			
<i>Taiwan</i>			
Chunghwa Telecom Co Ltd	719,950	1,126,277	1.56
Far EasTone Telecommunications Co Ltd	420,000	477,731	0.66
Hotai Motor Co Ltd	289,000	444,175	0.61
HTC Corp	37,000	368,956	0.51
KGI Securities Co Ltd	3,070,000	987,680	1.37
Sesoda Corp	616,000	467,741	0.65
Taiwan Mobile Co Ltd	664,132	975,161	1.35
Taiwan Secom Co Ltd	779,000	<u>1,128,383</u>	<u>1.56</u>
<b>Total Taiwan listed equity investments in long position</b>		<u>5,976,104</u>	<u>8.27</u>
<i>United States</i>			
Chai-Na-Ta Corp	239,328	<u>2,154</u>	<u>—</u>
<b>Total United States listed equity investments in long position</b>		<u>2,154</u>	<u>—</u>
<b>Total listed equity investments in long position</b>		<u>52,343,552</u>	<u>72.46</u>

# CHINESE MAINLAND FOCUS FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

## INVESTMENT PORTFOLIO (Continued)

AT 31 DECEMBER 2008 (UNAUDITED)

	Holdings	Fair value US\$	% of net assets
<b>LISTED INVESTMENTS IN LONG POSITION</b>			
<b>(Continued)</b>			
<b>Debt investments</b>			
<i>Hong Kong</i>			
New World China Land Fin (REG) Conv 0% 11/06/2012	3,700,000	425,236	0.59
Treasure Source Ltd Ser REIT (REG) Conv 2% 23/05/2011	2,100,000	226,597	0.31
Yue Yuen Industrial Holdings (REG) Conv 0% 17/11/2011	2,110,000	<u>271,688</u>	<u>0.38</u>
<b>Total Hong Kong listed debt investments in long position</b>		<u>923,521</u>	<u>1.28</u>
<i>Singapore</i>			
Agile Property Holdings Ltd (REG S) (REG) 9% 22/09/2013	250,000	140,372	0.19
Country Garden Holdings Co (REG) Conv 2.5% 22/02/2013	700,000	47,200	0.07
Road King Infrastructure (2004) (REG S) 6.25% 15/07/2011	200,000	99,760	0.14
Shimao Property Holdings Ltd (REG S) (REG) FRN 01/12/2011	300,000	<u>139,837</u>	<u>0.19</u>
<b>Total Singapore listed debt investments in long position</b>		<u>427,169</u>	<u>0.59</u>
<b>Total listed debt investments in long position</b>		<u>1,350,690</u>	<u>1.87</u>
<b>Total listed investments in long position</b>		<u>60,646,637</u>	<u>83.95</u>

**INVESTMENT PORTFOLIO (Continued)**

AT 31 DECEMBER 2008 (UNAUDITED)

	<b>Holdings</b>	<b>Fair value US\$</b>	<b>% of net assets</b>
<b>UNLISTED INVESTMENTS IN LONG POSITION</b>			
<b>Debt investments in long position</b>			
Jinheng Automotive Safety Technology Holdings Ltd Conv Note 7% 25/05/2011	3,190,000	<u>418,693</u>	<u>0.58</u>
<b>Total unlisted debt investments in long position</b>		<u>418,693</u>	<u>0.58</u>
<b>Off-shore close-ended funds in long position</b>			
Development Partners Fund	423,800	1,356,160	1.88
Value Partners Strategic Equity Fund	68,420	<u>103,818</u>	<u>0.14</u>
<b>Total unlisted off-shore close-ended funds in long position</b>		<u>1,459,978</u>	<u>2.02</u>
<b>Total unlisted investments in long position</b>		<u>1,878,671</u>	<u>2.60</u>
<b>Total investments in long position</b>		<u>62,525,308</u>	<u>86.55</u>

# CHINESE MAINLAND FOCUS FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

## INVESTMENT PORTFOLIO (Continued)

AT 31 DECEMBER 2008 (UNAUDITED)

	Holdings	Fair value US\$	% of net assets
<b>LISTED INVESTMENTS IN SHORT POSITION</b>			
<b>Equity investments in short position</b>			
<i>Hong Kong</i>			
China Overseas Land & Investment Ltd	(488,000)	(678,792)	(0.94)
China Resources Enterprise Ltd	(194,000)	(338,937)	(0.47)
China Telecom Corporation Ltd – H Shares	(860,000)	(320,697)	(0.44)
Hang Lung Properties Ltd	(318,000)	(690,983)	(0.96)
Lenovo Group Ltd	(1,410,000)	(383,884)	(0.53)
Sino-Ocean Land Holdings Ltd	(2,345,500)	(1,074,390)	(1.49)
Swire Pacific Ltd ‘A’	(50,500)	(348,613)	(0.48)
<b>Total Hong Kong listed equity investments in short position</b>		<u>(3,836,296)</u>	<u>(5.31)</u>
<i>United States</i>			
Ctrip.com International Ltd ADR (1 ADR Reps 1 Ord Share)	(17,400)	(413,946)	(0.57)
<b>Total United States listed equity investments in short position</b>		<u>(413,946)</u>	<u>(0.57)</u>
<b>Total equity investments in short position</b>		<u>(4,250,242)</u>	<u>(5.88)</u>
<b>Total investments in short position</b>		<u>(4,250,242)</u>	<u>(5.88)</u>

**INVESTMENT PORTFOLIO (Continued)***AT 31 DECEMBER 2008 (UNAUDITED)*

<b>Holdings</b>	<b>Fair value US\$</b>	<b>% of net assets</b>
<b>LISTED INVESTMENTS IN SHORT POSITION (Continued)</b>		
<b>Total investments</b>	58,275,066	80.67
Cash and cash equivalents	10,355,714	14.34
Other net assets	<u>3,605,714</u>	<u>4.99</u>
<b>Total net assets</b>	<u>72,236,494</u>	<u>100.00</u>
<b>Total investments, at cost</b>	<u>71,386,510</u>	

# CHINESE MAINLAND FOCUS FUND

A Sub-fund of Value Partners Intelligent Funds  
(A Cayman Islands Unit Trust)

## STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

FOR THE YEAR ENDED 31 DECEMBER 2008 (UNAUDITED)

	% of net assets 2008	% of net assets 2007
<b>LISTED INVESTMENTS IN LONG POSITION</b>		
<b>Commodity in long position</b>		
Loco London Gold	9.62	4.97
	-----	-----
<b>Equity investments in long position</b>		
Canada	–	0.88
China	3.55	2.29
Hong Kong	56.84	73.07
Luxembourg	2.16	–
Singapore	1.64	2.09
Taiwan	8.27	–
	-----	-----
	72.46	78.33
	-----	-----
<b>Debt investments in long position</b>		
Hong Kong	1.28	–
Singapore	0.59	–
	-----	-----
	1.87	–
	-----	-----
<b>Unlisted investments in long position</b>		
Debt investments	0.58	0.81
Foreign currency options	–	0.02
Rights	–	0.04
Off-shore close-ended funds	2.02	5.58
	-----	-----
	2.60	6.45
	-----	-----
<b>Total investments in long position</b>	<b>86.55</b>	<b>89.75</b>
	-----	-----

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (Continued)***FOR THE YEAR ENDED 31 DECEMBER 2008 (UNAUDITED)*

	<b>% of net assets 2008</b>	<b>% of net assets 2007</b>
<b>LISTED INVESTMENTS IN SHORT POSITION</b>		
<b>Equity investments in short position</b>		
Hong Kong	(5.31)	–
United States	<u>(0.57)</u>	<u>–</u>
	----- (5.88)	----- –
<b>Total investments in short position</b>	<u><u>(5.88)</u></u>	<u><u>–</u></u>
<b>Total investments</b>	80.67	89.75
Cash and cash equivalents	14.34	12.14
Other net assets/(liabilities)	<u>4.99</u>	<u>(1.89)</u>
<b>Total net assets</b>	<u><u>100.00</u></u>	<u><u>100.00</u></u>

## CHINESE MAINLAND FOCUS FUND

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### PERFORMANCE RECORD

FOR THE YEAR ENDED 31 DECEMBER 2008 (UNAUDITED)

#### Net asset values (at last trade price)

	<b>Net asset value per unit US\$</b>	<b>Net asset value US\$</b>
As at		
31 December 2008	16.04	73,536,255
31 December 2007	29.36	210,357,609
31 December 2006	18.76	187,138,919
31 December 2005	12.65	166,848,106

#### Highest and lowest prices (at last traded price)

	<b>Highest price US\$</b>	<b>Lowest price US\$</b>
Financial year ended		
31 December 2008	26.99	14.60
31 December 2007	32.12	18.89
31 December 2006	18.76	13.40
31 December 2005	12.65	11.26
31 December 2004	11.86	9.69