

CHINESE MAINLAND FOCUS FUND

A Sub-Fund of Value Partners Intelligent Funds

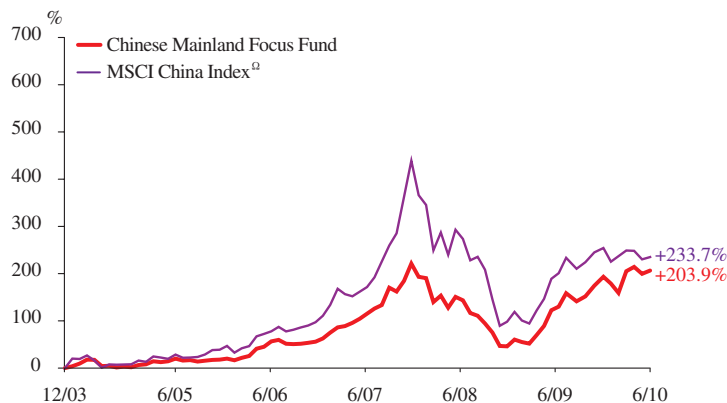
JUNE 2010

2 PAGES

- Please pay particular attention to the risk of investment in China and other markets in the Asian region and in companies with medium or small capitalization. The value of the fund can be extremely volatile and could go down substantially within a short period of time. It is possible that the entire value of your investment could be lost.
- The fund may also invest in derivatives which can involve material risks, e.g. counterparty default risk, insolvency or liquidity risk, and may expose the fund to significant losses.
- You should not make investment decision on the basis of this material alone. Please read the explanatory memorandum for details and risk factors.
- You should not invest unless the intermediary who sells it to you has advised you that the product is suitable for you and explained how it is consistent with your investment objectives.

Fund size: US\$123.56 million
NAV per unit: US\$30.39

Performance since launch[#]



Fund facts

Investment objective

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 ("PRC") and investments whose value the Manager believes would be boosted by a Renminbi ("RMB") appreciation. Although the Manager believes that the RMB appreciation will take place at some point, the Manager will also invest in investments whose value the Manager believes would increase even if the RMB exchange rate remains unchanged.

Manager: Value Partners Limited (CE Ref: ABN759)
 Base currency: US\$
 Legal domicile: Cayman Islands
 Trustee: Bank of Bermuda (Cayman) Limited
 Custodian: HSBC Institutional Trust Services (Asia) Limited
 Legal adviser: Stephenson, Harwood & Lo
 Auditor: KPMG
 Launch date: 27 November 2003
 Bloomberg code: VAPAICM KY
 ISIN code: KYG9317Q1120

Total assets under management by Value Partners Group:
US\$5.5 billion (as at 31 May 2010)

Performance update[#]

	Chinese Mainland Focus Fund	MSCI China Index ²
One month	+1.5%	+1.2%
Year-to-date	+1.8%	-6.1%
One year	+32.1%	+10.9%
Three years	+30.1%	+2.4%
Five years	+162.9%	+159.1%
Since launch	+203.9%	+233.7%
Annualized return	+18.4%	+20.1%
Annualized volatility	23.1%	30.9%

Annualized return and volatility are calculated from inception on 27 November 2003. Volatility is a measure of the theoretical risk in terms of standard deviation; in general, the lower the number, the less risky the investment, and vice versa.

Annual return since launch[#]

2003 (Since launch)	+3.9%	2007	+56.0%
2004	+8.4%	2008	-44.8%
2005	+11.6%	2009	+86.0%
2006	+48.1%	2010 (Year-to-date)	+1.8%

Monthly performance from year 2004 to 2010[#]

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2004	+5.5%	+7.6%	-0.3%	-11.3%	+0.7%	-3.4%	+1.9%	-1.4%	+4.6%	+1.4%	+6.0%	-1.7%	+8.4%
2005	+1.6%	+4.9%	-3.3%	+0.7%	-2.6%	+1.6%	+1.6%	+0.5%	+1.8%	-3.0%	+4.5%	+3.3%	+11.6%
2006	+12.3%	+2.8%	+7.9%	+2.0%	-5.1%	-0.6%	+0.6%	+1.3%	+1.6%	+4.4%	+7.6%	+6.3%	+48.1%
2007	+1.5%	+3.7%	+4.4%	+5.3%	+5.0%	+3.3%	+15.8%	-3.1%	+8.6%	+12.9%	-8.7%	-0.9%	+56.0%
2008	-17.5%	+5.7%	-10.1%	+10.1%	-2.9%	-11.0%	-2.7%	-7.8%	-9.9%	-16.2%	-0.5%	+9.9%	-44.8%
2009	-3.2%	-2.1%	+11.8%	+11.4%	+17.7%	+3.4%	+12.3%	-7.1%	+5.2%	+8.8%	+6.7%	+1.8%	+86.0%
2010	-5.7%	+1.9%	+6.5%	+2.8%	-4.7%	+1.5%							+1.8%

Unless specified, all information contained on this report is quoted as at 30 June 2010.

† ©2009 Morningstar, Inc. All Rights Reserved. Morningstar Rating™ as at 30 June 2010.

² Starting from July 2009, the MSCI China Index will be used as the reference index for the entire history of the fund. Hang Seng H Shares Index, Shanghai Composite Index and Shenzhen Composite Index were no longer shown for comparison.

[#] Source: HSBC Institutional Trust Services (Asia) Limited and Bloomberg, in USD, NAV to NAV, with dividends reinvested. Performance data is net of all fees.

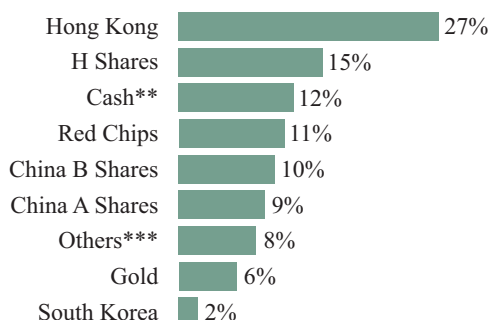
Investors should note investment involves risk. The price of units may go down as well as up and past performance is not indicative of future results. Investors should read the explanatory memorandum for details and risk factors in particular those associated with investment in emerging markets. Information in this report has been obtained from sources believed to be reliable but Value Partners Limited does not guarantee the accuracy or completeness of the information provided by third parties. This report has not been reviewed by the Securities and Futures Commission. Issuer: Value Partners Limited.

Top 10 security holdings

Name	Industry [^]	%
CNOOC	Energy	5.5
Chow Sang Sang	Retailing	4.3
China Construction Bank	Banks	4.1
Yantai Changyu Pioneer Wine	Food, beverage & tobacco	3.8
China Mobile	Telecommunication services	3.6
United Laboratories	Pharmaceuticals, biotechnology & life sciences	3.6
Kingboard Chemical	Technology, hardware & equip	3.2
China Vanke	Real estate	2.8
Gree Electric Appliances	Consumer durables & apparel	2.4
Great Wall Motor	Automobiles & components	2.4

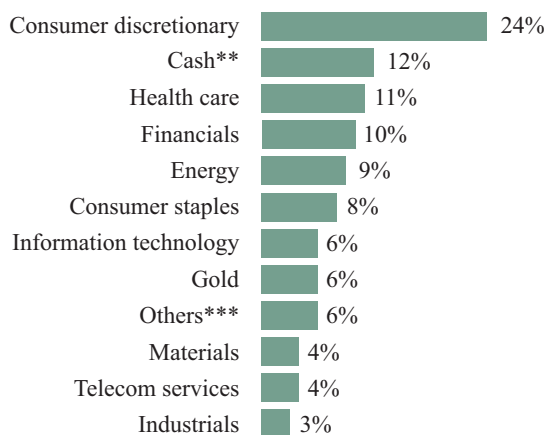
These stocks constitute 36% of the fund.

Geographical exposure by listing*



Short exposure includes: Hong Kong, -1.4%; H Shares, -2.4% and Red Chips, -1.2%.

Sector exposure*[^]



Total short exposure is -5.0%. Short exposure includes: Materials, -2.4%; Financials, -2.2% and Consumer discretionary, -0.4%.

* Exposure refers to net exposure (long exposure minus short exposure).

** Cash refers to net cash on hand excluding cash for collateral and margin.

*** Others include 5.0% cash for collateral and margin.

Portfolio characteristics

As at 30 June 2010	2010 ^A
Price/earnings ratio	14.4 times
Price/book ratio	2.7 times
Dividend yield	2.6%

^A The above profile is based on market consensus forecast as derived from I/B/E/S and Bloomberg. Note that the manager's internal estimates may differ significantly from I/B/E/S and Bloomberg estimates.

[^] Classification is based on Global Industry Classification Standard (GICS).

Fee structure

Minimum subscription	US\$10,000
Subscription fee	Up to 5%
Management fee	1.25% p.a.
Performance fee**	15% of profit (High-on-high principle)
Redemption fee	
(first 12 months)	2%
(second 12 months)	1%
(after 24 months)	Waived
Dealing day	Every 15th day and last business day of each calendar month.
Notice period for redemptions	14 days

**Performance fee will only be charged if the NAV at the end of the financial year exceeds the "high watermark", which is the all-time year-end high of the fund's NAV. If in any one year, the fund suffers a loss, no performance fee can be charged in subsequent years until the loss is recovered fully (the high-on-high principle).

Unit price is published daily in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times.

A selection of awards & ratings

Corporate awards

2010 - Hedge Fund 100

Value Partners was ranked as Asia's largest hedge fund manager, and 79th worldwide

~ Institutional Investor, May 2010

Best Overall Fund Management Firm - Asia

Value Partners was recognized as one of the top three fund management companies

~ Thomson Reuters Extel Asia Pacific Survey 2009

Leading Buyside Individual - Asia

Mr. Eric Chow, Value Partners fund manager, was ranked No. 1 out of 25 individuals named

~ Thomson Reuters Extel Asia Pacific Survey 2009

The 3rd consecutive year to be ranked as the 2nd Largest Hedge Fund Manager in Asia

~ Alpha Magazine, Jul/Aug 2009 edition

Mr. Cheah Cheng Hye, Chairman and CIO of Value Partners, was recognized as one of The 25 Most Influential people in Asset Management in Asia

~ AsianInvestor, May 2009

2007 Achievement Awards - Capital Markets Person of the Year:

Mr. Cheah Cheng Hye, Value Partners

~ FinanceAsia

Best of the Best Country Awards 2006

Hong Kong - Most Improved Institutional Fund House

~ Asia Asset Management Journal

Value Partners Investment Team

Chairman & Co-Chief Investment Officer: Cheah Cheng Hye

Co-Chief Investment Officer: Louis So Chun Ki, MCom

Deputy Chief Investment Officer: Renee Hung Yeuk Yan, BSc

Investment Director: Norman Ho Man Kei, CFA

Senior Fund Managers: Eric Chow Yik Cheung; Fawaz Habel;

Ada Lau Hiu Yee, CFA; Lee Ho Tak, CFA; Alan Wang, CFA

Chinese Mainland Focus Fund Commentary / Second Quarter 2010

- **The fund primarily invests in investments which are related to the Mainland of the People's Republic of China.**
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From late last year, Value Partners became more cautious on the near-term outlook for China-related stocks (as stated in our Third-Quarter 2009 commentary, a caution we repeated at the end of first quarter 2010), and this resulted in an increasingly defensive portfolio. This is just as well, since 2010 has turned out to be difficult and very volatile, meaning this hasn't been the time to be greedy; rather, our emphasis has been to get our research right to ensure we have a solid portfolio, positioned for potential future gains when sentiment improves and, in the meantime, we must try to avoid giving back the profit achieved last year.

In the first-half of 2010, the fund returned 1.8% – but the important point is that we remained resilient at a time of widespread losses in the market. During the same period, both Hang Seng and MSCI China indices dropped by 6.1%. (Note that in 2009, the fund rose by a net 86.0% while these two indices increased by 56.6% and 62.3%, respectively.) The Mainland A-share market, represented by Shanghai Stock Exchange Composite Index, fell 26.8% in the first-half of 2010. For the one year ended 30 June 2010, the fund recorded a gain of 32.1%, compared to returns of 12.8% and 10.9% recorded by Hang Seng and MSCI China indices, respectively, over this period.

We remain cautious. Our biggest concern currently is not about China and Asia; it's about the troubled state of the world as a whole. The shaky finances in parts of Europe and elsewhere, the possibility of a double dip in developed-world economies and the risk of protectionism cannot be taken lightly, and if something goes wrong, the impact will, again, be global.

Bottom-up investing

Regarding China, investors are in their usual state of confusion. Last year's stronger-than-expected economy (with 9.1% growth) initially caused over-optimism, which reached a high point when 11.9% growth was reported for the first quarter of 2010. But it was clear the rapid pace was unsustainable as the government needed to exit from the economic stimulus of 2009. More recently, the mood has swung to over-pessimism, as investors appreciate that a slowdown has started, while a theory that a dangerous bubble has formed in China is also circulating. (In fact, the latest economic indicators point to a fairly decent "soft landing" for the Chinese economy, with growth slowing to perhaps 9% this year, and 8% next year. In China currently, growth of 7% or less would be considered a setback.)

Amid these mood swings, an important point has been missed. From one year to the next, the performance of China-related stocks isn't well correlated with economic growth numbers (though over the very long term, the two are linked); in some years, stock market performance was strong even though economic numbers were weak, and vice versa. (There are various reasons for this, including the fact that China's listed companies, dominated by state-owned enterprises, do not represent the economy that well, and in a country ruled by government policies, the share of the economic cake that goes to corporate income is unpredictable and not well correlated with economic growth.)

Simply, many stock investors are making a mistake by deciding on China based on observations about the macro-economy, when they should care a lot more about finding companies with the 3 Rs: the Right Business, run by the Right People at the Right Price. This is certainly not a mistake we want to make, and our portfolio remains well-invested in companies from China and from Asia generally, a program driven by bottom-up value-investing, inclusive of numerous company visits (we are doing an estimated 2,500 company visits a year, excluding phone calls.)

Having said that, we are indeed acting with more caution than usual, as the global environment is troubling. Our cash level is higher than normal, at 12%, while we retain 6% of the portfolio in gold, which has been part of our fund for many years. We emphasize defensive stocks.

Quick updates:

- * Risk of a bubble. As stated before, even if a bubble forms (and we still don't think there is a big bubble in China), the government has the resources to deal with it. Not many people seem to realize a simple truth about China: this is a land of trapped savings. One-party rule, strict capital controls and tightly guarded borders, and a banking system very obedient to the State mean that the bulk of the Chinese people's savings is "trapped." Interest rates, lending quotas and the direction of lending are a matter of government policy, and to a significant extent, even the investment agenda is set by the state for the people. Thus, an awesome weapon – meaning the savings of the "masses" – is available to Beijing to pursue its policy goals or deal with any setbacks. In practice, academic studies show that this tight system has resulted in a long history of savers subsidizing investment, making China strong and able to fight crises, but at the expense of people's ability to maximize the return on their savings.

Value Partners: New CEO

We continue to strengthen the management of Value Partners Group Ltd.

Recently, the group announced that Mr. Chan Sheung Lai, Jimmy, was appointed Chief Executive Officer (CEO) from July 1, 2010. Mr. Tse Wai Ming, Timothy, became Deputy CEO while retaining his existing title of Chief Financial Officer. These appointments follow the departure late last year of Mr. Franco Ngan, who was our CEO for several years. An accountant by training, Mr. Chan has more than 20 years of experience in business management, corporate finance and investment work. Previously, he was Chief Executive (Beijing and North China) of KaiLong REI Investment, which was involved in real estate investment in China, with funds raised from overseas institutions.

While the business and corporate affairs team gets a new CEO, the Investment Team gets an upgrade with Mr. So Chun Ki, Louis, who was promoted to Co-Chief Investment Officer (Co-CIO), from his previous position of Deputy CIO. Mr. Cheah Cheng Hye remains Executive Chairman of the group, while his other title, that of CIO, was modified to Co-CIO to accommodate Mr. So's promotion.

Value Partners is the only listed fund management company on the Hong Kong Stock Exchange. Its emphasis has always been on the performance of the funds under its management, and, indeed, the declared corporate objective is to create a “Temple of Value Investing” for the Asia-Pacific markets. Additionally, for many years, Value Partners has put much effort into building up a full infrastructure. Thus, there is a complete system of support services, such as dealing, compliance, client administration, accounts, IT and back office functions, and so on. The Group currently has more than 90 employees and has evolved into a full-fledged institution, although we have carefully maintained the investment culture of an entrepreneurial boutique, as can be seen from our performance results. The newly announced promotions are part of the efforts to be a strong institution.

With thanks and regards,

Value Partners Investment Team
Value Partners Limited
12 July 2010

All performance figures are 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 30 June 2010. Performance data is net of all fees.

Individual stock performance is not indicative of fund performance.

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Chinese Mainland Focus Fund: 5 biggest holdings of securities as at 30 June 2010

Stock	Industry	Valuation (2010 estimates)	Remarks
CNOOC (Code: 883 HK) Market cap: US\$76.8 billion	Energy	Price: HK\$13.38 P/E: 13.5x P/B: 2.9x Yield: 2.8%	CNOOC is China's largest offshore oil and gas producer. It has four major production areas off the Chinese coast, and has overseas upstream assets in Indonesia, Nigeria, Australia, Argentina and other countries. CNOOC is emerging as one of the largest offshore oil producers in Indonesia. While many oil companies worldwide have a stagnant production profile, CNOOC is among the minority that is still able to raise crude production annually through successful discoveries and overseas expansion.
Chow Sang Sang (Code: 116 HK) Market cap: US\$1.2 billion	Retailing	Price: HK\$13.28 P/E: 12.5x P/B: 1.6x Yield: 2.4%	Chow Sang Sang is a household name for jewellery retailing in Hong Kong and China. The brand is 70 years old, nurtured by several generations of the Chow family. The brand has a strong reputation, a key success factor in this industry. It is a beneficiary of the relaxed travel restrictions on Chinese mainland visitors to Hong Kong, and is successfully capturing the strong spending power of the top-tier Chinese consumer.
China Construction Bank (Code: 939 HK) Market cap: US\$190.3 billion	Banks	Price: HK\$6.34 P/E: 9.9x P/B: 2.1x Yield: 4.4%	China Construction Bank is one of the big four state-owned banks, ranking second in terms of total assets. Headquartered in Beijing, the bank has a 56-year history and an extensive nationwide footprint of 13,384 branches. CCB has a strong, liquid balance sheet and generates higher than its peers' return on assets.
Yantai Changyu Pioneer Wine (Code: 200869 CH) Market cap: US\$5.0 billion	Food, beverage and tobacco	Price: HK\$73.50 P/E: 24.0x P/B: 8.8x Yield: 2.3%	Yantai Changyu is China's leading red-wine winery (in terms of earnings size), with net profits tripling between 2006 and 2009. The company's outstanding performance is due to its strong brand recognition by Chinese consumers and the successful development of its own sales team in the past few years. Changyu is expected to be one of the long-term winners in China's consumption boom.
China Mobile (Code: 941 HK) Market cap: US\$201.5 billion	Telecom services	Price: HK\$78.20 P/E: 11.6x P/B: 2.4x Yield: 3.8%	China Mobile is by far China's biggest mobile-phone operator. It runs a nationwide GSM (900/1800 dual-band) network that serves the world's largest mobile subscriber base (457 million and counting). Being at less than 50%, China's mobile penetration rate still has room to rise, especially in the under-penetrated rural areas, where China Mobile has clear dominance. While concerns casting over the market are intensifying competition and asymmetric regulation, we believe large-scale advantages will translate into greater operational flexibility and a sustained leadership position for China Mobile.

Note: The above investments make up 21.3% of Chinese Mainland Focus Fund as at 30 June 2010. The stock prices are based on the closing of 30 June 2010.

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