

# CHINA CONVERGENCE FUND (Formerly known as China ABH Shares Fund)

JULY 2010

A Sub-Fund of Value Partners Intelligent Funds

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 facts

### Investment objective

This fund aims to provide unit holders with long-term capital appreciation by investing primarily in A and B shares listed on the stock exchanges of Shanghai and Shenzhen as well as in H shares listed in Hong Kong. The investment in A shares is subject to a maximum exposure of 35% of the Sub-Fund's non-cash assets. The Manager may also invest (to a lesser extent) in shares of China-related companies listed in Hong Kong other than H shares and in China-related shares listed on other recognised stock exchanges and in China-related fixed income securities. The fund was launched in July 2000.

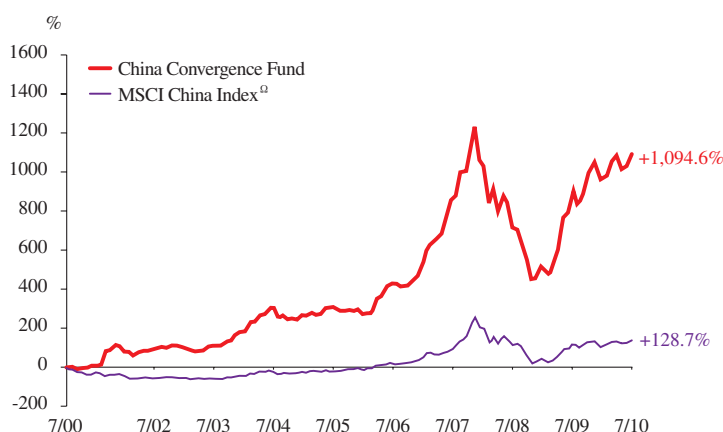
*Note: On inception, in July 2000, the fund's objective was to invest primarily in B shares. In July 2001, the mandate was extended to include H shares. In March 2005, the mandate was further extended to include China A shares. The Securities and Futures Commission authorized the fund in October 2001; such authorization does not imply official recommendation.*

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: 14 July 2000  
 Bloomberg code: VAPACB KY  
 ISIN code: KYG9317Q1047  
 Total assets under management by Value Partners Group: US\$5.7 billion (as at 30 June 2010)

NAV per unit: US\$119.46

Fund size: US\$216.15 million

## Performance since launch<sup>#</sup>



## Performance update<sup>#</sup>

	China Convergence Fund	MSCI China Index <sup>□</sup>
One month	+3.9%	+4.4%
Year-to-date	+4.8%	-2.0%
One year	+19.8%	+4.4%
Three years	+9.6%	-3.1%
Five years	+207.3%	+152.2%
Since launch	+1,094.6%	+128.7%
Annualized return	+27.9%	+8.5%
Annualized volatility	28.1%	30.0%

*Annualized return and volatility are calculated from inception on 14 July 2000. 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<sup>#</sup>

2000 (Since launch)	+9.3%	2006	+86.9%
2001	+70.9%	2007	+56.6%
2002	+1.1%	2008	-45.2%
2003	+92.1%	2009	+87.1%
2004	+0.8%	2010 (Year-to-date)	+4.8%
2005	+3.9%		

## Monthly performance from year 2004 to 2010<sup>#</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2004	+2.4%	+6.7%	+1.0%	-11.0%	+1.3%	-4.3%	+1.0%	-1.3%	+5.7%	-0.2%	+3.7%	-2.9%	+0.8%
2005	+1.9%	+6.8%	+1.3%	+0.4%	-4.0%	-0.7%	+0.7%	-0.3%	+1.0%	-5.4%	+0.9%	+1.6%	+3.9%
2006	+16.5%	+4.8%	+8.5%	+3.6%	+0.7%	-2.3%	-0.3%	+1.8%	+3.8%	+5.5%	+11.6%	+11.5%	+86.9%
2007	+3.5%	+3.2%	+3.8%	+11.8%	+8.0%	+2.8%	+11.7%	+0.8%	+7.6%	+11.8%	-12.5%	-4.0%	+56.6%
2008	-15.7%	+7.4%	-11.5%	+9.2%	-4.4%	-12.3%	-2.4%	-8.8%	-9.9%	-15.6%	+0.2%	+10.2%	-45.2%
2009	-3.0%	-2.3%	+12.4%	+11.6%	+17.9%	+4.3%	+11.9%	-7.0%	+4.6%	+8.4%	+6.8%	+1.5%	+87.1%
2010	-6.1%	+2.4%	+6.2%	+2.3%	-4.8%	+1.6%	+3.9%						+4.8%

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

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

<sup>□</sup> 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.

<sup>#</sup> 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.

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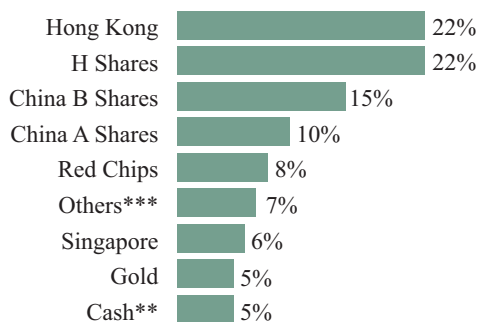
Email : vpl@vp.com.hk Website : www.valuepartners.com.hk

## Top 10 security holdings

Name	Industry <sup>^</sup>	%
Tianjin Zhong Xin Pharmaceutical	Pharmaceuticals, biotechnology & life sciences	5.6
CNOOC	Energy	5.1
China Construction Bank	Banks	4.5
Yantai Changyu Pioneer Wine	Food, beverage & tobacco	4.2
United Laboratories	Pharmaceuticals, biotechnology & life sciences	4.0
Kingboard Chemical	Technology, hardware & equip	3.9
China Vanke	Real estate	3.6
Great Wall Motor	Automobiles & components	3.6
Zhuzhou CSR Times Electric	Capital goods	2.7
Chow Sang Sang	Retailing	2.6

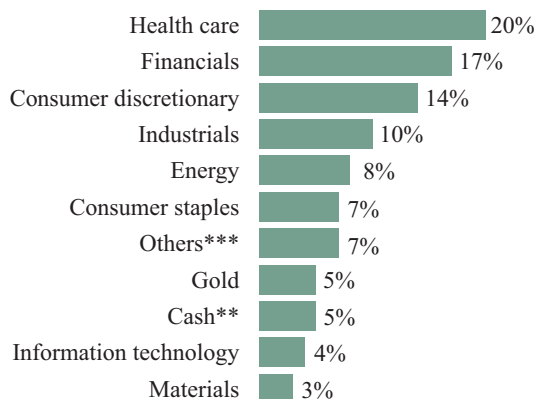
These stocks constitute 40% of the fund.

## Geographical exposure by listing\*



Short exposure includes: Hong Kong, -1.1%; H Shares, -2.9% and Red Chips, -1.4%.

## Sector exposure\*<sup>^</sup>



Total short exposure is -5.4%.

Short exposure includes: Materials, -2.9%; Financials, -1.6% and Consumer discretionary, -0.9%.

\* 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 6.0% cash for collateral and margin.

## Portfolio characteristics

As at 30 July 2010	2010 <sup>A</sup>
Price/earnings ratio	15.8 times
Price/book ratio	2.9 times
Dividend yield	2.4 %

<sup>A</sup> 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.

<sup>^</sup> 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)	5%
(second 12 months)	3%
(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 - Asia Hedge Fund 25

Value Partners was ranked No. 1 in 2010 Asia Hedge Fund 25  
~ Institutional Investor, July 2010

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