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## VALUE PARTNERS GROUP LIMITED

惠理集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 806)

### INTERIM RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2014

#### FINANCIAL HIGHLIGHTS

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

(In HK\$ million)	For the period ended 30 June		
	2014	2013	% Change
Total revenue	443.6	358.6	+23.7%
Gross management fees	340.7	291.0	+17.1%
Gross performance fees	21.9	15.4	+42.2%
Operating profit (before other gains/losses)	159.2	126.1	+26.2%
Profit attributable to equity holders of the Company	140.6	3.3	+4,160.6%
Basic earnings per share (HK cents)	8.0	0.2	+3,900.0%
Diluted earnings per share (HK cents)	8.0	0.2	+3,900.0%
Interim dividend per share	Nil	Nil	

#### INTERIM RESULTS

The Board of Directors (the “Board”) of Value Partners Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the period ended 30 June 2014 together with respective comparative figures. The following financial information, including the comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014 HK\$'000 Unaudited	2013 HK\$'000 Unaudited
<b>Income</b>			
Fee income and other revenue	2	443,564	358,643
Distribution and advisory fee expenses		(152,575)	(120,446)
<b>Net fee income</b>		<b>290,989</b>	238,197
Other income		18,093	25,794
<b>Total net income</b>		<b>309,082</b>	263,991
<b>Expenses</b>			
Share-based compensation		(2,253)	(4,176)
Other compensation and benefit expenses		(103,175)	(92,091)
Operating lease rentals		(9,087)	(6,656)
Other expenses		(35,370)	(34,928)
<b>Total expenses</b>		<b>(149,885)</b>	(137,851)
<b>Operating profit (before other gains/losses)</b>		<b>159,197</b>	126,140
Changes in fair value of investment properties		–	4,000
Net gains/(losses) on investments		3,127	(84,007)
Net losses on investments held-for-sale		(5,448)	(17,854)
Net foreign exchange losses		(4,477)	(1,666)
<b>Other losses – net</b>	3	<b>(6,798)</b>	(99,527)
<b>Operating profit (after other gains/losses)</b>		<b>152,399</b>	26,613
Share of profit/(loss) of an associate		9,484	(5,981)
<b>Profit before tax</b>		<b>161,883</b>	20,632
Tax expense	4	(22,777)	(19,170)
<b>Profit for the period</b>		<b>139,106</b>	1,462
<b>Other comprehensive loss for the period</b> – items that may be subsequently reclassified to profit or loss			
Fair value losses on available-for-sale financial assets		(4,117)	(16,068)
Foreign exchange translation		(10,231)	2,370
<b>Other comprehensive loss for the period</b>	5	<b>(14,348)</b>	(13,698)
<b>Total comprehensive income/(loss) for the period</b>		<b>124,758</b>	(12,236)
<b>Profit attributable to</b>			
Equity holders of the Company		140,616	3,348
Non-controlling interests		(1,510)	(1,886)
		<b>139,106</b>	1,462
<b>Total comprehensive income/(loss) for the period attributable to</b>			
Equity holders of the Company		127,467	(9,646)
Non-controlling interests		(2,709)	(2,590)
		<b>124,758</b>	(12,236)
<b>Earnings per share for profit attributable to equity holders of the Company (HK cents per share)</b>			
– basic	6	8.0	0.2
– diluted	6	8.0	0.2

## CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	<i>Note</i>	<b>30 June 2014 HK\$'000 Unaudited</b>	31 December 2013 HK\$'000 Audited
<b>Non-current assets</b>			
Property, plant and equipment		6,774	4,332
Intangible assets		56,910	55,614
Investment in an associate		101,609	92,125
Deferred tax assets		1,093	554
Investments	8	795,995	898,026
Other assets		10,277	9,044
Loan portfolio, net		139,730	98,837
		<b>1,112,388</b>	<b>1,158,532</b>
<b>Current assets</b>			
Investments	8	91,072	441,559
Investments held-for-sale	9	221,334	226,782
Fees receivable	10	109,707	386,398
Loan portfolio, net		168,613	132,882
Amounts receivable on sale of investments		8,248	13,437
Prepayments and other receivables		22,502	28,730
Time deposits		74,473	–
Cash and cash equivalents	11	1,143,571	692,116
		<b>1,839,520</b>	<b>1,921,903</b>
<b>Current liabilities</b>			
Accrued bonus		30,885	125,060
Distribution fee expenses payable	12	48,041	54,802
Other payables and accrued expenses		45,587	18,913
Current tax liabilities		59,526	52,995
		<b>184,039</b>	<b>251,770</b>
<b>Net current assets</b>		<b>1,655,481</b>	<b>1,670,133</b>
<b>Net assets</b>		<b>2,767,869</b>	<b>2,828,665</b>
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Issued equity	13	889,213	889,213
Other reserves		181,915	192,811
Retained earnings		–	187,807
– proposed dividends	7	–	187,807
– others		1,617,860	1,477,244
		<b>2,688,988</b>	<b>2,747,075</b>
<b>Non-controlling interests</b>		<b>78,881</b>	<b>81,590</b>
<b>Total equity</b>		<b>2,767,869</b>	<b>2,828,665</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

New standards adopted by the Group:

- Amendments to HKFRS 10 “Consolidated Financial Statements” (effective from 1 January 2014)
- Amendments to HKAS 32 “Offsetting financial assets and financial liabilities” (effective from 1 January 2014)

New standards issued but are not yet effective for the financial year beginning 1 January 2014 and have not been early adopted:

- HKFRS 9 “Financial Instruments” (effective date is yet to be decided)

### 2. TURNOVER AND REVENUE

Turnover and revenue consist of fees from investment management activities, fund distribution activities, and interest and fee income from loan portfolio.

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>Unaudited</b>	Unaudited
Management fees	<b>340,733</b>	291,015
Performance fees	<b>21,861</b>	15,381
Front-end fees	<b>54,957</b>	47,329
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<b>Total fee income</b>	<b>417,551</b>	353,725
Interest income from loan portfolio	<b>23,689</b>	4,529
Fee income from loan portfolio	<b>2,324</b>	389
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<b>Total turnover and revenue</b>	<b>443,564</b>	358,643
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### 3. OTHER LOSSES – NET

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>Unaudited</b>	Unaudited
Changes in fair value of investment properties	–	4,000
Net gains/(losses) on investments		
Gains on financial assets at fair value through profit or loss	<b>29,335</b>	51,887
Losses on financial assets at fair value through profit or loss	<b>(28,051)</b>	(136,786)
Gains on disposal of available-for-sale financial assets	<b>3,734</b>	1,075
Losses on disposal of available-for-sale financial assets	<b>(1,891)</b>	(183)
Net losses on investments held-for-sale		
Gains on investments held-for-sale	<b>2,980</b>	–
Losses on investments held-for-sale	<b>(8,428)</b>	(17,854)
Net foreign exchange losses	<b>(4,477)</b>	(1,666)
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<b>Total other losses – net</b>	<b>(6,798)</b>	(99,527)
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#### 4. TAX EXPENSE

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

Hong Kong profits tax has been provided on the estimated assessable profit for the six months ended 30 June 2014 at the rate of 16.5% (2013: 16.5%).

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	Unaudited	Unaudited
<b>Current tax</b>		
Hong Kong profits tax	20,363	18,239
Overseas tax	6,872	1,017
Adjustments in respect of prior years	(4,318)	—
<b>Total current tax</b>	<b>22,917</b>	<b>19,256</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(140)	(86)
<b>Total tax expense</b>	<b>22,777</b>	<b>19,170</b>

#### 5. OTHER COMPREHENSIVE LOSS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	Unaudited	Unaudited
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Available-for-sale financial assets		
Fair value gains/(losses) during the period	248	(15,093)
Reclassification adjustments for gains included in profit or loss	(4,365)	(975)
Fair value losses on available-for-sale financial assets	(4,117)	(16,068)
Foreign exchange translation	(10,231)	2,370
<b>Total other comprehensive loss</b>	<b>(14,348)</b>	<b>(13,698)</b>

#### 6. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the profit attributable to equity holders of the Company of HK\$140,616,000 (2013: HK\$3,348,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,755,202,800 (2013: 1,755,202,800). The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue during the period of 1,755,202,800 (2013: 1,755,202,800) by 4,237,469 (2013: 3,688,083) to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

## 7. DIVIDENDS

Dividends declared by the Company of HK\$187,807,000 are related to the year ended 31 December 2013 and were paid on 23 May 2014. No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2014 (2013: Nil).

## 8. INVESTMENTS

Investments include the following:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Total	
	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited	30 June 2014 HK\$'000 Unaudited	31 December 2013 HK\$'000 Audited
<b>Listed securities (by place of listing)</b>						
Debt securities – Hong Kong	–	–	–	10,358	–	10,358
Debt securities – Singapore	–	–	–	93,306	–	93,306
Equity securities – China	60,905	244,874	–	–	60,905	244,874
Investment funds – Hong Kong	180,401	166,955	–	–	180,401	166,955
<b>Market value of listed securities</b>	<b>241,306</b>	<b>411,829</b>	<b>–</b>	<b>103,664</b>	<b>241,306</b>	<b>515,493</b>
<b>Unlisted securities (by place of incorporation/establishment)</b>						
Equity securities – Singapore	–	–	3,868	8,508	3,868	8,508
Investment funds – Australia	18,567	16,709	–	–	18,567	16,709
Investment funds – Cayman Islands	474,375	486,846	1,550	–	475,925	486,846
Investment funds – Ireland	94,705	97,883	–	–	94,705	97,883
Investment funds – Taiwan	3,357	3,353	–	–	3,357	3,353
Investment funds – United States	264	283	18,908	13,825	19,172	14,108
<b>Fair value of unlisted securities</b>	<b>591,268</b>	<b>605,074</b>	<b>24,326</b>	<b>22,333</b>	<b>615,594</b>	<b>627,407</b>
<b>Derivative financial instruments</b>						
Participation notes <sup>(a)</sup>	30,167	131,398	–	–	30,167	131,398
Warrants <sup>(a)</sup>	–	65,286	–	–	–	65,286
<b>Fair value of derivative financial instruments</b>	<b>30,167</b>	<b>196,684</b>	<b>–</b>	<b>–</b>	<b>30,167</b>	<b>196,684</b>
<b>Total investments</b>	<b>862,741</b>	<b>1,213,587</b>	<b>24,326</b>	<b>125,997</b>	<b>887,067</b>	<b>1,339,584</b>
Representing:						
Non-current	771,669	772,029	24,326	125,997	795,995	898,026
Current	91,072	441,558	–	–	91,072	441,558
<b>Total investments</b>	<b>862,741</b>	<b>1,213,587</b>	<b>24,326</b>	<b>125,997</b>	<b>887,067</b>	<b>1,339,584</b>

(a) These derivative financial instruments are linked to equity securities in China.

## 9. INVESTMENTS HELD-FOR-SALE

The Group classified the following interests in investment funds as held-for-sale as the Group intends to market these funds and dilute its holdings as soon as practically possible to a level where its aggregate economic interest does not constitute a control.

	Fair Value	
	30 June 2014 <i>HK\$'000</i> Unaudited	31 December 2013 <i>HK\$'000</i> Audited
Investment funds – Cayman Islands	188,732	197,160
Investment funds – Taiwan	32,602	29,622
<b>Total investments held-for-sale</b>	<b>221,334</b>	<b>226,782</b>

As at 30 June 2014 and 31 December 2013, the major assets of the above funds were listed equity securities.

## 10. FEES RECEIVABLE

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

	30 June 2014 <i>HK\$'000</i> Unaudited	31 December 2013 <i>HK\$'000</i> Audited
Fees receivable that were past due but not impaired		
1 - 30 days	877	751
31 - 60 days	118	498
61 - 90 days	3,508	385
Over 90 days	1,025	509
	<b>5,528</b>	2,143
Fees receivable that were within credit period	104,179	384,255
<b>Total fees receivable</b>	<b>109,707</b>	<b>386,398</b>

## 11. CASH AND CASH EQUIVALENTS

	30 June 2014 <i>HK\$'000</i> Unaudited	31 December 2013 <i>HK\$'000</i> Audited
Cash at banks and in hand	315,212	156,720
Short-term bank deposits	636,563	531,894
Deposits with brokers	191,796	3,502
<b>Total cash and cash equivalents</b>	<b>1,143,571</b>	<b>692,116</b>

## 12. DISTRIBUTION FEE EXPENSES PAYABLE

The carrying amounts of distribution fee expenses payable approximate their fair value due to the short-term maturity. The ageing analysis of distribution fees payable is as follows:

	<b>30 June 2014 HK\$'000 Unaudited</b>	31 December 2013 HK\$'000 Audited
0 - 30 days	47,643	53,194
31 - 60 days	398	797
61 - 90 days	-	811
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<b>Total distribution fee expenses payable</b>	<b>48,041</b>	<b>54,802</b>
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## 13. ISSUED EQUITY

	<b>Number of shares</b>	<b>Issued equity HK\$'000</b>
<b>Unaudited</b>		
<b>As at 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014</b>	<b>1,755,202,800</b>	<b>889,213</b>
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## REPORT OF THE CHIEF EXECUTIVE OFFICER

### Promising results with profit growth

Having established a solid presence in Hong Kong since 1993, Value Partners has been growing its footprints in Asia with an enhanced range of products and services in the past few years. The strategic expansion of the Group has created a platform for us to deliver a set of promising results in the first half of 2014.

During the six months ended 30 June, profit attributable to our equity holders surged 41.6 times to HK\$141 million from HK\$3 million in the prior year. The substantial rise is mainly driven by increase in both management and performance fees, significant reduction of losses from treasury operations, prudent cost control, as well as increased contribution from the Group's small loan business in Chengdu city:

- (1) The Group's Assets Under Management ("AUM") stood at US\$10.1 billion as of 30 June 2014. Average AUM of the Group rose 12% to US\$10.2 billion at the end of June 2014 from a year earlier thanks to higher fund inflows since the fourth quarter of 2013, bolstering gross management fees by 17% to HK\$341 million (1H 2013: HK\$291 million). Annualized net management fee margin maintained at 62 basis points.
- (2) Performance fees during the review period rose 42% to HK\$22 million (1H 2013: HK\$15 million). Driven by strong performance of our investments, a number of our funds have delivered returns that surpassed their respective high watermarks. Performance of Classic Fund (AUM<sup>1</sup>: US\$1.2 billion) and High-Dividend Stocks Fund (AUM<sup>1</sup>: US\$1.7 billion), our two largest own branded funds, exceeded high watermarks by 4% and 12%, respectively, as of the end of July 2014. As performance fees for most of our major own branded funds, including the two funds above, crystallize at the end of the year, fund performance in the second half would determine if we can collect more performance fees this year.
- (3) In terms of expenses, the Group continues to exercise stringent cost management, limiting the increase of total expenses to 9% during the period. Fixed costs were 2.7 times covered by net management fees (a relatively stable source of income) alone, excluding other revenue sources such as performance fees.
- (4) As a result of increase in fees and effective cost control, operating profit before other gains or losses rose 26% to HK\$159 million (1H 2013: HK\$126 million).
- (5) The improvement in our funds' performance helped reduce net fair value losses of the Group's treasury operations significantly during the review period. The net fair value losses, which include our seed capital investments and investments in our own funds, decreased to HK\$10 million in the first half of 2014 from HK\$153 million a year earlier. As of the end of July 2014, the Group's treasury operations reported net fair value gains of HK\$52 million on the back of further enhancement in investment and fund performance.
- (6) Meanwhile, the Group sees a new growth element emerging from our small loan business unit Chengdu Vision Credit Limited ("Vision Credit"). During the review period, the Chinese subsidiary now contributed to approximately 8% of the Group's profit (1H 2013: 6%) and 6% of revenue (1H 2013: 1%).

## **Business highlights in the first half of 2014**

On our way to become a world-class asset manager in Asia, we have been strengthening our foothold and enriching our product menu across different geographical regions and asset classes.

### ***Enhance targeted China investment solutions***

Government policies have been playing an integral part in the Chinese equity market. Amid the once-in-a-decade leadership change in the country, new policies on social and economic reforms are being rolled out and are expected to benefit selected sectors. In a bid to capture investment opportunities in the midst of China policy reforms<sup>2</sup>, we have introduced a new thematic fund in March 2014 and it has been popular among private banking clients. Envisaging an increase in demand for China A-share products, we have been strengthening our investments in China's onshore markets. In the near term, we plan to unveil new products including a Renminbi Qualified Foreign Institutional Investor ("RQFII") equity fund. In addition, we have just received our second batch of Qualified Foreign Institutional Investor ("QFII") quota of US\$100 million in July 2014. The additional quota, which was granted on top of our first batch of US\$100 million quota obtained in December 2012, will be used to enhance our existing funds.

### ***Strengthen fixed income capabilities***

In anticipation of growing investment appetite for high-yielding fixed income products in an inflationary environment, we have continued to put more resources to broaden our coverage in the fixed income space in recent years. Our Greater China High Yield Income Fund (AUM<sup>1</sup>: US\$0.8 billion) is Hong Kong's first public fund<sup>3</sup> focusing on offshore Greater China high yield bonds. Since the launch of the fund in 2012, it has been drawing strong interests from investors hunting for yields. We will continue to adopt our value investing approach to more fixed income solutions, including new products covering the Asia-Pacific and other regions.

### ***Penetrate Greater China market***

The first half of 2014 is a milestone period for our China business as we have secured a number of advisory mandates from leading mainland financial institutions. We now have six A-share and cross-border advisory mandates<sup>2</sup> from various institutions and we are expecting to extend the list further.

With regard to our distribution strategy on the mainland, we have been focusing on fostering strategic relationship with major local banks and securities houses. They include Citic Securities, as well as Bank of China, China Merchants Bank and Industrial & Commercial Bank of China. In the near term, we expect to launch more fund products and obtain investment mandates from these domestic distribution partners. Meanwhile, we are also actively pursuing Chinese institutional investors, including insurance companies and sovereign funds, to capture cross-border mandates amid China's relaxation on overseas investment. We have organized a forum in May 2014 for investment executives from mainland insurers, deepening mutual understanding with these potential strategic partners. In addition, we have set up a Beijing office to facilitate client servicing activities.

Across the Straits, Taiwan has relaxed rules on overseas banking units (“OBU”) of banks and overseas securities units of brokerage firms, allowing overseas wealth management products to be introduced to foreigners in the Taiwan market. One of our key distribution partners in Taiwan has enlisted Value Partners products for distribution under OBU. In March 2014, the Group hosted its first Taiwan Financial Competitiveness Forum where distinguished guests from the island’s stock exchange and domestic financial institutions were invited to share their views on financial development and potential opportunities. This has strengthened our brand awareness among domestic financial institutions, particularly banks and insurance companies.

### ***Grow Asian footprint***

The Group’s Singapore office is expected to be opened in the second half of the year as we broaden our presence to Southeast Asia. The Singapore office will help pave the way for us to participate in Asian funds passport schemes which will be launched in coming years.

### ***Expand Chengdu loan business***

Vision Credit is a unit of the Group focusing on lending to the white collar, small-business entrepreneurs, as well as small and medium-sized enterprises in Chengdu. Since commencing operations in 2012, Vision Credit has built a full-fledged business in the city. It contributed HK\$11 million of profit to the Group during the review period, compared with HK\$0.2 million in the first half of 2013. Outstanding loan balance of Vision Credit increased to RMB248 million as of the end of June 2014 from RMB61 million a year earlier, and the loan portfolio has remained in good quality. In the second half of 2014, we plan to further penetrate into the Chengdu market and expand our loan book. We will make new financing option available if needed.

### **Asian Fund House of the year**

Value Partners has been strictly adhering to its value investment philosophy despite short-term volatility in the market. Our investment performance and fund management capabilities have brought us acknowledgment and appreciation from the industry. In 2014, we added two house awards to our list of accolades. In *AsianInvestor*’s Investment Performance Awards 2014, Value Partners won the Asian Fund House of the Year title, which is given to the best overall fund house headquartered in Asia Pacific for its outstanding achievement in a wide range of aspects including business strategy, execution, investment performance, innovation and success. Furthermore, we were named Asset Management Company of the Year for Hong Kong in The Asset Triple A Investor and Fund Management Awards 2014 as we are seen as delivering above-benchmark performance, as well as driving innovation and best practices in the industry.

On top of the esteemed house awards above, our High-Dividend Stocks Fund, designed to capture strong dividend plays across Asia Pacific, won two prestigious awards in March 2014 by being named the Best Asia ex-Japan Equity Fund in the Morningstar Awards 2014 and the Best Asia Pacific ex-Japan Equity Fund (5 years) in the Lipper Fund Awards 2014<sup>4</sup>. Our China Greenchip Fund, one of the popular Hong Kong’s Capital Investment Entrant Scheme (“CIES”) products that focuses on small- and mid-cap stocks in Greater China, was the winner of the Best Greater China Equity Fund (5 years) in the Lipper Fund Awards 2014<sup>4</sup>. The above reiterates recognition for our funds’ long-term performance.

## Appreciation

Finally, we would like to express our gratitude to our diligent team for their dedication and pursuit of performance excellence. We also extend our appreciation to our investors, business partners and shareholders for their continuous support.

1 *As of 31 July 2014.*

2 *Not available to the public in Hong Kong.*

3 *SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*

4 *The 2014 Morningstar awards were based on data of eligible funds in their respective Morningstar category up to 31 December 2013. The 2014 Lipper fund awards were based on data as of year-end 2013. Past performance is not indicative of future performance. Performance for Value Partners High-Dividend Stocks Fund (Class A1) (in US dollars): 2009: +82.8%, 2010: +25.8%, 2011: -11.9%, 2012: +25.2%, 2013: +8.1%, 2014 (YTD as at 31 July 2014): +9.9%. Performance of Value Partners China Greenchip Fund Limited (in HK dollars): 2009: +116.7%, 2010: +37.8%, 2011: -25.0%, 2012: +24.8%, 2013: +16.5%, 2014 (YTD as at 31 July 2014): +2.8%. Source: HSBC Institutional Trust Services (Asia) Limited, NAV to NAV, with dividend reinvested and net of all fees.*

## FINANCIAL REVIEW

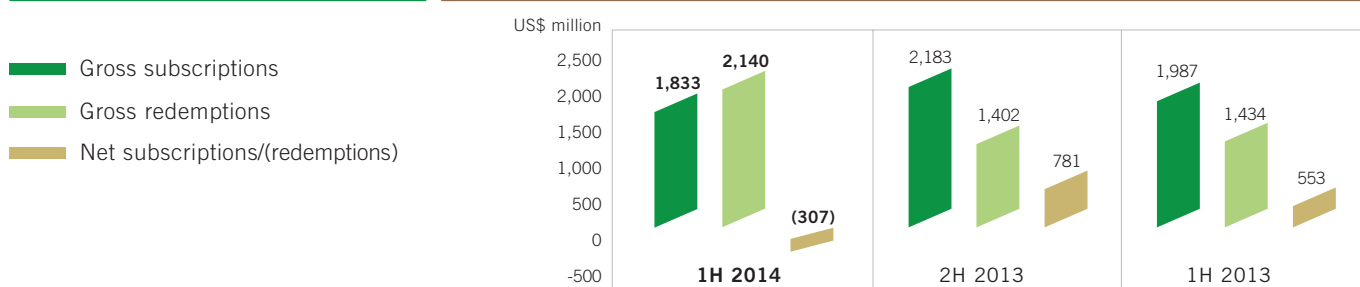
### Assets Under Management

#### AUM and return

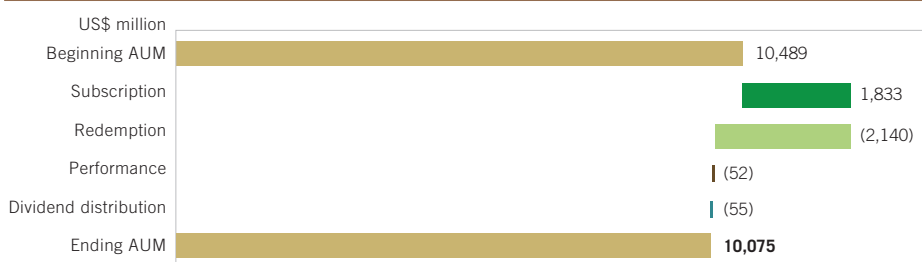
The Group's AUM amounted to US\$10,075 million at the end of June 2014 (31 December 2013: US\$10,489 million). The decrease was mainly driven by net redemptions of US\$307 million, together with a slight negative fund returns of US\$52 million recorded during the period. Our overall fund performance, as calculated in asset-weighted average return of funds under management, recorded a loss of 0.6% in the first half of 2014. Value Partners' flagship Classic Fund<sup>1</sup> dropped 2.6% in the period, while Value Partners High-Dividend Stocks Fund<sup>2</sup>, the Group's largest public fund<sup>3</sup> in Hong Kong, recorded a gain of 3.7% in the period.

Gross subscriptions in the first half of 2014 (US\$1,833 million) dropped slightly from the first half of 2013 (US\$1,987 million), while gross redemptions in the first half of 2014 (US\$2,140 million) increased from the first half of 2013 (US\$1,434 million). This results in a minor net redemption of US\$307 million (1H 2013: net subscriptions of US\$553 million).

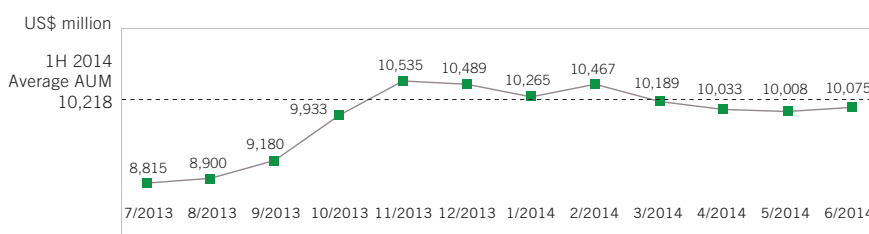
In July 2014, the Group's AUM increased to an all-time high of US\$10.7 billion as fund performance and net sales improved. The Group recorded about US\$100 million of net inflow in July, reducing year-to-date net redemptions to about US\$200 million.



#### AUM change in the first half of 2014<sup>4</sup>



#### Monthly AUM in the past twelve months



## AUM by category

The charts below provide an analysis of the Group's AUM as at 30 June 2014 by three different classifications: brand, strategy and fund type. For the year, Own Branded Funds (63%) continued to record an increase due to higher fund inflows into our own branded products amid the expansion of our distribution network. By strategy, our Absolute Return Long-biased Funds continued to represent the majority of our funds (88%), followed by our Fixed Income Funds (7%), in which our Greater China High Yield Income Fund took the largest share. In terms of fund type, Hong Kong Securities and Futures Commission ("SFC") authorized funds<sup>3</sup> (i.e. public funds in Hong Kong) maintained the largest portion of our AUM (80%).

### Classification by brand

- Own Branded Funds
- White Label & Co-branded Funds

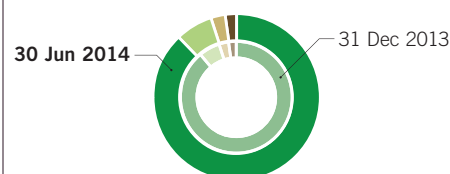
	30 Jun 2014	31 Dec 2013
Own Branded Funds	63%	62%
White Label & Co-branded Funds	37%	38%



### Classification by strategy

- Absolute Return Long-biased Funds
- Fixed Income Funds
- Long-short Hedge Funds
- ETF & Quantitative Funds

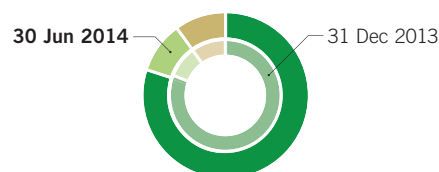
	30 Jun 2014	31 Dec 2013
Absolute Return Long-biased Funds	88%	89%
Fixed Income Funds	7%	6%
Long-short Hedge Funds	3%	3%
ETF & Quantitative Funds	2%	2%



### Classification by type

- SFC authorized Funds<sup>3</sup>
- Non-SFC authorized Funds
- Managed Accounts

	30 Jun 2014	31 Dec 2013
SFC authorized Funds <sup>3</sup>	80%	81%
Non-SFC authorized Funds	10%	9%
Managed Accounts	10%	10%



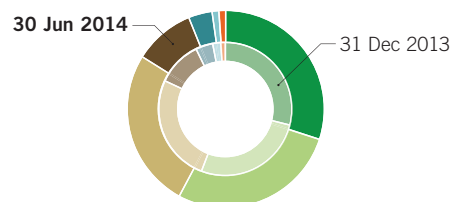
## Client base

Institutional clients – including institutions, pension funds, high-net-worth individuals (HNWs), endowments and foundations, funds of funds, together with family offices and trusts – remained the Group's primary set of fund investors, accounting for 70% of our AUM (31 December 2013: 71%). The proportion of funds coming from retail investors increased to 30% of the AUM (31 December 2013: 29%) as a result of the higher fund inflow from Hong Kong retail investors through our expanded distribution network which includes retail banks. By geographical region, Hong Kong clients accounted for 71% of the Group's AUM (31 December 2013: 71%), while the percentage of clients in the United States and Europe was 19% (31 December 2013: 19%).

### Client analysis by type

- Retail
- Institutions
- Pension funds
- High-net-worth individuals
- Endowments & foundations
- Funds of funds
- Family offices & trusts

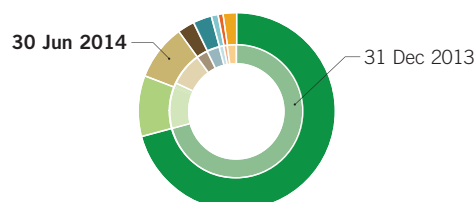
	30 Jun 2014	31 Dec 2013
Retail	30%	29%
Institutions	26%	26%
Pension funds	26%	26%
High-net-worth individuals	12%	12%
Endowments & foundations	4%	4%
Funds of funds	1%	2%
Family offices & trusts	1%	1%



### Client analysis by geographical region

- Hong Kong
- United States
- Europe
- Australia
- Singapore
- China
- Taiwan
- Others

	30 Jun 2014	31 Dec 2013
Hong Kong	71%	71%
United States	10%	11%
Europe	9%	8%
Australia	3%	3%
Singapore	3%	3%
China	1%	1%
Taiwan	1%	1%
Others	2%	2%



## Summary of results

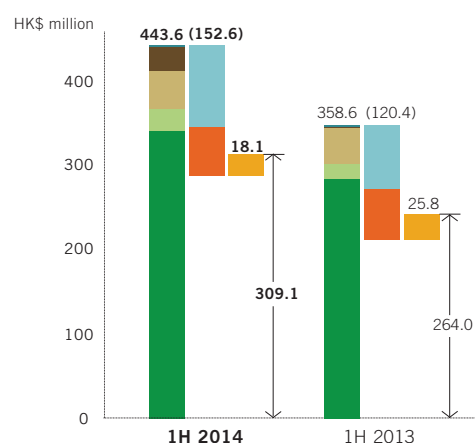
The key financial highlights for the reporting period are as follows:

(In HK\$ million)	1H 2014	1H 2013	% Change
Total revenue	<b>443.6</b>	358.6	+23.7%
Gross management fees	<b>340.7</b>	291.0	+17.1%
Gross performance fees	<b>21.9</b>	15.4	+42.2%
Operating profit (before other gains/losses)	<b>159.2</b>	126.1	+26.2%
Profit attributable to equity holders of the Company	<b>140.6</b>	3.3	+4,160.6%
Basic earnings per share (HK cents)	<b>8.0</b>	0.2	+3,900.0%
Diluted earnings per share (HK cents)	<b>8.0</b>	0.2	+3,900.0%
Interim dividend per share	<b>Nil</b>	Nil	

## Revenue and fee margin

### Breakdown of total net income

(In HK\$ million)	1H 2014	1H 2013
<b>Revenue</b>		
Management fees	340.7	291.0
Performance fees	21.9	15.4
Front-end fees	55.0	47.3
Interest income from loan portfolio	23.7	4.5
Fee income from loan portfolio	2.3	0.4
<b>Distribution and advisory fee expenses</b>		
Management fee rebate	(98.7)	(74.7)
Other revenue rebate	(53.9)	(45.7)
<b>Other income</b>		
Other income	18.1	25.8



The Group's total revenue increased by 23.7% to HK\$443.6 million for the six months ended 30 June 2014 (1H 2013: HK\$358.6 million). The major contribution to our revenue was gross management fees, which increased to HK\$340.7 million (1H 2013: HK\$291.0 million) as a result of a 12.0% increase in the Group's average AUM to US\$10,218 million (1H 2013: US\$9,121 million). With comparatively higher fund inflows from distribution channels into our Own Branded Funds, our annualized gross management fee margin increased to 87 basis points (1H 2013: 83 basis points). Management fee rebates paid to distribution channels increased correspondingly by 32.1% to HK\$98.7 million (1H 2013: HK\$74.7 million), and as a result, annualized net management fee margin stood at 62 basis points (1H 2013: 62 basis points).

Gross performance fees, another source of revenue, amounted to HK\$21.9 million, representing a HK\$6.5 million increase (1H 2013: HK\$15.4 million). During the period under review, performance fees were generated when funds, at the dates of their performance fee crystallization, reported performances that had exceeded their benchmark returns for the respective periods ended or high watermarks. Since the dates of performance fee crystallization for most of our major own branded funds are at the end of the year, the performance of our funds in the second half of the year would determine whether we can collect further performance fees in 2014.

Other revenue mainly includes front-end load, of which a substantial amount was rebated to distribution channels, and such rebate is a usual market practice. Other revenue also includes HK\$26.0 million (1H 2013: HK\$4.9 million) of interest and fee income generated from the loan portfolio of our majority-owned subsidiary that operates and develops small loan business in Chengdu. The small loan business commenced operations in the second half of 2012.

Other income, which mainly comprises dividend income and interest income, slightly decreased to HK\$18.1 million (1H 2013: HK\$25.8 million). Dividend income increased to HK\$11.8 million (1H 2013: HK\$7.0 million), while interest income decreased to HK\$5.8 million (1H 2013: HK\$17.6 million) because of a drop in interest-bearing bond investments.

### Other gains and losses

Breakdown of other losses – net	(In HK\$ million)	1H 2014	1H 2013
		Changes in fair value of investment properties	–
Net gains/(losses) on investments		3.1	(84.0)
Net losses on investments held-for-sale		(5.4)	(17.8)
Others		(4.5)	(1.7)
		<b>(6.8)</b>	<b>(99.5)</b>

Other gains or losses mainly include fair value changes and realized gains or losses on investment items including seed capital investments, investments in own funds, debt securities and other investments; together with net foreign exchange gains or losses. Seed capital investments are made by the Group to seed certain amount of capital to new funds which is considered necessary during the initial fund launch phase. The Group also invests in its own funds side by side with investors where appropriate, for better alignment of interest and investment returns.

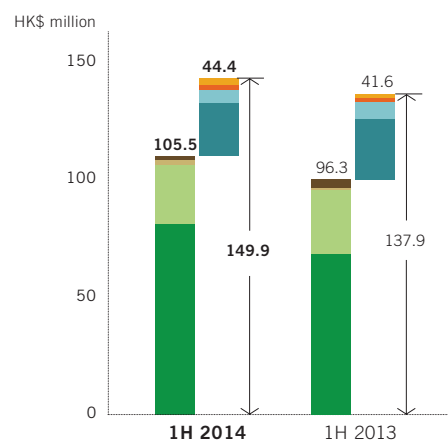
### Investment in an associate

In March 2012, the Group acquired 49% of interests in Value Partners Goldstate Fund Management Company Limited (“VP Goldstate”). VP Goldstate engages in asset management and trust businesses in mainland China. The Group’s share of gain amounted to HK\$9.5 million (1H 2013: share of loss of HK\$6.0 million).

### Cost management

#### Breakdown of total expenses

(In HK\$ million)	1H 2014	1H 2013
<b>Compensation and benefit expenses</b>		
Fixed salaries and staff benefits	70.1	59.5
Management bonus	30.6	31.2
Staff rebates	2.5	1.4
Share-based compensation expenses	2.3	4.2
<b>Other expenses</b>		
Other fixed operating costs	28.5	26.9
Sales and marketing	8.7	9.5
Depreciation	2.7	2.9
Non-recurring expenses	4.5	2.3





The Group's management continued to exercise stringent cost discipline and aimed to keep fixed operating expenses well covered by its net management fee income, a relatively stable income source. We measure this objective with "fixed cost coverage ratio", an indicator of how many times fixed operating expenses are covered by net management fee income. For the current period, the Group's fixed cost coverage (for asset management business) was 2.7 times.

#### *Compensation and benefit expenses*

Fixed salaries and staff benefits increased by HK\$10.6 million to HK\$70.1 million (1H 2013: HK\$59.5 million). The increase was mainly attributable to salary increments and the additional headcount costs incurred by the majority-owned subsidiary in Chengdu.

Management bonuses amounted to HK\$30.6 million for the current period (1H 2013: HK\$31.2 million). This is consistent with the Group's compensation policy, which distributes 20% to 23% of the net profit pool every year as management bonuses to employees. The net profit pool comprises net profit before management bonuses and taxation after certain adjustments including cost of capital. This discretionary bonus promotes staff loyalty and performance, while aligning the interests of employees with those of shareholders.

Staff rebates increased to HK\$2.5 million (1H 2013: HK\$1.4 million). Staff are entitled to partial rebates of management fees and performance fees when investing in funds managed by the Group.

The Group also recorded HK\$2.3 million of expenses relating to stock options granted to employees. This expense item has no impact on cash flow and is recognized in accordance with Hong Kong Financial Reporting Standards.

#### *Other expenses*

Other non-staff operating costs such as rents, legal and professional fees, investment research fees, as well as other administrative and office expenses, amounted to HK\$28.5 million (1H 2013: HK\$26.9 million).

Sales and marketing expenses decreased to HK\$8.7 million for the current period (1H 2013: HK\$9.5 million) as a result of stringent control over advertising and distributor sponsorship.

Non-recurring expenses mainly consisted of donations. The Group entered into a partnership with the Hong Kong University of Science and Technology ("HKUST") in 2011, and launched the "Value Partners Center for Investing" at the HKUST Business School. The Group had pledged a donation of up to HK\$10.0 million over five years and HK\$1.8 million was donated during the current period.

#### *Dividends*

The Group has been practising a consistent dividend distribution policy that takes into account of the relatively volatile nature of asset management income streams. This policy states that dividends (if any) will be declared once a year at the end of each financial year to better align them with the Group's full-year performance. Barring any unexpected changes in the market environment, we expect that a final dividend (but not interim dividend) will be declared this year.

#### *Liquidity and financial resources*

Fee income is the Group's main source of income, while other income sources include interest income generated from bank deposits and interest-bearing bond investments, together with dividend income from investments held. During the period, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK\$1,143.6 million. Net cash inflows from operating activities amounted to HK\$187.9 million. The Group had no bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities. The Group's debt-to-equity ratio (interest-bearing external borrowings divided by shareholders' equity) stood at zero while current ratio (current assets divided by current liabilities) came to 10.0 times.

## ***Capital structure***

As at 30 June 2014, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK\$2,767.9 million and 1.76 billion, respectively.

- 1 *Performance of Value Partners Classic Fund (A Units) over past five years: 2009: +82.9%; 2010: +20.2%; 2011: -17.2%; 2012: +14%; 2013: +11.2%; 2014 (YTD as at 31 July 2014): +3.4%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*
- 2 *Performance of Value Partners High-Dividend Stocks Fund (Class A1) over past five years: 2009: +82.8%; 2010: +25.8%; 2011: -11.9%; 2012: +25.2%; 2013: +8.1%; 2014 (YTD as at 31 July 2014): +9.9%. Performance figures are calculated in US dollars on NAV to NAV, with dividends reinvested. Performance data is net of all fees.*
- 3 *SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*
- 4 *Excluding AUM of VP Goldstate, in which the Group holds an ownership interest of 49%.*

*Source: HSBC Institutional Trust Services (Asia) Limited. Investment involves risk and past performance is not indicative of future results. Investors should read the explanatory memorandum for details and risk factors.*

## **OTHER INFORMATION**

### **Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

### **Foreign Exchange**

Except for its Renminbi-denominated bank deposit and loan portfolio in China, which has a balance of around HK\$850.6 million, the Group has no significant foreign currency exposure because the majority of receipts and payments as well as assets and liabilities are denominated in the Hong Kong dollar (the Company's functional and presentation currency) and the United States dollar, which is currently linked to the Hong Kong dollar.

### **Human Resources**

As at 30 June 2014, the Group employed a total of 137 staff (30 June 2013: 116) in Hong Kong and the research office in Shanghai, 3 staff (30 June 2013: nil) in Singapore, 29 staff (30 June 2013: 23) in Taiwan and 58 staff (30 June 2013: 36) in Chengdu. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options are granted and discretionary bonuses are also given based on the Group's and individual staff's performances.

### **Purchase, Sale or Redemption of the Company's Securities**

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

### **Audit Committee**

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has an audit committee which comprises three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Group for the six months ended 30 June 2014.

### **Independent Review of Interim Results**

The unaudited interim results of the Group for the six months ended 30 June 2014 have been reviewed by PricewaterhouseCoopers, the Company's Auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

## **Corporate Governance**

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014.

## **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2014.

## **Publication of Interim Results and Interim Report on the Stock Exchange**

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

## **Our Appreciation**

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

By order of the board of  
**Value Partners Group Limited**  
**TSE Wai Ming, Timothy, CFA**  
*Chief Executive Officer and Executive Director*

Hong Kong, 13 August 2014

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