

Value Partners Group Limited

Incorporated in the Cayman island with limited liability

A company listed on the Hong Kong Stock Exchange

Stock code: 806 HK

2013 Interim Results

For the period ended 30 June 2013

Results Presentation, 13 August 2013



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Business review & financial highlights

By Timothy Tse
Chief Executive Officer

Key highlights

	% change	
Net sales: US\$553mn	↑ 678.9%	<ul style="list-style-type: none"> • 1H2012: US\$71mn • Mainly contributed by existing equity funds • Greater China High Yield Income Fund • New QFII A-share fund • Inflow from China and Taiwan businesses
AUM: US\$8,588mn¹	↑ 0.9%	<ul style="list-style-type: none"> • Dec 2012: US\$8,509mn
Revenue: HK\$358.6mn	↑ 34.5%	<ul style="list-style-type: none"> • Gross management fees: +27.5% • Gross performance fees: +1,611.0% • Net management fee margin: 62bp (+1bp)
Profit: HK\$3.3mn	↓ 96.3%	<ul style="list-style-type: none"> • Investment aggregate losses was HK\$101.8mn (in 1H 2013), largely driven by the net fair value losses in seed capital investments and investments in our own funds • Recouped HK\$36.7mn, by end of Jul 2013
Operating profit²: HK\$126.1mn	↑ 42.0%	<ul style="list-style-type: none"> • Prudent cost control: operating expenses stayed flat (exclude management bonus & options) • Net operating cash inflow: HK\$126.9mn

Strategic business development

Growth drivers	Products	Net sales for 1H 2013	Features
Strengthening distribution channels	VP High-Dividend Stocks Fund	US\$309 million	<ul style="list-style-type: none"> To capture strong dividend plays across Asia Pacific
	VP China Greenchip Fund & VP China Convergence Fund	US\$122 million	<ul style="list-style-type: none"> Focuses on small- and mid-cap Greater China stocks Invests in the A-, B- and H-share markets
Sticky pension inflow	An MPF Greater China equity mandate	US\$60 million	<ul style="list-style-type: none"> Manage for a leading scheme provider in HK Largest active MPF fund
Product line expansion	VP Greater China High Yield Income Fund	US\$177 million	<ul style="list-style-type: none"> The only public fund focused on the Greater China high yield bond Obtained SFC authorization in Jun 2013
	A QFII A-share private placement fund ¹	US\$50 million	<ul style="list-style-type: none"> Launched in Mar 2013 Aim to capture the long term growth of China's economy through investing directly in China A-shares
China and Taiwan business development	A new Greater China absolute return equity fund ¹ (in Taiwan)	US\$44 million	<ul style="list-style-type: none"> Launched in Feb 2013 An equity fund focusing on Greater China investments
	An equity QDII fund ¹ (in mainland)	US\$33 million (RMB209 million)	<ul style="list-style-type: none"> VP's first QDII product for private investors, in partnership with China Merchant Bank for product distribution

1. Not authorized by the SFC and not available for public distribution in Hong Kong.

Greater China development initiatives

Our China sales

- ▮ To capture capital outflow from China
- ▮ To expand our management of mainland's domestic wealth
 - ▮ Broadening our product offerings across asset classes and geographies
 - ▮ Collaboration with other top-tier mainland distributors
 - ▮ In discussion with mainland institutional investors



- ▮ Established an office in Beijing in May 2013, to facilitate our China sales and business development initiatives.



Shanghai WOFE

- ▮ Facilitates China sales and business development initiatives, as well as investment research.



- ▮ Commenced business in Aug 2012.
- ▮ Loan balance outstanding was around HK\$77 million as of 30 Jun 2013.

**Hong Kong
Head Office**



- ▮ The new Greater China equity fund ¹ brought the AUM to NT\$1.6 billion by end of Jun 2013.

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Our recent awards and recognitions

**Institutional
Investor**

**Institutional Investor's Alpha Magazine:
The 2013 Hedge Fund 100**

Rank		Firm/Fund	Location	Firm/fund Capital (\$mn)	
2013	2012			2013	2012
60	66	Fir Tree Partners	US	8,700	7,200
60	56	Marathon Asset Mgmt	US	8,700	8,090
62	68	Value Partners	Hong Kong	8,509	7,154
63	46	Transtrend	Netherlands	8,500	9,500
64	49	CarVal Investors	US	8,000	9,000
64	52	Vinik Asset Mgmt	US	8,000	8,900

BARRON'S

Value Partners High-Dividend Stocks Fund
Ranked 92nd globally on the 2012 list of "Best 100 Hedge Funds" ¹



Chinese Mainland Focus Fund
2013 Best China Equity (5 Years)

Value Partners China Greenchip Fund Limited
2013 Best Greater China Equity (5 Years)

1. A ranking based on 3-year compound annual returns and a minimum fund size of US\$300 million as at Dec 2012. Value Partners High-Dividend Stocks Fund is not authorized as a hedge fund by the SFC in Hong Kong according to the Code on Unit Trusts and Mutual Funds. 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.

Financial Review

By Icy Wong
Head of Finance

Financial performance overview

(HK\$ million)	1H 2013	1H 2012	% Change
Fee income	358.6	266.6	+34.5%
Distribution and advisory fee expenses	(120.4)	(86.4)	+39.4%
Net fee income	238.2	180.2	+32.2%
Other income	25.8	25.4	+1.6%
Total net income	264.0	205.6	+28.4%
Total expenses	(137.9)	(116.8)	+18.1%
Operating profit (before other gains/losses)	126.1	88.8	+42.0%
Other (losses)/gains – net	(99.5)	14.4	-791.0%
Operating profit (after other gains/losses)	26.6	103.2	-74.2%
Share of loss of an associate	(6.0)	(4.5)	-33.3%
Profit before tax	20.6	98.7	-79.1%
Tax expenses	(19.1)	(14.7)	+29.9%
Profit for the period	1.5	84.0	-98.2%
Profit attributable to equity holders of the Company	3.3	88.2	-96.3%
Basic earnings per share (HK cents)	0.2	5.0	-96.0%
Diluted earnings per share (HK cents)	0.2	5.0	-96.0%
Interim dividend	Nil	Nil	

Breakdown of total net income

(In HK\$ million)	1H 2013	1H 2012
Revenue	358.6	266.6
Management fees	291.0	228.3
Performance fees	15.4	0.9
Other revenue:		
Front-end fees	47.3	37.4
Interest income from loan portfolio	4.5	-
Fee income from loan portfolio	0.4	-
Distribution and advisory fee expenses	(120.4)	(86.4)
Management fees rebate	(74.7)	(50.6)
Performance fees rebate	-	(0.0)
Front-end fees rebate	(45.7)	(35.8)
Other income	25.8	25.4
Total net income	264.0	205.6

Breakdown of other (losses)/gains

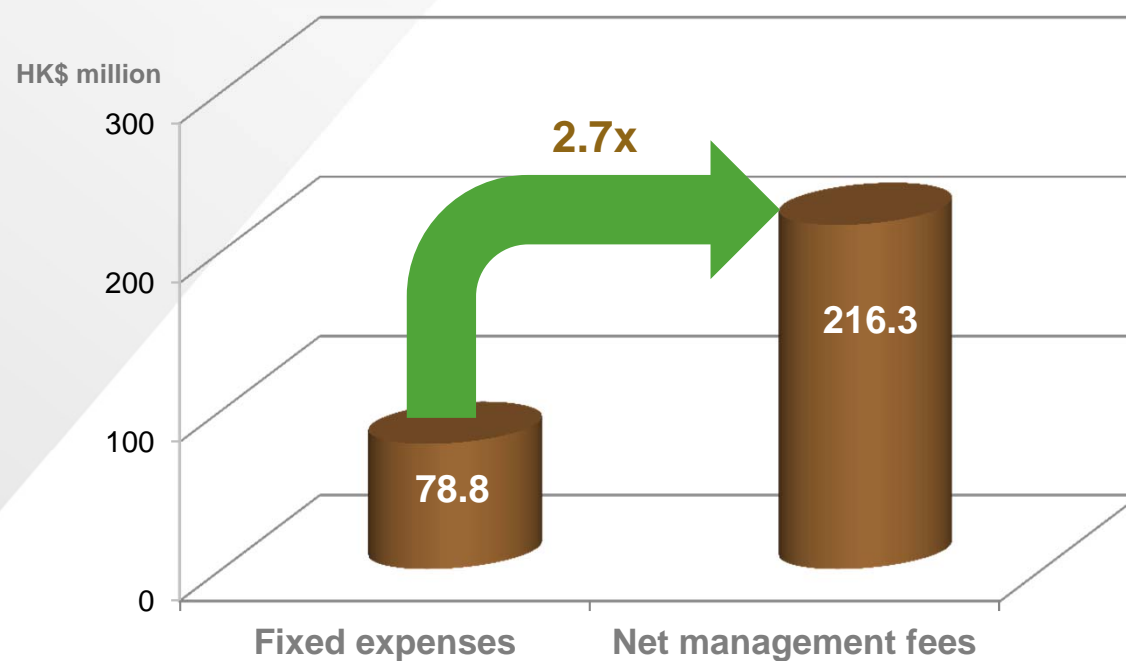
(In HK\$ million)	1H 2013	1H 2012
Changes in fair value of investment properties	4.0	15.0
Net (losses)/gains on investments	(84.0)	0.6
Net losses on investments held-for-sale	(17.8)	--
Net foreign exchange losses	(1.7)	(1.2)
Other (losses)/gain – net	(99.5)	14.4

Breakdown of total expenses

(In HK\$ million)	1H 2013	1H 2012
Compensation and benefit expenses	96.3	76.1
Fixed salaries and staff benefits	59.5	58.7
Management bonus	31.2	15.4
Staff rebates	1.4	1.2
Share-based compensation expenses	4.2	0.8
Other expenses	41.6	40.7
Other fixed operating costs	26.9	28.3
Sales and marketing	9.5	7.7
Depreciation	2.9	2.9
Non-recurring expenses	2.3	1.8
Total expenses	137.9	116.8

Flexible cost structure

Fixed cost coverage ratio (asset management business)



Notes: Fixed expenses mainly represent fixed salaries and benefits, rent, investment research, and other administrative and office expenses for asset management business.

A strong balance sheet

Consolidated balance sheet

HK\$ million	<u>30/6/2013</u>		<u>30/6/2012</u>	
Assets				
Investments	1,456.9	57%	1,632.8	55%
Cash	822.9	32%	888.1	30%
Receivables	83.3	3%	179.1	6%
Others	186.3	8%	282.6	9%
Total assets	2,549.4		2,982.6	
Liabilities				
Payables & accruals	(120.7)		(265.4)	
Equities	2,428.7		2,717.2	

- Strong cash position
- No borrowing/debt
- Current ratio at 12.6x

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