



## 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 Final Results

For the year ended 31 December 2013

*Results Presentation, 13 March 2014*



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# Business review & financial highlights

*By Timothy Tse*  
*Chief Executive Officer*





# Key highlights

	<i>% change</i>	
<b>Net sales:</b> <b>US\$1,334 million</b>	<b>↑ 629%</b>	<ul style="list-style-type: none"> <li>" 2012: US\$183 million</li> <li>" Mainly contributed by High-Dividend Stocks Fund and Greater China High Yield Income Fund</li> <li>" Other contributors include inflows from new institutional mandates, as well as those from China and Taiwan businesses</li> </ul>
<b>AUM:</b> <b>US\$10.5 billion</b>	<b>↑ 23%</b>	<ul style="list-style-type: none"> <li>" Dec 2012: US\$8.5 billion</li> <li>" Average monthly AUM: US\$9.4 billion (+23%)</li> </ul>
<b>Revenue:</b> <b>HK\$1,028 million</b>	<b>↑ 58%</b>	<ul style="list-style-type: none"> <li>" 2012: HK\$652 million</li> <li>" Gross management fees: +31%</li> <li>" Gross performance fees: +183%</li> <li>" Net management fee margin: 61bp (+1bp)</li> </ul>
<b>Profit:</b> <b>HK\$384 million</b>	<b>↑ 2%</b>	<ul style="list-style-type: none"> <li>" 2012: HK\$376 million</li> </ul>
<b>Operating profit<sup>1</sup>:</b> <b>HK\$468 million</b>	<b>↑ 84%</b>	<ul style="list-style-type: none"> <li>" 2012: HK\$254 million</li> <li>" Prudent cost control: fixed recurring cost only rose 6% (exclude management bonus &amp; options)</li> </ul>
<b>Final dividend per share:</b> <b>HK10.7 cents</b>	<b>↑ 70%</b>	<ul style="list-style-type: none"> <li>" 2012: final dividend of HK6.3 cents; special dividend of HK9.7 cents</li> </ul>

1. Before other gains/losses.

# Robust core businesses

Growth drivers	Products	2013 net sales	Features
Diversified distribution channels	<b>VP High-Dividend Stocks Fund</b> (AUM: US\$1,747 million) ★★★★★  <sup>2</sup>	US\$790 million	“ Captures strong dividend plays across Asia Pacific
	<b>VP China Greenchip Fund</b> (AUM: US\$324 million) ★★★★★  <sup>2</sup>	US\$200 million	“ Focuses on small- and mid-cap Greater China stocks “ Emerged as a choice for Capital Investment Entrant Schemes (CIES+) participants
White-label products	<b>An MPF Greater China equity mandate</b>	US\$74 million	“ Runs Hong Kong’s largest MPF fund for Manulife “ Manages two of Manulife’s UCITS-compliant funds
Product line expansion	<b>VP Greater China High Yield Income Fund</b>	US\$394 million	“ Hong Kong’s first public fund focusing on offshore Greater China high-yield bonds “ Obtained SFC authorization in Jun 2013
	<b>A QFII A-share private placement fund <sup>1</sup></b>	US\$50 million	“ Invests directly in China A-shares “ Launched in Mar 2013
China and Taiwan business development	<b>An equity QDII fund <sup>1</sup> (in mainland)</b>	US\$33 million (RMB209 million)	“ VP’s first QDII product for private investors “ Launched in Feb 2013 in partnership with China Merchants Bank for product distribution
	<b>An A-share advisory mandate from a leading mainland bank <sup>1</sup> (in mainland)</b>	US\$24 million	“ Continues to win mandates from leading mainland institutions
	<b>A new Greater China absolute return equity fund <sup>1</sup> (in Taiwan)</b>	US\$21 million	“ Focuses on Greater China investments “ Launched in Feb 2013
	<b>A balanced income fund <sup>1</sup> (in Taiwan)</b>	US\$17 million	“ VP’s first balanced fund product “ Launched in Dec 2013 with a key business partner in Taiwan
New institutional mandates	<b>The Asia Pacific Fund, Inc. <sup>1</sup> and a US private fund <sup>1</sup></b>	US\$175 million	“ Institutional investors accounted for 29% of the Group’s AUM as of the end of 2013

1. Not authorized by the SFC and not available for public distribution in Hong Kong. 2. As of February 2014.

# Greater China footprint

Location	Business scope
<b>Hong Kong</b>	
<b>Hong Kong Head Office</b>	<ul style="list-style-type: none"> <li>" Capturing outflow from China</li> <li>" Expanding our management of domestic wealth                             <ul style="list-style-type: none"> <li>" QDII product expansion</li> <li>" Collaboration with other top-tier mainland distributors</li> </ul> </li> </ul>
<b>China</b>	
<b>Shanghai WOFE</b> 上海惠理投資管理諮詢有限公司	<ul style="list-style-type: none"> <li>" Facilitating China sales and business development initiatives, as well as investment research.</li> </ul>
<b>Shanghai – AMC JV</b> Value Partners Goldstate Fund Management	<ul style="list-style-type: none"> <li>" VP Group owns 49% stake</li> <li>" Engaging in fund management and trust businesses in mainland China</li> </ul>
<b>Beijing</b>	<ul style="list-style-type: none"> <li>" Established in May 2013, to facilitate our China sales and business development initiatives</li> </ul>
<b>Chengdu</b> Chengdu Vision Credit	<ul style="list-style-type: none"> <li>" Loan balance at RMB181 million as of Dec 2013</li> <li>" Employed around 50 staff as of Dec 2013</li> </ul>
<b>Taiwan</b>	
Value Partners Concord Asset Management	<ul style="list-style-type: none"> <li>" Launched Greater China equity fund<sup>1</sup> in Feb 2013, boosting total AUM of Taiwan business to US\$50 million as of the end of 2013</li> <li>" Introducing key products in Taiwan as rules on overseas business units relax</li> </ul>



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# Financial review

*By Icy Wong*

*Head of Finance*



# Financial performance overview

(HK\$ million)	2013	2012	% Change
Fee income	1,027.6	651.6	+57.7%
Distribution and advisory fee expenses	(252.6)	(179.0)	+41.1%
<b>Net fee income</b>	<b>775.0</b>	472.6	+64.0%
Other income	45.2	54.1	-16.5%
<b>Total net income</b>	<b>820.2</b>	526.7	+55.7%
<b>Total expenses</b>	<b>(352.0)</b>	(272.4)	+29.2%
<b>Operating profit (before other gains/losses)</b>	<b>468.2</b>	254.4	+84.0%
<b>Other (losses)/gains – net</b>	<b>(9.7)</b>	176.9	-105.5%
<b>Operating profit (after other gains/losses)</b>	<b>458.5</b>	431.3	+6.3%
Share of gains/ (losses) of an associate	1.2	(16.2)	+107.4%
<b>Profit before tax</b>	<b>459.7</b>	415.1	+10.7%
Tax expenses	(78.5)	(45.6)	+72.1%
<b>Profit for the year</b>	<b>381.2</b>	369.5	+3.2%
<b>Profit attributable to equity holders of the Company</b>	<b>384.3</b>	376.4	+2.1%
<b>Basic earnings per share (HK cents)</b>	<b>21.9</b>	21.4	+2.3%
<b>Diluted earnings per share (HK cents)</b>	<b>21.8</b>	21.4	+1.9%
<b>Final dividend per share (HK cents)</b>	<b>10.7</b>	6.3	+69.8%
<b>Special dividend per share (HK cents)</b>	<b>Nil</b>	9.7	



# Breakdown of total net income

(In HK\$ million)	2013	2012
<b>Revenue</b>	<b>1,027.6</b>	651.6
Management fees	<b>603.9</b>	461.8
Performance fees	<b>317.0</b>	112.1
Other revenue:		
Front-end fees	<b>87.5</b>	77.2
Interest income from loan portfolio	<b>18.0</b>	0.3
Fee income from loan portfolio	<b>1.2</b>	0.2
<b>Distribution and advisory fee expenses</b>	<b>(252.6)</b>	(179.0)
Management fee rebates	<b>(160.2)</b>	(104.5)
Performance fee rebates	<b>(7.4)</b>	(0.5)
Other revenue rebate	<b>(85.0)</b>	(74.0)
<b>Other income</b>	<b>45.2</b>	54.1
<b>Total net income</b>	<b>820.2</b>	526.7

## Breakdown of other (losses)/gains

(In HK\$ million)	2013	2012
Changes in fair value of investment properties	(18.5)	24.0
Net gains on investments	4.1	132.7
Net gains on investments held-for-sale	5.8	23.5
Others	(1.1)	(3.3)
<b>Other (losses)/gains – net</b>	<b>(9.7)</b>	<b>176.9</b>

### Investment in an associate

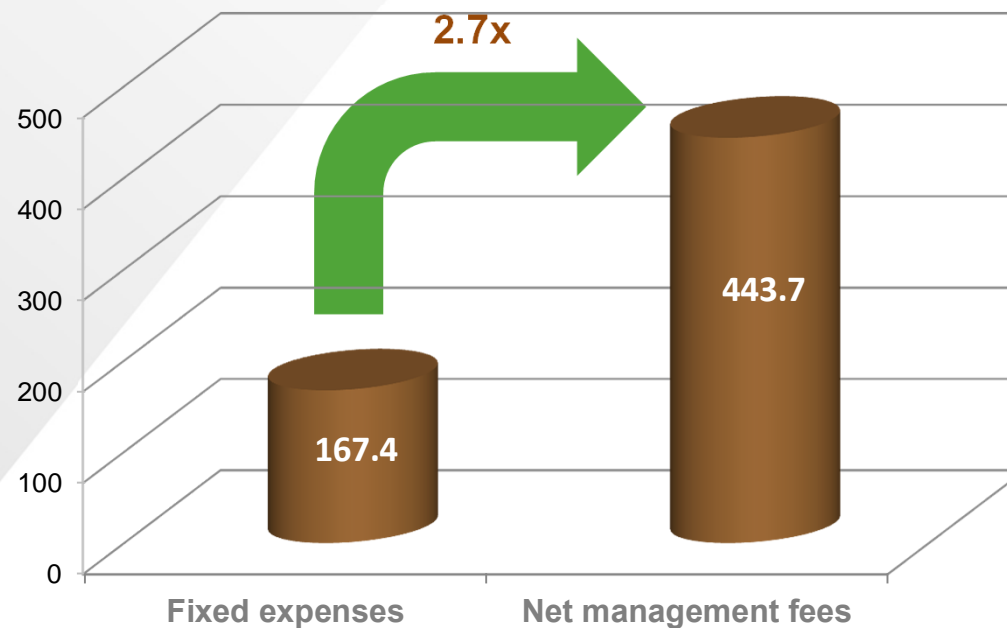
(In HK\$ million)	2013	2012
Share of gains/(losses) of an associate	1.2	(16.2)

# Breakdown of total expenses

(In HK\$ million)	2013	2012
<b>Compensation and benefit expenses</b>	<b>267.7</b>	197.1
Fixed salaries and staff benefits	129.9	122.6
Management bonus	125.1	68.2
Staff rebates	4.5	2.9
Share-based compensation expenses	8.2	3.4
<b>Other expenses</b>	<b>84.3</b>	75.3
Other fixed operating costs	57.1	53.4
Sales and marketing	16.4	13.7
Depreciation	6.0	5.9
Non-recurring expenses	4.8	2.3
<b>Total expenses</b>	<b>352.0</b>	272.4

# 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.*

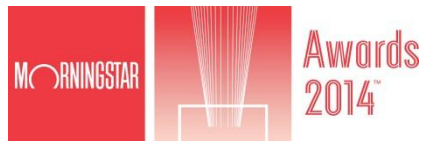
# A strong balance sheet

## Consolidated balance sheet

HK\$ million	<u>31/12/2013</u>		<u>31/12/2012</u>	
<b>Assets</b>				
Investments	<b>1,658.5</b>	<b>54%</b>	1,632.8	55%
Cash	<b>692.1</b>	<b>22%</b>	888.1	30%
Receivables	<b>386.4</b>	<b>13%</b>	179.1	6%
Others	<b>343.5</b>	<b>11%</b>	282.6	9%
<b>Total assets</b>	<b>3,080.5</b>		2,982.6	
<b>Liabilities</b>				
Payables & accruals	<b>(251.8)</b>		(265.4)	
<b>Equities</b>	<b>2,828.7</b>		2,717.2	

- ▶ Strong cash position
- ▶ No borrowing/debt
- ▶ Current ratio at 7.6x

# Appendix: our recent awards and recognition



**2014 Best Asia ex-Japan Equity  
VP High-Dividend Stocks Fund**



**2013 Outstanding Achiever  
Asia-Pacific Equity Fund  
VP High-Dividend Stocks Fund**

**BARRON'S**

**"Best 100 Hedge Funds" in 2013  
VP High-Dividend Stocks Fund**

**Institutional  
Investor**

**2013 Asia Hedge Fund 25  
Value Partners was ranked No. 1  
for 4 consecutive years (since  
2010)**

**2013 Hedge Fund 100  
Value Partners was ranked 62<sup>nd</sup>  
globally by AUM**

**文匯報**

**2013 Outstanding  
Fund Management Business  
Value Partners**

1. The Morningstar 2014 award was based on data of eligible funds in their respective Morningstar category up to 31 December 2013.
2. Benchmark Fund of the Year Awards 2013 were based on data as of 30 September 2013.
3. Value Partners High-Dividend Stocks Fund is not authorized as a hedge fund by the Securities and Futures Commission ("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.

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