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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 2016**

**FINANCIAL HIGHLIGHTS**

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

<b>(In HK\$ million)</b>	<b>For the period ended 30 June</b>		
	<b>2016 Unaudited</b>	<b>2015 Unaudited</b>	<b>% Change</b>
Total revenue	<b>729.6</b>	924.8	-21.1%
Gross management fees	<b>529.2</b>	548.8	-3.6%
Gross performance fees	<b>5.2</b>	229.2	-97.7%
Operating profit (before other gains/losses)	<b>110.4</b>	361.7	-69.5%
Profit attributable to owners of the Company	<b>5.0</b>	445.7	-98.9%
Basic earnings per share (HK cents)	<b>0.3</b>	24.2	-98.8%
Diluted earnings per share (HK cents)	<b>0.3</b>	24.1	-98.8%
Interim dividend per share	<b>Nil</b>	Nil	

**INTERIM RESULTS**

The Board of Directors (the “Board”) of Value Partners Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the period ended 30 June 2016.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
<b>Income</b>			
Fee income and other revenue	2	729,594	924,842
Distribution and advisory fee expenses		(394,201)	(323,405)
<b>Net fee income</b>		<b>335,393</b>	601,437
Other income		16,081	17,957
<b>Total net income</b>		<b>351,474</b>	619,394
<b>Expenses</b>			
Share-based compensation		(44,109)	(14,457)
Other compensation and benefit expenses		(124,691)	(181,038)
Operating lease rentals		(14,792)	(12,401)
Other expenses		(57,433)	(49,798)
<b>Total expenses</b>		<b>(241,025)</b>	(257,694)
<b>Operating profit (before other gains/losses)</b>		<b>110,449</b>	361,700
Net (losses)/gains on investments		(81,041)	129,692
Net (losses)/gains on investments held-for-sale		(10,869)	2,301
Net foreign exchange gains/(losses)		649	(5,423)
<b>Other (losses)/gains – net</b>	3	<b>(91,261)</b>	126,570
<b>Operating profit (after other gains/losses)</b>		<b>19,188</b>	488,270
Share of profit of an associate		–	132
<b>Profit before tax</b>		<b>19,188</b>	488,402
Tax expense	4	(15,826)	(43,634)
<b>Profit for the period</b>		<b>3,362</b>	444,768
<b>Other comprehensive (loss)/income for the period</b>			
– Items that may be subsequently reclassified to profit or loss			
Fair value losses on available-for-sale financial assets		(360)	(776)
Foreign exchange translation		(7,967)	1,406
<b>Other comprehensive (loss)/income for the period</b>	5	<b>(8,327)</b>	630
<b>Total comprehensive (loss)/income for the period</b>		<b>(4,965)</b>	445,398
<b>Profit attributable to</b>			
Owners of the Company		5,017	445,733
Non-controlling interests		(1,655)	(965)
		<b>3,362</b>	444,768
<b>Total comprehensive (loss)/income for the period attributable to</b>			
Owners of the Company		(2,960)	445,821
Non-controlling interests		(2,005)	(423)
		<b>(4,965)</b>	445,398
<b>Earnings per share for profit attributable to owners of the Company (HK cents per share)</b>			
– basic	6	0.3	24.2
– diluted	6	0.3	24.1

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	<i>Note</i>	<b>30 June 2016 HK\$'000 Unaudited</b>	31 December 2015 HK\$'000 Audited
<b>Non-current assets</b>			
Property, plant and equipment		14,306	16,461
Intangible assets		16,205	13,878
Deferred tax assets		13,418	10,153
Investments	8	1,035,231	1,061,122
Other assets		8,611	8,583
Loan portfolio, net		77,369	104,275
		<b>1,165,140</b>	1,214,472
<b>Current assets</b>			
Investments	8	131,167	154,832
Investments held-for-sale	9	105,725	209,394
Fees receivable	10	100,963	206,042
Loan portfolio, net		99,280	146,036
Amounts receivable on sale of investments		54,765	7,227
Prepayments and other receivables		29,283	28,919
Time deposits		11,856	70,073
Cash and cash equivalents	11	2,100,600	2,228,784
		<b>2,633,639</b>	3,051,307
<b>Current liabilities</b>			
Accrued bonus		23,092	142,111
Distribution fee expenses payable	12	105,345	116,963
Other payables and accrued expenses		26,036	30,816
Short-term loan		–	59,800
Current tax liabilities		40,060	54,882
		<b>194,533</b>	404,572
<b>Net current assets</b>		<b>2,439,106</b>	2,646,735
<b>Non-current liabilities</b>			
Accrued bonus		435	746
<b>Net assets</b>		<b>3,603,811</b>	3,860,461
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Issued equity	13	1,377,533	1,377,533
Other reserves		299,215	263,083
Retained earnings		1,858,806	2,149,583
		<b>3,535,554</b>	3,790,199
<b>Non-controlling interests</b>		<b>68,257</b>	70,262
<b>Total equity</b>		<b>3,603,811</b>	3,860,461

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### 1. BASIS OF PREPARATION

The information from this interim results announcement has been extracted from the unaudited condensed consolidated interim financial information for the six months ended 30 June 2016. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

### 2. REVENUE

Revenue consists of fees from investment management activities, fund distribution activities, as well as interest and fee income from loan portfolio.

	<b>Six months ended 30 June</b>	
	<b>2016</b> <i>HK\$'000</i> <b>Unaudited</b>	<b>2015</b> <i>HK\$'000</i> <b>Unaudited</b>
Management fees	529,169	548,826
Performance fees	5,186	229,242
Front-end fees	174,747	115,691
	<hr/>	<hr/>
<b>Total fee income</b>	<b>709,102</b>	<b>893,759</b>
Interest income from loan portfolio	20,153	29,970
Fee income from loan portfolio	339	1,113
	<hr/>	<hr/>
<b>Total revenue</b>	<b>729,594</b>	<b>924,842</b>

### 3. OTHER (LOSSES)/GAINS – NET

	<b>Six months ended 30 June</b>	
	<b>2016</b> <i>HK\$'000</i> <b>Unaudited</b>	<b>2015</b> <i>HK\$'000</i> <b>Unaudited</b>
Net (losses)/gains on investments		
Gains on financial assets at fair value through profit or loss	31,338	133,726
Losses on financial assets at fair value through profit or loss	(112,379)	(4,034)
Net (losses)/gains on investments held-for-sale		
Gains on investments held-for-sale	–	5,101
Losses on investments held-for-sale	(10,869)	(2,800)
Net foreign exchange gains/(losses)	649	(5,423)
	<hr/>	<hr/>
<b>Total other (losses)/gains – net</b>	<b>(91,261)</b>	<b>126,570</b>

#### 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 2016 at the rate of 16.5% (2015: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
<b>Current tax</b>		
Hong Kong profits tax	14,527	34,582
Overseas tax	4,235	14,653
Adjustments in respect of prior years	329	(6,031)
<b>Total current tax</b>	<b>19,091</b>	<b>43,204</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(3,265)	430
<b>Total tax expense</b>	<b>15,826</b>	<b>43,634</b>

#### 5. OTHER COMPREHENSIVE (LOSS)/INCOME

	Six months ended 30 June	
	2016 HK\$'000 Unaudited	2015 HK\$'000 Unaudited
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Fair value losses on available-for-sale financial assets	(360)	(776)
Foreign exchange translation	(7,967)	1,406
<b>Total other comprehensive (loss)/income</b>	<b>(8,327)</b>	<b>630</b>

#### 6. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the profit attributable to owners of the Company of HK\$5,017,000 (2015: HK\$445,733,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,848,715,000 (2015: 1,841,413,000). The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue during the period of 1,848,715,000 (2015: 1,841,413,000) by 2,840,000 (2015: 4,367,000) 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\$295,794,000 are related to the year ended 31 December 2015 and were paid on 10 June 2016. No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2016 (2015: Nil).

## 8. INVESTMENTS

Investments include the following:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Total	
	30 June 2016 <i>HK\$'000</i> <i>Unaudited</i>	31 December 2015 <i>HK\$'000</i> <i>Audited</i>	30 June 2016 <i>HK\$'000</i> <i>Unaudited</i>	31 December 2015 <i>HK\$'000</i> <i>Audited</i>	30 June 2016 <i>HK\$'000</i> <i>Unaudited</i>	31 December 2015 <i>HK\$'000</i> <i>Audited</i>
<b>Listed securities (by place of listing)</b>						
Equity securities – China	131,167	154,832	–	–	131,167	154,832
Investment funds – Hong Kong	172,466	146,673	–	–	172,466	146,673
<b>Market value of listed securities</b>	<b>303,633</b>	<b>301,505</b>	<b>–</b>	<b>–</b>	<b>303,633</b>	<b>301,505</b>
<b>Unlisted securities (by place of incorporation/establishment)</b>						
Equity securities – Singapore	–	–	4,927	6,463	4,927	6,463
Investment funds – Australia	17,242	16,056	–	–	17,242	16,056
Investment funds – Cayman Islands	494,301	519,863	3,525	2,658	497,826	522,521
Investment funds – China	13,084	27,727	–	–	13,084	27,727
Investment funds – Ireland	134,132	145,584	–	–	134,132	145,584
Investment funds – Luxemburg	–	–	74,748	74,811	74,748	74,811
Investment funds – Taiwan	–	1,127	–	–	–	1,127
Investment funds – United States	59,456	58,767	25,310	24,136	84,766	82,903
<b>Fair value of unlisted securities</b>	<b>718,215</b>	<b>769,124</b>	<b>108,510</b>	<b>108,068</b>	<b>826,725</b>	<b>877,192</b>
<b>Derivative financial instruments</b>						
Equity swap	36,040	37,257	–	–	36,040	37,257
<b>Fair value of derivative financial instruments</b>	<b>36,040</b>	<b>37,257</b>	<b>–</b>	<b>–</b>	<b>36,040</b>	<b>37,257</b>
<b>Total investments</b>	<b>1,057,888</b>	<b>1,107,886</b>	<b>108,510</b>	<b>108,068</b>	<b>1,166,398</b>	<b>1,215,954</b>
Representing:						
Non-current	926,721	953,054	108,510	108,068	1,035,231	1,061,122
Current	131,167	154,832	–	–	131,167	154,832
<b>Total investments</b>	<b>1,057,888</b>	<b>1,107,886</b>	<b>108,510</b>	<b>108,068</b>	<b>1,166,398</b>	<b>1,215,954</b>

## 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. As at 30 June 2016 and 31 December 2015, the major assets of the above funds were listed equity securities.

	<b>30 June 2016 HK\$'000 Unaudited</b>	31 December 2015 HK\$'000 Audited
Investment in an associate	–	54,765
Investment funds – Cayman Islands	<b>85,112</b>	131,425
Investment funds – Taiwan	<b>20,613</b>	23,204
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<b>Total investments held-for-sale</b>	<b>105,725</b>	<b>209,394</b>

## 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:

	<b>30 June 2016 HK\$'000 Unaudited</b>	31 December 2015 HK\$'000 Audited
Fees receivable that were past due but not impaired		
1 – 30 days	<b>573</b>	692
31 – 60 days	<b>20</b>	162
61 – 90 days	<b>344</b>	406
Over 90 days	<b>842</b>	16,006
	<hr/>	<hr/>
	<b>1,779</b>	17,266
Fees receivable that were within credit period	<b>99,184</b>	188,776
	<hr/>	<hr/>
<b>Total fees receivable</b>	<b>100,963</b>	<b>206,042</b>

## 11. CASH AND CASH EQUIVALENTS

	<b>30 June 2016 HK\$'000 Unaudited</b>	31 December 2015 HK\$'000 Audited
Cash at banks and in hand	100,706	369,068
Short-term bank deposits	1,998,745	1,857,296
Deposits with brokers	1,149	2,420
<b>Total cash and cash equivalents</b>	<b>2,100,600</b>	<b>2,228,784</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 2016 HK\$'000 Unaudited</b>	31 December 2015 HK\$'000 Audited
0 – 30 days	105,238	116,866
Over 90 days	107	97
<b>Total distribution fee expenses payable</b>	<b>105,345</b>	<b>116,963</b>

## 13. ISSUED EQUITY

	<b>Number of shares</b>	<b>Issued equity HK\$'000</b>
<b>Unaudited</b>		
As at 1 January 2015	1,836,664,831	1,336,979
Shares issued upon exercise of share options	9,800,000	32,593
<b>As at 30 June 2015</b>	<b>1,846,464,831</b>	<b>1,369,572</b>
<b>Unaudited</b>		
As at 1 January 2016 and 30 June 2016	1,848,714,831	1,377,533



## **REPORT OF THE CHIEF EXECUTIVE OFFICER**

### **Financial highlights**

The first six months of 2016 featured a volatile market challenged by heightened uncertainty and soured investment sentiments. Against this backdrop, we recorded a net outflow of US\$1.3 billion in the first half of 2016, compared with a robust net inflow of US\$3.2 billion a year earlier. Assets under management (“AUM”) of the Group stood at US\$13.3 billion as at 30 June 2016, compared with US\$15.6 billion at end-2015.

Profit attributable to owners of the Company ended at HK\$5 million during the period (1H 2015: HK\$446 million). The fall was caused by a reduction in gross performance fee income (which is relatively dependent on market performance), as well as mark-to-market losses of the Group’s treasury operations.

Operating profit before other gains or losses, which reflects the Group’s core business, stood at HK\$110 million (1H 2015: HK\$362 million). Total revenue decreased by 21% year-on-year to HK\$730 million (1H 2015: HK\$925 million), due to a reduction in gross performance fees which fell to HK\$5 million (1H 2015: HK\$229 million). Performance fees are generated when our funds deliver returns that exceed high watermarks. Meanwhile, gross management fees, our major revenue contributor, slid 4% to HK\$529 million (1H 2015: HK\$549 million).

In terms of the Group’s treasury operations (which include seed capital investments, investments in its own funds and other investments), a net fair value loss of HK\$87 million was recorded during the period, compared to a gain of HK\$126 million a year earlier. In early August, the net fair value loss was substantially reduced to about HK\$30 million on the back of further enhancement in investment and fund performance.

Given the adverse market conditions, we have taken prudent measures to tighten cost control. Total expenses decreased to HK\$241 million in the first half of 2016 from HK\$258 million a year earlier. In particular, fixed operating expenses continued to be well covered by net management fee income, a relatively stable income source. Fixed cost coverage ratio was 2.3 times during the period (1H 2015: 3.0 times).

### **Long-term value creation**

In the 23 years of history of Value Partners, we have experienced many market ups and downs. This is not the first time we face a challenging environment, and we have emerged stronger each time. Today’s market setbacks are temporary. We will not compromise our commitment to delivering long-term value for our investors and shareholders.

As China becomes one of the world’s largest exporters of capital, Asian fund managers are entering a golden age of opportunities and Value Partners is in a sweet spot to benefit from this.

## **Hong Kong headquarters**

In Hong Kong, Value Partners is one of the biggest independent fund managers enjoying strong franchise and high market penetration. We are highly recognized by international, regional and local distributors for our core competence in investment management and distinctive product offerings. Our strong ties with international and regional distributors have also helped us venture into strategic overseas markets, especially Asia and Europe.

Looking forward, we will further deepen our penetration of existing distributors by adding more products onto their product shelves. We will also expand our network amongst private banks. By leveraging the solid foundation of our home market, we seek to serve the increasing needs of foreign investors seeking China exposures, as well as mainland Chinese investors looking for overseas investment diversification.

## **China business**

China is a strategic market to Value Partners. In the 2016 China Rankings released by Z-Ben Advisors (a Shanghai-based consulting firm), Value Partners was named one of the top 10 foreign asset managers in China in terms of operating inbound and outbound businesses.

On capturing China's inbound capital, we have long been a gateway for financial institutions outside China to invest in the onshore market. We have the Qualified Foreign Institutional Investor ("QFII") and Renminbi Qualified Foreign Institutional Investor ("RQFII") quotas to channel investments into the country. More importantly, we have been investing in China's stockmarket since the 1990s and we have investment professionals on the ground carrying out bottom-up research work and originating stock-pick ideas.

On the outbound front, mainland Chinese investors are actively looking to invest in overseas markets to diversify their portfolios amid the depreciation of RMB and the further opening of China's capital market. Since our wholly foreign-owned enterprise ("WFOE") in Shanghai won the Qualified Domestic Limited Partner ("QDLP") qualification in 2015, we have launched a number of QDLP products and customized solutions that meet the needs of institutions and high-net-worth individuals ("HNWIs") in mainland China. In addition, we are also seeking to introduce our Hong Kong products to China's retail investors via the Mainland-Hong Kong Mutual Recognition of Funds ("MRF") scheme.

To capitalize on China's gradual opening of its onshore fund market, we are exploring ways to further build out our local business strategy and platform.

## **Diversified product suite**

Over the years, expanding our product offerings in terms of asset class, geographical exposure and risk appeal is a top priority for us. We have made deliberate effort to meet the changing needs of a broadening clientele, as well as to deliver value across different market cycles.

From the asset class perspective, we started off with equity capability when we launched in 1993 Value Partners Classic Fund, our first product which is also our flagship equity fund. Following the success of a couple of equity offerings, we added a fixed income product – Value Partners Greater China High Yield Income Fund – onto our platform in 2012. Last year, we further enriched our asset allocation capability with the launch of Value Partners Multi-Asset Fund, a product that provides investors with a more balanced investment approach in a risk-off environment. Meanwhile, we are also deepening the offerings within each of our existing asset class. For example, we have strengthened our fixed income offerings in the first half of 2016 by launching a fund that mainly invests in Greater China preference shares. The fund has been well received among Chinese investors as it offers attractive risk-adjusted returns despite prevailing market volatility. With investors turning to the fixed income market from the equity space, a number of fixed income products are in our pipeline.

In terms of investment geography, we have been evolving from a China-centric focus to cover Greater China, Asia, or even the global market with the launch of differentiated global funds. We are currently looking to further broaden our global product offerings which will appeal to mainland Chinese investors craving for overseas exposures as well as investors interested in getting Asia exposures. In particular, global emerging markets are on our watch list. An increasing number of investors are turning to emerging markets from the developed market in the wake of Brexit.

Lastly, in order to meet the regulatory requirements from different jurisdictions around the world, we will continue to look to broaden our products offered through Undertakings for the Collective Investment of Transferable Securities (“UCITS”) as this is one of the most recognized vehicles around the world especially in Europe.

## **Investing for the future**

As one of the leading asset management firms in Asia, we face an unending challenge to achieve and maintain world standards. That is why even during this difficult period, we still took in new professional staff to ensure that our talents, a vital driver for our business, remain competitive.

At the Group level, we have further strengthened our management team to cope with the increasing scale and complexity of our business. In August, we appointed Mr. Roger HEPPER as Group Chief Operating Officer, who is mandated to lead and enhance business operations and risk controls of Value Partners. Roger is an industry veteran who has extensive experience in building infrastructure and internal control systems for leading asset management firms in the region.

In Singapore, the Group set up a wholly owned subsidiary – Value Partners Asset Management Singapore Pte. Ltd. (“VPAMS”) – in 2014, seeking to offer full-fledged fund management service in the country and nearby markets. With VPAMS receiving the license in 2015 to offer investment products and services to accredited investors and institutional investors in Singapore, we have strengthened the on-the-ground investment team to increase our local presence and offer more products to Southeast Asian investors. In June 2016, we appointed Mr. Kenny TJAN as Country Head of VPAMS to oversee the Group’s business activities in Singapore. He is also a Senior Fund Manager leading investment and portfolio management activities there. His extensive experience in managing Asia Pacific and global emerging markets equity portfolios will also help develop the Group’s investment capability in these areas.

Elsewhere in the UK, the Group is also considering to set up an office with local investment management and business staff. The office is planned to act as the western hub of the Group.

## **Outlook**

As one of the success stories in the fund management industry in Asia, Value Partners has emerged from a boutique firm and become one of the leading players in Asia. In the most recent Best of the Best Regional Awards organized by *Asia Asset Management*, Value Partners was crowned “Best Asset Management House over the last 20 years”<sup>1</sup>. We were also named “Fund House of the Year – Hong Kong”<sup>2</sup> in *AsianInvestor*’s Asset Management Awards 2016.

Although the outlook remains challenging and volatile, we are hopeful that the second half of 2016 will bring an improvement in our operating environment. We expect the new Shenzhen-Hong Kong Stock Connect scheme to be announced soon, adding liquidity and a new source of support to China-related stocks in the market. Importantly, such an announcement would signify that China remains committed to its programme of capital account opening and market reform – a bullish situation for the financial services industry. We will continue to work hard to prepare Value Partners for the opportunities arising from the China situation.

## **Appreciation**

I would like to take this opportunity to thank our clients for their continued trust, our shareholders for their enduring support and our staff for their dedicated commitments. We will remain resolute in delivering long-term value for our clients and shareholders.

**TSE Wai Ming, Timothy, CFA**  
*Chief Executive Officer*  
*Executive Director*

1. *Based on performance and achievements as of 30 November 2015.*
2. *Based on performance and achievements for 2015.*

## FINANCIAL REVIEW

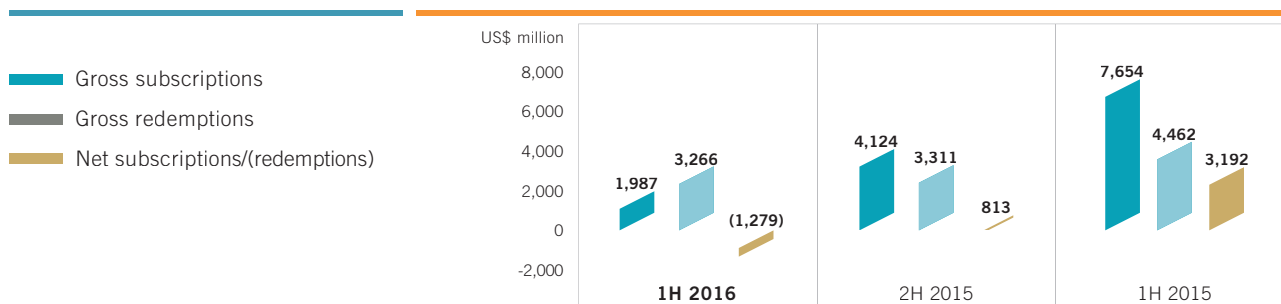
### Assets Under Management

#### AUM and return

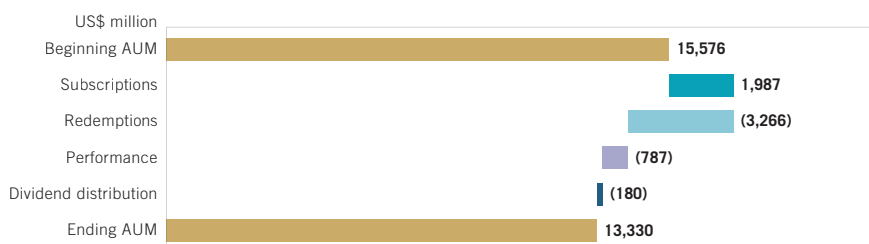
The Group's AUM stood at US\$13,330 million at the end of June 2016 (31 December 2015: US\$15,576 million). The decline was mainly due to the Group's net redemptions of US\$1,279 million in the first half of 2016 and less robust fund performance which dragged AUM by US\$787 million.

Overall fund performance, calculated in asset-weighted average return of funds under management, retreated 5.0% in the period under review. Among all, Value Partners Classic Fund<sup>1</sup>, our flagship product, fell 9.0% during the period. Meanwhile, Value Partners High-Dividend Stocks Fund<sup>2</sup>, the Group's largest public fund<sup>3</sup> in Hong Kong, dipped 3.2% during the period.

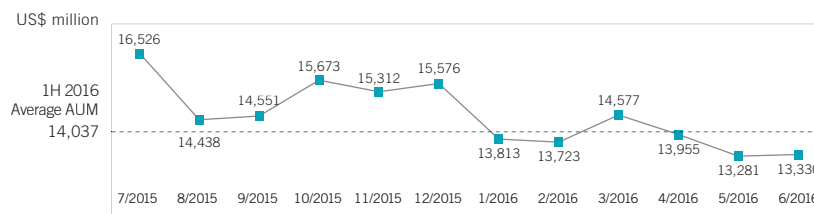
In the first half of 2016, gross subscriptions decreased to US\$1,987 million from US\$4,124 million in the second half of 2015 as investment sentiments turned sour. Meanwhile, gross redemptions for the first half of 2016 came down to US\$3,266 million from US\$3,311 million in the second half of 2015. All in all, we had net redemptions of US\$1,279 million (2H 2015: net subscriptions of US\$813 million).



#### AUM change in the first half of 2016



#### Monthly AUM in the past twelve months



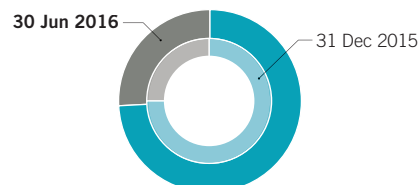
## AUM by category

The charts below illustrated the breakdown of the Group's AUM as at 30 June 2016 in two different classifications: by brand and strategy. During the period, Own Branded Funds (74%) remained the major contributor to the Group's AUM by brand amid our expansion in distribution network. In terms of strategy, Absolute Return Long-biased Funds (82%) continued to represent the majority of the Group's AUM, followed by Fixed Income Funds (16%), in which the largest share was taken up by our Greater China High Yield Income Fund.

### Classification by brand

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

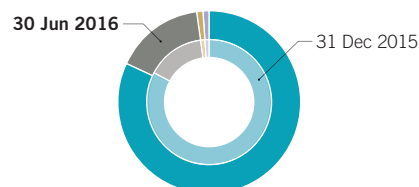
30 Jun 2016	31 Dec 2015
74%	75%
26%	25%



### Classification by strategy

- Absolute Return Long-biased Funds
- Fixed Income Funds
- Alternative Funds
- Quantitative Funds & ETF

30 Jun 2016	31 Dec 2015
82%	83%
16%	15%
1%	1%
1%	1%



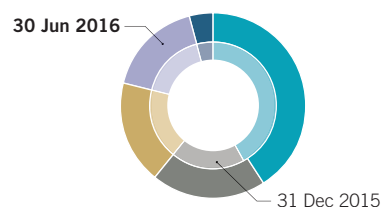
## Client base

During the period, institutional clients – including institutions, pension funds, high-net-worth individuals (“HNWIs”), endowments and foundations, funds of funds, together with family offices and trusts – remained the Group's primary set of fund investors, accounting for 59% of total AUM (31 December 2015: 58%). Meanwhile, retail clients contributed to 41% of total AUM (31 December 2015: 42%). In terms of geographical location, Hong Kong clients accounted for 79% of the Group's AUM (31 December 2015: 78%) while United States and Europe took up a combined 10% (31 December 2015: 11%).

### Client analysis by type

- Retail
- Pension funds
- Institutions
- High-net-worth individuals
- Others

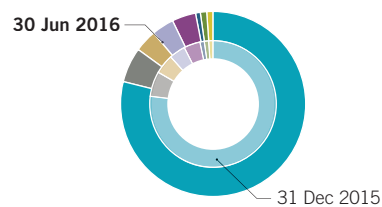
30 Jun 2016	31 Dec 2015
41%	42%
20%	19%
18%	18%
17%	17%
4%	4%



### Client analysis by geographical region

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

30 Jun 2016	31 Dec 2015
79%	78%
6%	6%
4%	5%
4%	4%
4%	4%
1%	1%
1%	1%
1%	1%



## Summary of results

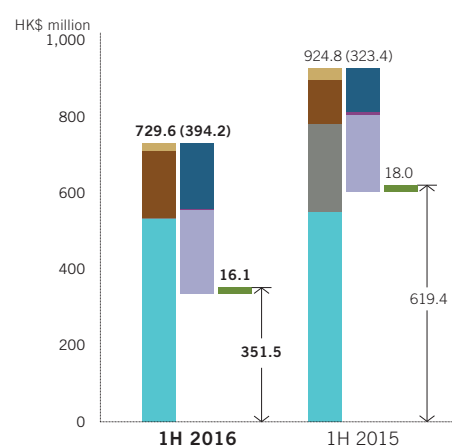
The key financial highlights for the reporting period are as follows:

(In HK\$ million)	1H 2016	1H 2015	% Change
Total revenue	<b>729.6</b>	924.8	-21.1%
Gross management fees	<b>529.2</b>	548.8	-3.6%
Gross performance fees	<b>5.2</b>	229.2	-97.7%
Operating profit (before other gains/losses)	<b>110.4</b>	361.7	-69.5%
Profit attributable to owners of the Company	<b>5.0</b>	445.7	-98.9%
Basic earnings per share (HK cents)	<b>0.3</b>	24.2	-98.8%
Diluted earnings per share (HK cents)	<b>0.3</b>	24.1	-98.8%
Interim dividend per share	<b>Nil</b>	Nil	

## Revenue and fee margin

### Breakdown of total net income

(In HK\$ million)	1H 2016	1H 2015
<b>Revenue</b>		
Management fees	<b>529.2</b>	548.8
Performance fees	<b>5.2</b>	229.2
Front-end fees	<b>174.7</b>	115.7
Interest and fee income from loan portfolio	<b>20.5</b>	31.1
<b>Distribution and advisory fee expenses</b>		
Management fee rebates	<b>(219.8)</b>	(201.1)
Performance fee rebates	<b>(0.2)</b>	(7.2)
Other revenue rebates	<b>(174.2)</b>	(115.1)
<b>Other income</b>		
Other income	<b>16.1</b>	18.0



The Group's profit attributable to owners amounted to HK\$5.0 million for the six months ended 30 June 2016 (1H 2015: HK\$445.7 million) amid a volatile stockmarket. Total revenue decreased by 21.1% to HK\$729.6 million (1H 2015: HK\$924.8 million). Gross management fees, the major contributor to our revenue, dropped 3.6% to HK\$529.2 million (1H 2015: HK\$548.8 million) as a result of an 8.3% decrease in the Group's average AUM to US\$14,037 million (1H 2015: US\$15,301 million).

During the period, annualized gross management fee margin increased to 98 basis points (1H 2015: 93 basis points), driven by relatively strong inflows into our Own Branded Funds in the second half of 2015. As management fee rebates for distribution channels increased to HK\$219.8 million (1H 2015: HK\$201.1 million), annualized net management fee margin was compressed slightly to 57 basis points (1H 2015: 59 basis points).

Gross performance fees, another source of revenue, decreased by HK\$224.0 million to HK\$5.2 million (1H 2015: HK\$229.2 million). Performance fees are generated when funds, at the dates of their performance fee crystallization, report returns exceeding their benchmarks or high watermarks for the respective period ended. As the dates of performance fee crystallization for most of our major own branded funds are at the end of the year, fund performance in the second half of the year will determine our ability to collect more performance fees in 2016.

Meanwhile, other revenue mainly included front-end load, of which a substantial amount was rebates to distribution channels (a usual practice in the market). Other revenue also included HK\$20.5 million (1H 2015: HK\$31.1 million) of interest and fee income generated from the loan portfolio of our non-wholly owned subsidiary, which operates small loan business in Chengdu city in China.

Other income, which mainly comprised interest income and dividend income, was HK\$16.1 million (1H 2015: HK\$18.0 million). Interest income decreased to HK\$8.5 million (1H 2015: HK\$10.0 million) while dividend income decreased to HK\$6.0 million (1H 2015: HK\$7.9 million).

### Other gains or losses

Breakdown of other (losses)/gains – net	(In HK\$ million)	1H 2016	1H 2015
	Net (losses)/gains on investments	(81.0)	129.7
	Net (losses)/gains on investments held-for-sale	(10.9)	2.3
	Others	0.6	(5.4)
		<b>(91.3)</b>	126.6

Other gains or losses mainly included fair value changes and realized gains or losses on seed capital investments, investments in own funds and other investments, as well as net foreign exchange gains or losses. Seed capital investments were made by the Group to provide capital that was considered necessary to new funds during the initial phase of fund launch. The Group also invested in its own funds side-by-side with investors where appropriate, for better alignment of interests and investment returns.



## Cost management

### Breakdown of total expenses

(In HK\$ million)

#### Compensation and benefit expenses

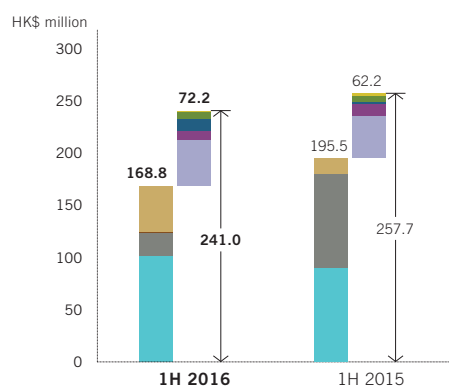
Fixed salaries and staff benefits	102.6	90.4
Management bonus	21.2	89.6
Staff rebates	0.9	1.0
Share-based compensation expenses	44.1	14.5

#### Other expenses

Other fixed operating costs	43.5	39.9
Sales and marketing	9.4	12.2
Loan impairment allowances	11.6	2.5
Depreciation	6.9	5.1
Non-recurring expenses	0.8	2.5

**1H 2016**

**1H 2015**



In terms of cost management, the Group continued to exercise stringent cost discipline and aimed to keep fixed operating expenses well covered by net management fee income, a relatively stable income source. The Group's efforts in cost control can be measured by "fixed cost coverage ratio", an indicator showing the number of times that fixed operating expenses are covered by net management fee income. For the current period, the Group reported a fixed cost coverage ratio (for asset management business) of 2.3 times (1H 2015: 3.0 times).

### *Compensation and benefit expenses*

Fixed salaries and staff benefits rose by HK\$12.2 million to HK\$102.6 million (1H 2015: HK\$90.4 million). The increase was mainly attributable to salary increments and the addition of headcounts to support the Group's business growth.

In line with the Group's compensation policy – which distributes 20% to 23% of the annual net profit pool as management bonus to employees – management bonus for the period decreased to HK\$21.2 million (1H 2015: HK\$89.6 million). The profit pool is derived by deducting certain adjustments, including cost of capital, from net profit before management bonus and taxation. Discretionary bonus was maintained as they promote staff loyalty and performance while aligning employee interests with shareholders'.

Meanwhile, staff of Value Partners are entitled to partial rebates of management fees and performance fees when investing in funds managed by the Group. Staff rebates for the period amounted to HK\$0.9 million (1H 2015: HK\$1.0 million).

During the period, the Group recorded expenses of HK\$44.1 million (1H 2015: HK\$14.5 million) relating to stock options granted to employees. This expense item had no impact on cash flow and was 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\$43.5 million for the period (1H 2015: HK\$39.9 million), while sales and marketing expenses decreased to HK\$9.4 million (1H 2015: HK\$12.2 million).

## **Dividends**

The Group has been adopting 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 annually at the end of each financial year to better align dividend payments with the Group's full-year performance. Barring any unexpected changes in the market environment, a final dividend (but not interim dividend) is expected to 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 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\$2,100.6 million. Net cash inflows from operating activities amounted to HK\$224.7 million, and 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) was zero while current ratio (current assets divided by current liabilities) was 13.5 times.

## **Capital structure**

As at 30 June 2016, the Group's shareholders' equity and total number of shares in issue for the Company were HK\$3,603.8 million and 1.85 billion, respectively.

1. *Performance of Value Partners Classic Fund (A Units) over past five years: 2011: -17.2%; 2012: +14.0%; 2013: +11.2%; 2014: +13.5%; 2015: -1.5%; 2016 (Year to date as at 30 June 2016): -9.0%.*
2. *Performance of Value Partners High-Dividend Stocks Fund (Class A1) over past five years: 2011: -11.9%; 2012: +25.2%; 2013: +8.1%; 2014: +9.4%; 2015: -3.7%; 2016 (Year to date as at 30 June 2016): -3.2%.*
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.*

*Source for performance figures: HSBC Institutional Trust Services (Asia) Limited. Performance figures are calculated in the funds' respective base currencies, NAV to NAV, with dividends reinvested and net of all fees. Past performance is not indicative of future performance.*

## **OTHER INFORMATION**

### **Dividends**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

### **Foreign exchange**

Except for its Renminbi-denominated bank deposit and loan portfolio in China, which has a balance of around HK\$539.9 million as at 30 June 2016 (30 June 2015: HK\$954.5 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 linked to the Hong Kong dollar.

### **Human resources**

As at 30 June 2016, the Group employed a total of 205 staff (30 June 2015: 175) in Hong Kong and Shanghai, 10 staff (30 June 2015: 8) in Singapore, 17 staff (30 June 2015: 25) in Taiwan and 79 staff (30 June 2015: 87) in Chengdu. Remuneration packages that take into account of 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 2016.

### **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 2016.

### **Independent review of interim results**

The unaudited interim results of the Group for the six months ended 30 June 2016 have been reviewed by the Company's external 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 2016.

## **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 2016.

## **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-group.com](http://www.valuepartners-group.com)). 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, 16 August 2016

*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.*