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Value Partners Group

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【For Immediate Release】

Value Partners Group announces 2018 annual results, strengthens alternative investments capabilities

Highlights

- Recorded **net inflow** of US$1.2 billion in 2018, swinging from a net outflow of US$278 million in 2017.
- **Assets under management ("AUM")** decreased to US$15.0 billion as of 31 December 2018, down 10% compared to a year ago.
- **Net profit** declined 89% to HK$229.5 million from HK$2.05 billion in 2017. The drop in net profit was underpinned by a sharp decrease in performance fees.
- **Gross management fees** increased 13% to HK$1.35 billion in 2018 from HK$1.20 billion in 2017 on the back of an increase in average AUM for the year and stronger gross management fee margins.
- **China Business – Further breakthroughs and accelerating growth**
  - Flagship Classic Fund received northbound approval for the Mainland-Hong Kong Mutual Recognition of Funds ("MRF") scheme in December 2018.
  - Have launched four private investment securities funds in the domestic Chinese market since winning a Private Fund Management ("PFM") license in November 2017. The number is one of the highest among the 16 foreign asset managers that currently hold the PFM license.
  - Established Shenzhen subsidiary, which houses the Group's domestic Chinese private equity platform, in January 2018.
- **Alternatives – The next phase of our product suite expansion**
  - Value Partners established its inaugural private equity fund in June 2018. The fund focuses on China's private higher education sector.
  - Launched first private debt fund in January 2019. The fund is managed by Value Partners' award-winning fixed income team, in conjunction with our real estate private equity unit.
  - Preparing to launch our second real estate private equity fund. The fund will have the same Asia-Pacific core-plus strategy as our strongly performing inaugural fund.
- **Making inroads globally**
  - Opened offices in Kuala Lumpur and Boston.

Financial results

(in US$ billion)	**31/12/2018**	**31/12/2017**	**Change**
Assets under management	15.0	16.6	-10%
(In HK$ million)	**2018**	**2017**	**Change**
Profit attributable to owners of the Company	229.5	2,048.1	-89%
Fee income and other revenue	1,641.4	4,105.9	-60%
Gross management fees	1,347.5	1,196.0	+13%
Gross performance fees	56.2	2,570.9	-98%
Total expenses	(535.0)	(1,091.8)	-51%
Basic earnings per share (HK cents)	12.4	110.6	-89%
Diluted earnings per share (HK cents)	12.4	110.5	-89%
Interim dividend per share	Nil	Nil	
Final dividend per share (HK cents)	6.0	18.0	-67%
Special dividend per share (HK cents)	Nil	86.0	-100%
Total dividends per share (HK cents)	6.0	104.0	-94%

(Hong Kong, 12 March 2019) — Value Partners Group Limited (together with its subsidiaries, "Value Partners" or "the Group", Hong Kong Stock Code: 806) is pleased to announce today its financial results for the year ended 31 December 2018.

Dr. AU King Lun, Chief Executive Officer of Value Partners Group, commented on the Group's business and financial performance:

2018 presented one of the most challenging environments in recent history for the Group. Waves of sell-offs swept across financial markets in Asia as fears about the US-China trade war, rising U.S. interest rates and a slowdown in global economic growth ravaged investor sentiment. Despite the squeeze that the harsh market environment has had on our top line, we continued to make exciting progress in growing and transforming our business as our ongoing efforts yielded promising results. Highlights include our flagship fund's recent approval for the Mainland-Hong Kong Mutual Recognition of Funds ("MRF") scheme, the launch of our first private debt fund and the establishment of our inaugural private equity fund in the domestic Chinese market. The Value Partners brand also proved its mettle as we finished 2018 with a sizeable net inflow into our funds and products.

China Business – Further breakthroughs and accelerating growth

Our business on the mainland of China continued to gather speed in 2018. AUM attributed to our China Business increased by more than 28% during 2018 to finish the year at US$1.1 billion.

Our flagship Classic Fund received approval in December 2018 to join the MRF scheme, which provides an avenue for eligible Hong Kong-domiciled funds to be marketed to retail investors on the mainland of China. We will be distributing the Classic Fund across major channels including banks, insurers, brokers and online platforms via our master agent Tianhong Asset Management. We have also applied for our High-Dividend Stocks Fund to join the MRF scheme and hope to obtain approval in the near future.

Value Partners has now launched four private investment securities funds under our own brand in the domestic Chinese market. All four funds are ramping up well, and we plan to further expand the range and scope of our offerings in China's domestic private funds market in the coming year.

In January 2018, we launched our domestic private equity platform with the establishment of our Shenzhen subsidiary, Value Partners Private Equity Investment Management (Shen Zhen) Limited. With its QFLP license, the platform can raise capital both onshore and offshore to invest in domestic private equity projects. Our China education-focused private equity fund is managed by our Shenzhen subsidiary.

Alternatives – The next phase of our product suite expansion

Value Partners' product suite has grown from a single equity fund at the time of the Group's founding in 1993 to what's now a family of more than 40 funds spanning equities, fixed income, multi-asset, quantitative investment solutions ("QIS") and alternatives.

Over the past year, we made significant progress in growing our alternative investment capabilities, which cover private equity, private debt and real estate.

In private equity, we expect to launch our first fund on the mainland of China in the coming weeks. Established under China's Qualified Foreign Limited Partnership ("QFLP") program, the fund will invest in China's private higher education and vocational education sectors. It will be co-managed by Hong Kong-listed China Education Group – one of China's largest private education companies – and is among the first vehicles to offer foreign investors exposure to direct investments in private universities and junior colleges in China. The fund has a term of five years with two optional one-year extensions. Fundraising has been very encouraging so far, with a number of major mainland Chinese financial institutions and overseas investors having already made sizeable commitments.

We launched our inaugural Asia-focused private debt fund in January 2019. Capitalizing on the corporate funding gap in China and other Asian countries, the fund will provide an alternative source of financing for mid-sized Asian companies and has the unique feature of being able to invest in all private loan asset classes.

In the real estate private equity arena, we will soon be launching a new fund that will be marketed to external investors. The fund will adopt the same Asia-Pacific core-plus strategy as the existing fund that we launched in June 2017. Our existing fund has built a strong performance track record, having achieved an IRR above our initial target as at the end of 2018.

Making inroads globally

Two years after establishing our London office, we have made good progress in growing our business in Europe. The suite of own-branded funds that we are distributing through the UCITS platform enjoyed solid inflows in 2018 following a revamp of the products earlier to achieve better alignment with the needs of European institutional investors. We also launched a UCITS-compliant Asia ex-Japan equity fund in September 2018.

On the other side of the Atlantic, we welcomed our first U.S.-based colleague in the second half of 2018 as we geared up to open our Boston office. The office will serve as our North America distribution hub and will initially target institutional investors. We have seen strong traction so far as North American institutional investors increasingly seek exposure to the China market following MSCI's inclusion of A-shares in its key indices this year.

We have deepened and streamlined our presence in Southeast Asia with the opening of our Malaysia office last October. The office serves as our hub for distribution, product development and investment management in Southeast Asia. Malaysia is an important strategic market for Value Partners given the brand visibility and strong business network that we already enjoy in the country. Our Malaysia office will also provide a base for us to develop new product classes including Shariah-compliant funds and Southeast Asia-focused ETFs.

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About Value Partners Group Limited
Value Partners is one of Asia's largest independent asset management firms that seeks to offer world-class investment services and products. Assets under management of the firm were US$16.1 billion as of 31 January 2019. Since its establishment in 1993, the firm has been a dedicated value investor in Asia and around the world. In November 2007, Value Partners Group became the first asset management firm to be listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 806 HK). In addition to its Hong Kong headquarters, the firm operates in Beijing, Shanghai, Shenzhen, Singapore, Malaysia, London and Boston. Value Partners' investment strategies cover equities, fixed income, multi-asset, Quantitative Investment Solutions and alternatives for institutional and individual clients in the Asia Pacific, Europe and the United States. The Group also offers exchange-traded funds under the brand of Value ETF.
For more information, please visit www.valuepartners-group.com.

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