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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 2019

FINANCIAL HIGHLIGHTS

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

(In HK\$ million)	For the period ended 30 June		
	2019 Unaudited	2018 Unaudited	% Change
Total revenue	815.1	958.1	-14.9%
Gross management fees	679.5	712.9	-4.7%
Gross performance fees	3.4	50.7	-93.3%
Operating profit (before other gains/losses)	162.0	246.1	-34.2%
Profit attributable to owners of the Company	250.9	194.3	+29.1%
Basic earnings per share (HK cents)	13.5	10.5	+28.6%
Diluted earnings per share (HK cents)	13.5	10.5	+28.6%
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 unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the period ended 30 June 2019.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 HK\$'000 Unaudited	2018 HK\$'000 Unaudited
Income			
Fee income and other revenue	2	815,059	958,100
Distribution fee expenses		(444,352)	(492,451)
Net fee income		370,707	465,649
Other income		49,834	47,357
Total net income		420,541	513,006
Expenses			
Share-based compensation		(17,543)	(11,194)
Other compensation and benefit expenses		(170,369)	(187,630)
Operating lease rentals		(4,616)	(18,560)
Depreciation of right-of-use assets – properties		(14,742)	–
Other expenses		(51,278)	(49,560)
Total expenses		(258,548)	(266,944)
Operating profit (before other gains/losses)		161,993	246,062
Net gains/(losses) on investments		101,536	(66,638)
Fair value gain on an investment property	4	6,299	–
Others		(407)	11,250
Other gains/(losses) – net	3	107,428	(55,388)
Operating profit (after other gains/losses)		269,421	190,674
Finance costs		(3,084)	–
Share of gain on joint ventures	5	11,382	49,969
Profit before tax		277,719	240,643
Tax expense	6	(26,812)	(46,382)
Profit for the period attributable to owners of the Company		250,907	194,261

		Six months ended 30 June	
	<i>Note</i>	2019 <i>HK\$'000</i> Unaudited	2018 <i>HK\$'000</i> Unaudited
Other comprehensive loss for the period			
<i>– Items that may be subsequently reclassified to profit or loss</i>			
Fair value gains/(losses) on financial assets at fair value through other comprehensive income		295	(2,213)
Foreign exchange translation		(2,596)	1,981
Other comprehensive loss for the period		(2,301)	(232)
Total comprehensive income for the period attributable to owners of the Company		248,606	194,029
Earnings per share attributable to owners of the Company (HK cents per share)			
Basic earnings per share	7	13.5	10.5
Diluted earnings per share	7	13.5	10.5

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2019

	<i>Note</i>	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Non-current assets			
Property, plant and equipment		22,363	26,543
Right-of-use assets – properties		55,471	–
Investment property	4	168,002	167,663
Intangible assets		14,606	16,146
Investments in joint ventures	5	302,076	302,483
Deferred tax assets		82	–
Investments	9	1,601,903	1,311,333
Other assets		43,979	44,012
		2,208,482	1,868,180
Current assets			
Investments	9	71,216	516,661
Fees receivable	10	141,197	128,993
Amounts receivable on sale of investments		–	197,948
Prepayments and other receivables		47,727	54,888
Deposits with broker		30	30
Cash and cash equivalents	11	2,116,795	1,629,166
		2,376,965	2,527,686
Current liabilities			
Accrued bonus		73,571	129,612
Distribution fee expenses payable	12	173,932	129,765
Other payables and accrued expenses		35,478	48,351
Lease liabilities		28,017	–
Current tax liabilities		20,867	7,905
		331,865	315,633
Net current assets		2,045,100	2,212,053
Non-current liabilities			
Accrued bonus		12,045	18,175
Borrowing		80,287	83,168
Lease liabilities		27,989	–
Deferred tax liabilities		–	429
		120,321	101,772
Net assets		4,133,261	3,978,461
Equity			
Equity attributable to owners of the Company			
Issued equity	13	1,410,107	1,410,107
Other reserves		246,849	231,912
Retained earnings		2,476,305	2,336,442
Total equity		4,133,261	3,978,461

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 2019. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

Except as described below, the accounting policies used in the preparation of these unaudited condensed consolidated interim financial information are consistent with those set out in the annual financial statements for the year ended 31 December 2018.

The Group has adopted the new standard which became effective for the Group’s financial year beginning 1 January 2019. The adoption had no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies as at and for the six months ended 30 June 2019, except for those disclosed as follows:

HKFRS 16 “Leases” results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors does not significantly change. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that do not qualify as leases under HKFRS 16. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. Right-of-use assets for property leases are measured on transition as if the new rules had always been applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On 1 January 2019, right-of-use assets for property leases of HK\$67,801,000 and lease liabilities of HK\$68,476,000 were recognized on the consolidated balance sheet.

We have summarized the rental and relevant expenses as follows:

	Six months ended 30 June	
	2019	2018
	<i>HK\$’000</i>	<i>HK\$’000</i>
	Unaudited	Unaudited
Operating lease rentals	4,616	18,560
Depreciation of right-of-use assets – properties	14,742	–
Finance costs	1,448	–
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Total rental and relevant expenses	20,806	18,560
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2. REVENUE

Revenue consists of fees from investment management activities and fund distribution activities.

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Management fees	679,537	712,931
Performance fees	3,368	50,684
Front-end fees	132,154	194,485
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Total fee income	815,059	958,100
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3. OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Net gains/(losses) on investments		
Net gains/(losses) on financial assets at fair value through profit or loss	101,536	(66,638)
Net fair value gain on an investment property	6,299	–
Others		
Net foreign exchange (losses)/gains	(907)	11,250
Gains on disposal of property, plant and equipment	500	–
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Total other gains/(losses) – net	107,428	(55,388)
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4. INVESTMENT PROPERTY

On 21 September 2018, the Group acquired the entire interest in a student accommodation investment property located in New Zealand with a consideration of HK\$146,390,000, which was subsequently revalued by the Group as at 30 June 2019 and 31 December 2018 with fair value gains of HK\$6,299,000 and HK\$17,134,000 respectively.

5. INVESTMENTS IN JOINT VENTURES

As at 30 June 2019, “Investments in joint ventures” on the condensed consolidated balance sheet, amounting to HK\$302,076,000 (31 December 2018: HK\$302,483,000), represent the Group’s 50% equity interest in Value Investing Group Company Limited (“Value Investing”) and Clear Miles Hong Kong Limited (“Clear Miles HK”), Value Investing has trust beneficiary interests in three logistics centers in Japan, and Clear Miles HK holds an Australian industrial property through its subsidiary.

6. 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 2019 at the rate of approximately 16.5% (2018: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	Six months ended 30 June	
	2019 <i>HK\$'000</i> Unaudited	2018 <i>HK\$'000</i> Unaudited
Current tax		
Hong Kong profits tax	22,372	30,551
Overseas tax	5,480	12,542
Adjustments in respect of prior years	(529)	3,893
Total current tax	27,323	46,986
Deferred tax		
Origination and reversal of temporary differences	(511)	(604)
Total tax expense	26,812	46,382

7. 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\$250,907,000 (2018: HK\$194,261,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,855,815,000 (2018: 1,855,236,000). The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue during the period of 1,855,815,000 (2018: 1,855,236,000) by 155,000 (2018: 472,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

8. DIVIDENDS

Final dividend of HK\$111,349,000 declared by the Company is related to the year ended 31 December 2018 and was paid on 22 May 2019. No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2019 (2018: Nil).

9. INVESTMENTS

Investments include the following:

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
Listed securities						
Equity securities – Long – Hong Kong	47,594	52,348	–	–	47,594	52,348
Equity securities – Long – United States	279	213	–	–	279	213
Investment funds – Hong Kong	210,852	192,403	–	–	210,852	192,403
Fair value of listed securities	258,725	244,964	–	–	258,725	244,964
Quoted debt securities						
Debt securities – China	–	–	–	345,357	–	345,357
Debt securities – Hong Kong	–	–	–	62,557	–	62,557
Debt securities – Singapore	–	–	9,385	19,932	9,385	19,932
Debt securities – South Korea	–	–	10,610	36,432	10,610	36,432
Fair value of quoted debt securities	–	–	19,995	464,278	19,995	464,278
Unlisted securities						
Equity securities – Singapore	1,258	1,354	–	–	1,258	1,354
Investment funds – Australia	20,249	19,222	–	–	20,249	19,222
Investment funds – Cayman Islands	370,876	151,058	–	–	370,876	151,058
Investment funds – China	95,359	85,589	–	–	95,359	85,589
Investment funds – Hong Kong	325,732	237,845	–	–	325,732	237,845
Investment funds – Ireland	138,583	123,029	–	–	138,583	123,029
Investment funds – United States	38,458	109,799	–	–	38,458	109,799
Loan note – Australia	403,884	390,856	–	–	403,884	390,856
Fair value of unlisted securities	1,394,399	1,118,752	–	–	1,394,399	1,118,752
Total investments	1,653,124	1,363,716	19,995	464,278	1,673,119	1,827,994
Representing:						
Non-current	1,601,903	1,311,333	–	–	1,601,903	1,311,333
Current	51,221	52,383	19,995	464,278	71,216	516,661
Total investments	1,653,124	1,363,716	19,995	464,278	1,673,119	1,827,994

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 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Fees receivable that were past due but not impaired		
1 – 30 days	739	577
31 – 60 days	–	231
61 – 90 days	159	1,094
Over 90 days	–	1,072
	<u>898</u>	<u>2,974</u>
Fees receivable that were within credit period	<u>140,299</u>	<u>126,019</u>
Total fees receivable	<u>141,197</u>	<u>128,993</u>

11. CASH AND CASH EQUIVALENTS

	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
Cash at banks and in hand	152,605	128,477
Short-term bank deposits	1,962,990	1,459,612
Deposits with brokers	1,200	41,077
	<u>2,116,795</u>	<u>1,629,166</u>
Total cash and cash equivalents	<u>2,116,795</u>	<u>1,629,166</u>

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:

	30 June 2019 HK\$'000 Unaudited	31 December 2018 HK\$'000 Audited
0 – 30 days	159,539	127,214
31 – 60 days	2,360	1,390
61 – 90 days	1,840	618
Over 90 days	10,193	543
	<u>173,932</u>	<u>129,765</u>
Total distribution fee expenses payable	<u>173,932</u>	<u>129,765</u>

13. ISSUED EQUITY

	Number of shares	Issued equity <i>HK\$'000</i>
Unaudited		
As at 1 January 2019 and 30 June 2019	<u>1,855,814,831</u>	<u>1,410,107</u>
Audited		
As at 1 January 2018	1,851,714,831	1,391,473
Share issued upon exercise of share options	<u>4,100,000</u>	<u>18,634</u>
As at 31 December 2018	<u>1,855,814,831</u>	<u>1,410,107</u>

14. SUBSEQUENT EVENT

On 1 August 2019, a wholly owned subsidiary of the Group signed a sale and purchase agreement and completed the transaction to acquire 100% equity interest of a Hong Kong incorporated company named King Fung Limited, which directly held office units in Shanghai, China with a consideration of US\$23.76 million (equivalent to HK\$185.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Global financial markets experienced a turbulent ride in the first half of 2019 primarily due to the U.S.-China trade overhang and sluggish global economic growth. However, notwithstanding the jump in market volatility since early May, the Group was able to continue its strategic development and to maintain a solid financial profile. We recorded a double-digit year-on-year increase in profit attributable to owners of the Company and ended the first half with a healthy growth in assets under management (“AUM”). We are pleased to report that we have made further progress on the mainland of China with the launch of Value Partners Classic Fund, our first public fund on the mainland, under the Mainland-Hong Kong Mutual Recognition of Fund (“MRF”) scheme. The successful first closing of our private debt fund¹ in January 2019 was another major milestone for us.

Despite the choppy markets, our AUM registered good growth in the first half of 2019 as a result of both positive fund returns and net subscriptions. As at 30 June 2019, our AUM was US\$18.1 billion, a steady increase from US\$15.0 billion as at 31 December 2018 and US\$17.2 billion as at 30 June 2018. During the first half of 2019, we recorded net subscriptions of US\$1.8 billion, compared to the US\$1.2 billion net inflows for full-year 2018. The resilient performance was supported by both market recovery in the first quarter of 2019 and investors’ continuing demands for our fixed income funds, especially the Greater China High Yield Income Fund, which generated stable income amid heightened geopolitical uncertainties and a prolonged low interest rate era. Our fast-expanding mainland China business also contributed to the net inflows.

Meanwhile, a dip in performance fees in the year to June sent our operating profit lower to HK\$162.0 million. With stringent cost control and mark-to-market gains booked by the Group’s investments in its own funds, we delivered a 29.1% rise in profit attributable to owners of the Company in the first half of 2019.

For details of the Group’s financial performance, please refer to the Financial Review section.

Mainland China business

Despite China is facing macro headwinds, including its ongoing trade disputes with the U.S., we still see mainland China offering historical opportunities to asset managers like us as the Chinese market continues with its rapid accumulation of household assets and financial market reforms.

The opening-up of financial market by mainland China has been endorsed by global major index providers with the inclusion and weighting increase of mainland China in the respective indices since the beginning of the year. We see these positive factors as golden opportunities to further expand our business on the mainland of China as foreign investors are expected to gradually allocating their investments in the Chinese market in the coming years.

This year not only signifies a new chapter of China’s capital market, but it also has been a decade since we established our first Shanghai office in 2009.

During the past decade, we have identified and participated in many opportunities on the mainland of China, making them a crucial part of our success story. The positive momentum continued well into the first half of 2019, with our AUM on the mainland of China increasing by more than 35% to finish at US\$1.5 billion.

As a pioneer investor in the Greater China markets since 1993, we are delighted to see our capability and expertise being recognized as the best-in-class among global peers. We are pleased to highlight that Value Partners was ranked as a Top 10 Wholly Foreign Owned Enterprise (“WFOE”) operating on the mainland of China by Z-Ben Advisors. In addition, our mainland China business was also awarded as one of the “Most Promising WFOE Private Fund Houses” at the 10th Golden Sunshine Award by *Shanghai Securities News* and the “China – Best WFOE House” by *Asia Asset Management*.

Furthermore, we achieved another milestone in March 2019 with the launch of our flagship Classic Fund on the mainland of China under the MRF program. Through the strategic partnership with Tianhong Asset Management as the master agent of the Fund, we are able to meet Chinese investors’ growing demand for overseas investments through our longest-standing fund. Besides, two more China onshore funds from us had completed the registration with the Asset Management Association of China under the private fund management (“PFM”) license during the first half of 2019, making us managing a total of six PFM funds on the mainland.

As mainland China quickens the pace of financial reforms, we will continue to seize every opportunity to further develop our mainland China business and expand our services.

Business and product expansions

Geographically, we have expanded our presence farther afield with the opening of our U.S. office in Boston at the beginning of the year. With this latest overseas office, our global footprints have extended beyond Hong Kong and the mainland of China to the U.S., the U.K., Singapore and Malaysia. We have seen encouraging inflows and business opportunities across all our overseas offices since the beginning of the year.

In Europe, we recently completed the restructuring of our UCITS fund platform and are now planning to register selected UCITS funds for sales in Hong Kong and other parts of Asia.

In Taiwan, we have received good inflows from institutional investors into our fixed income and equities products. To further broaden our distribution, we recently appointed a local master agent to help introduce our flagship funds to local investors.

Southeast Asia, an important component of China’s Belt and Road initiative, is another business focus for us in 2019. For the past year, we have been proactively preparing for business expansion in Malaysia, where we will be launching new innovative products, including Shariah-compliant funds and Southeast Asia-focused smart ETFs. We have also gained good traction with our private banking partners in Singapore.

On the alternatives space, we have made significant strides in expanding our product suite. We completed successfully the first closing of our Asia Pacific-focused private debt fund¹ in January 2019 and aim to complete our inaugural onshore private equity fund¹ on the mainland of China focusing on the higher education sector in the near future.

Finally, we have further broadened our multi-asset solution by launching the Asian Innovation Opportunities Fund² in February this year. It is a public fund authorized in Hong Kong that targets to invest in Asian companies benefiting from business and product innovation.

Senior executive appointments and other matters

As part of the Group's ongoing succession planning initiatives and to ensure the continuity of strong business stewardship, we previously announced in March 2019 the re-designation of Dato' Seri Cheah Cheng Hye and the appointment of Mr. Louis So Chun Ki as Co-Chairmen of the Board. As a co-founder and a Co-Chairman, Dato' Seri Cheah has been playing an active role in steering the Group's overall business and investment strategies. He is also responsible for appointments of key staffs and the overall positioning of the Group as a financial services platform.

Mr. So has been with the Group since he graduated from university in 1999. He has 20 years of experience in the financial services industry, and has been playing an important role in managing our investment research and portfolio management functions jointly with Dato' Seri Cheah over the years. Mr. So works closely with Dato' Seri Cheah on all aspects of providing leadership to Value Partners.

We also announced in July 2019 that Mr. Norman Ho Man Kei, our Senior Investment Director, has re-joined our Board as an Executive Director and we are delighted to welcome him to the Board. Mr. Ho is the second-longest-serving staff member of Value Partners after Dato' Seri Cheah. He has been with the Group for almost 25 years and has extensive experience in the financial services industry. He is in a strong position to provide guidance on matters of strategy and operations to the Group.

On 26 July 2019, Dr. Au King Lun had retired from the Board and as a Chief Executive Officer ("CEO"). He has expressed his desire to step down from the role as an Executive Director of the Board, and has taken up a new role as a President of the Group. Dr. Au oversees the Group's corporate affairs, and he remains as the Chairman of the Group's Risk Management Committee. The CEO function is now taken up by the Leadership Committee of the Group, currently comprising Dato' Seri Cheah, Mr. So and Dr. Au. Our Leadership Committee is supported by a distinctive senior management team with strong vision and expertise.

Appreciation

Looking forward, headwinds from trade tensions and geopolitics will continue to put pressure on financial markets in the foreseeable future. In light of this, we will continue to strengthen our fund management capability and develop investment solutions to help investors navigate the challenging market environment.

Last but not least, we would like to thank all of our shareholders, clients and business partners for their continued support despite heightened economic uncertainty. We would also like to recognize our colleagues' dedication, commitment and contributions towards the success of Value Partners.

1. *The funds are not authorized by the Securities and Futures Commission ("SFC") and are not available to the general public in Hong Kong.*
2. *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

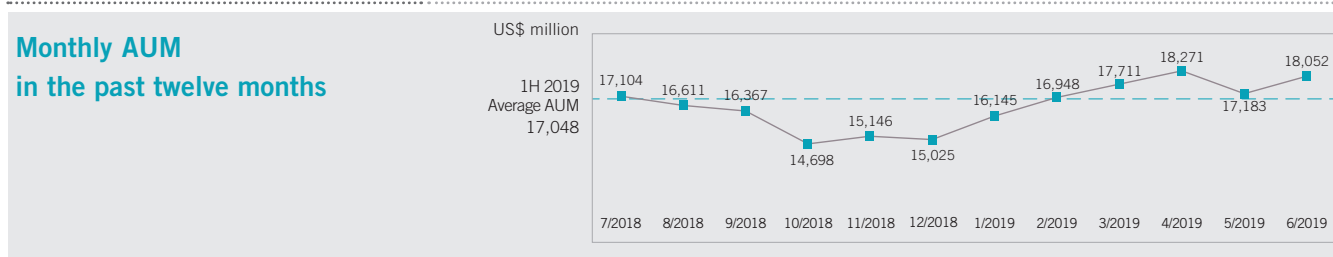
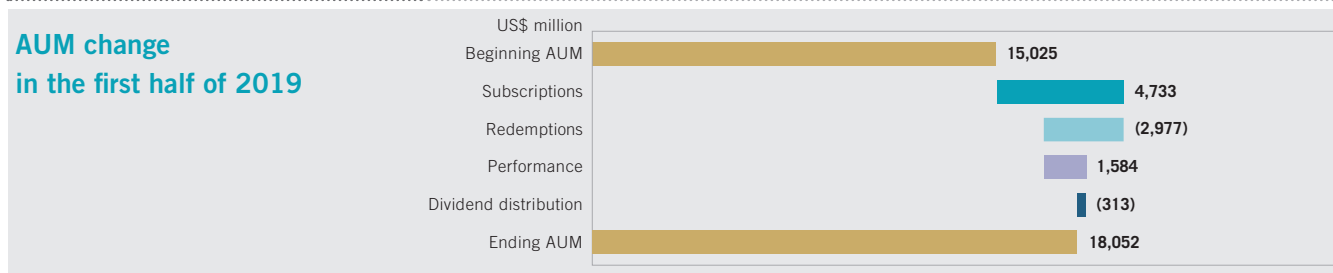
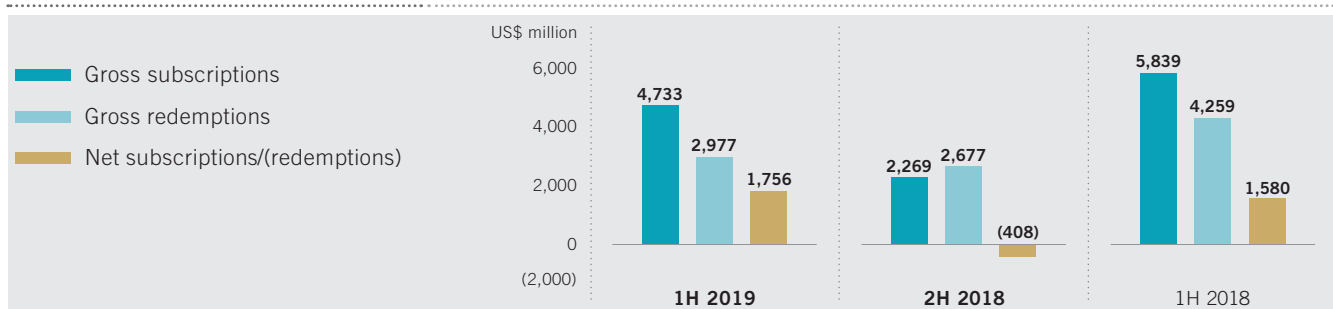
Assets Under Management

AUM and return

The Group's AUM stood at US\$18,052 million at the end of June 2019 (31 December 2018: US\$15,025 million). The growth was mainly bolstered by positive fund returns of US\$1,584 million and net subscriptions of US\$1,756 million in the first half of 2019.

Overall fund performance¹, calculated as the asset-weighted average return of funds under management, was a gain of 10.5% in the period under review. Among our funds, the Value Partners Greater China High Yield Income Fund², the Group's largest public fund³ in Hong Kong, generated a solid return of 8.3% during the period. The Value Partners Classic Fund⁴, our flagship product, rose 18.3% during the period, while the Value Partners High-Dividend Stocks Fund⁵ gained 10.8% during the period.

Benefiting from the market recovery, we recorded a net inflow of US\$1,756 million in the first half of 2019, which swung from a net outflow of US\$408 million in the second half of 2018. The net inflows in the first half of 2019 was accounted for by gross subscriptions of US\$4,733 million (2H 2018: US\$2,269 million; 1H 2018: US\$5,839 million) and gross redemptions of US\$2,977 million (2H 2018: US\$2,677 million; 1H 2018: US\$4,259 million).

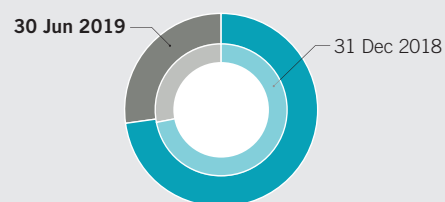


AUM by category

The charts below show breakdowns of the Group's AUM as at 30 June 2019 using two different classifiers: brand and strategy. Own Branded Funds (73%) remained the biggest contributor to the Group's AUM. By strategy, Absolute Return Long-biased Funds (56%) continued to represent the largest share of the Group's AUM, followed by Fixed Income Funds (42%), where the majority of AUM was contributed by the Value Partners Greater China High Yield Income Fund. The share of Group AUM accounted for by the Value Partners Greater China High Yield Income Fund increased steadily during the period.

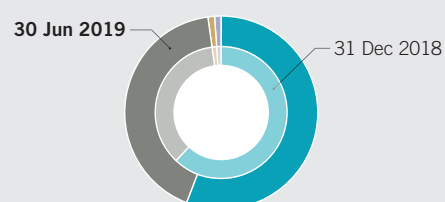
Classification by brand

	30 Jun 2019	31 Dec 2018
Own Branded Funds	73%	72%
White Label & Co-branded Funds	27%	28%



Classification by strategy

	30 Jun 2019	31 Dec 2018
Absolute Return Long-biased Funds	56%	62%
Fixed Income Funds	42%	36%
Quantitative Funds & ETF	1%	1%
Alternative Funds	1%	1%

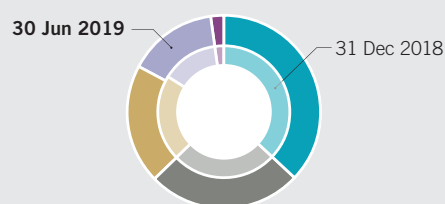


Client base

During the period, institutional clients – including institutions, pension funds, high-net-worth individuals (“HNWIs”), endowments and foundations, funds of funds, and family offices and trusts – remained the Group's primary set of fund investors, accounting for 63% of total AUM (31 December 2018: 63%). Meanwhile, retail clients contributed 37% of total AUM (31 December 2018: 37%). In terms of geographic location, Hong Kong clients continued to be the largest segment, contributing 77% of the Group's AUM (31 December 2018: 78%). There was a notable rise in the share of AUM attributable to clients from mainland China, which increased to 8% (31 December 2018: 7%) as the Group's China Business saw solid growth in the first half of 2019. The share of AUM contributed by clients in Singapore remained at 7% (31 December 2018: 7%), while clients from the United States and Europe took up a combined 5% (31 December 2018: 5%).

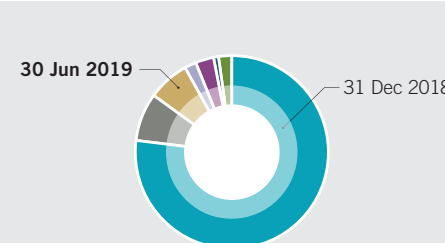
Client analysis by type

	30 Jun 2019	31 Dec 2018
Retail	37%	37%
High-net-worth individuals	26%	26%
Pension funds	20%	21%
Institutions	15%	14%
Others	2%	2%



Client analysis by geographical region

	30 Jun 2019	31 Dec 2018
Hong Kong SAR	77%	78%
Mainland China	8%	7%
Singapore	7%	7%
Europe	3%	2%
United States	2%	3%
Australia	1%	1%
Others	2%	2%



Summary of results

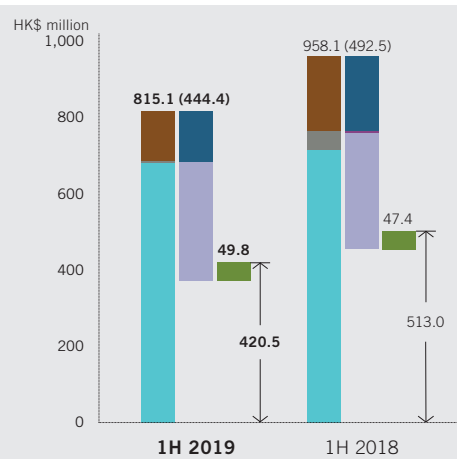
Key financial highlights for the reporting period are as follows:

(In HK\$ million)	1H 2019	1H 2018	% Change
Total revenue	815.1	958.1	-14.9%
Gross management fees	679.5	712.9	-4.7%
Gross performance fees	3.4	50.7	-93.3%
Operating profit (before other gains/losses)	162.0	246.1	-34.2%
Profit attributable to owners of the Company	250.9	194.3	+29.1%
Basic earnings per share (HK cents)	13.5	10.5	+28.6%
Diluted earnings per share (HK cents)	13.5	10.5	+28.6%
Interim dividend per share	Nil	Nil	

Revenue and fee margin

Breakdown of total net income

(In HK\$ million)	1H 2019	1H 2018
Revenue		
Management fees	679.5	712.9
Performance fees	3.4	50.7
Front-end fees	132.2	194.5
Distribution fee expenses		
Management fee rebate	(312.0)	(303.4)
Performance fee rebate	(0.2)	5.0
Other revenue rebate	(132.2)	(194.1)
Other income		
Other income	49.8	47.4



The Group's profit attributable to owners of the Company increased to HK\$250.9 million for the six months ended 30 June 2019 (1H 2018: HK\$194.3 million). Gross management fees, the Group's largest revenue contributor, dropped 4.7% to HK\$679.5 million (1H 2018: HK\$712.9 million) on a 3.9% decrease in the Group's average AUM to US\$17,048 million (1H 2018: US\$17,737 million).

During the period, our annualized gross management fee margin remained stable at 103 basis points (1H 2018: 104 basis points). Our annualized net management fee margin was narrowed down to 57 basis points (1H 2018: 60 basis points) as management fee rebates for distribution channels increased to HK\$312.0 million (1H 2018: HK\$303.4 million).

Gross performance fees, another source of revenue, decreased to HK\$3.4 million (1H 2018: HK\$50.7 million), as most of the Group's funds that attract performance fees finished the period below their high watermarks. Performance fees are generated when eligible funds, at their performance fee crystallization dates, report returns exceeding their high watermarks for the respective period up to the crystallization date. 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 fee in 2019.

Other revenue mainly included front-end load, of which a substantial amount was rebated to distribution channels (a usual practice in the market).

Other income, which mainly comprised of interest income, dividend income and rental and other income from an investment property, totaled HK\$49.8 million (1H 2018: HK\$47.4 million). The change was mainly due to a rise in the rental and other income of an investment property to HK\$7.5 million (1H 2018: Nil), net with the drop in interest income to HK\$32.2 million (1H 2018: HK\$33.4 million) and dividend income to HK\$7.8 million (1H 2018: HK\$13.9 million).

Other gains and losses

(In HK\$ million)	1H 2019	1H 2018
Net gains/(losses) on investments	101.5	(66.6)
Fair value gain on an investment property	6.3	-
Gains on disposal of property, plant and equipment	0.5	-
Net foreign exchange (losses)/gains	(0.9)	11.2
Other gains/(losses) – net	<u>107.4</u>	<u>(55.4)</u>

Other gains or losses mainly included fair value changes and realized gains or losses on seed capital investments, investments in our own funds and other investments, as well as net foreign exchange gains or losses. Seed capital investments are made by the Group to provide capital that was considered necessary to new funds during the initial phase of fund launches. The Group also invests in its own funds alongside investors, where appropriate, for better alignment of interests and investment returns. Other gains on a net basis totaled HK\$107.4 million in the period, swinging from losses of HK\$55.4 million in the first half of 2018 as some of our seed capital investments booked mark-to-market gains as a result of the improved market sentiment.

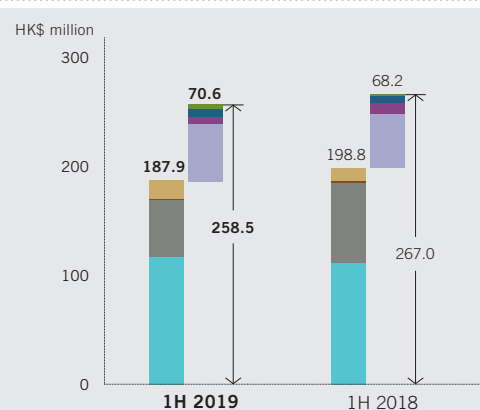
Investments in joint ventures

Investments in joint ventures represent the Group's 50% equity interest in Value Investing Group Company Limited and its 50% equity interest in Clear Miles Hong Kong Limited. Value Investing Group Company Limited has trust beneficiary interests in three Japanese logistics centers, while Clear Miles Hong Kong Limited has 100% indirect interest in an Australian industrial property. The Group's share of gains amounted to HK\$11.4 million (1H 2018: HK\$50.0 million), which consisted of revaluation gains on properties that totaled HK\$2.2 million (1H 2018: HK\$31.3 million) and rental income of HK\$9.2 million (1H 2018: HK\$14.4 million).

Cost management

Breakdown of total expenses

(In HK\$ million)	1H 2019	1H 2018
Compensation and benefit expenses		
Fixed salaries and staff benefits	117.2	112.4
Management bonus	51.6	72.8
Staff rebates	1.6	2.4
Share-based compensation expenses	17.5	11.2
Other expenses		
Other fixed operating costs	52.6	49.5
Sales and marketing	7.0	10.8
Depreciation excluding depreciation of right-of-use assets-properties	7.3	6.2
Non-recurring expenses	3.7	1.7



In terms of cost management, the Group continued to exercise stringent cost discipline and kept fixed operating expenses well covered by net management fee income, which is a relatively stable source of income. Such coverage is measured by the “fixed cost coverage ratio”, an indicator showing the number of times that fixed operating expenses (excluding discretionary and non-recurring expenses) are covered by net management fee income. The Group aims to maintain a fixed cost coverage ratio of around 2 times. For the current period, the Group reported a fixed cost coverage ratio of 2.2 times (1H 2018: 2.6 times).

Compensation and benefit expenses

During the period, fixed salaries and staff benefits rose by HK\$4.8 million to HK\$117.2 million (1H 2018: HK\$112.4 million). The increase was mainly attributable to salary increments.

As part of its compensation policy, the Group distributes 20% to 23% of its annual net profit pool as a management bonus to employees. The management bonus for the first half of 2019 totaled HK\$51.6 million (1H 2018: HK\$72.8 million). The profit pool is calculated by deducting certain adjustments from net profit before the management bonus and taxation. This discretionary bonus is maintained to promote staff loyalty and performance while aligning employee and shareholder interests.

The staff of Value Partners is entitled to partial rebates of management fees and performance fees when investing in funds managed by the Group. Staff rebates for the year amounted to HK\$1.6 million (1H 2018: HK\$2.4 million).

During the period, the Group recorded expenses of HK\$17.5 million (1H 2018: HK\$11.2 million), which were related to stock options granted to employees. This expense item had no impact on cash flows and was recognized in accordance with Hong Kong Financial Reporting Standards.

Other expenses

Other non-staff operating costs – such as rent, legal and professional fees, investment research fees, and other administrative and office expenses – amounted to HK\$52.6 million for the period (1H 2018: HK\$49.5 million), while sales and marketing expenses decreased to HK\$7.0 million (1H 2018: HK\$10.8 million).

Dividends

The Group has been adopting a consistent dividend distribution policy that takes into account 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. Dividend per share is declared based on the Group's realized profit, which excludes unrealized gains and losses recognized.

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. At the end of the first half of 2019, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK\$2,116.8 million. Net cash inflows from operating activities amounted to HK\$143.5 million, while the Group had no corporate bank borrowings and did not pledge any assets as collateral for overdrafts or other loan facilities. The Group's debt-to-equity ratio, measured by interest bearing external borrowings (excluding borrowings by investment funds where the Group has a controlling interest) divided by shareholders' equity, was zero, while its current ratio (current assets divided by current liabilities) was 7.2 times.

Capital structure

As at 30 June 2019, the Group's shareholders' equity and total number of shares issued were HK\$4,133.3 million and 1.86 billion, respectively.

1. *Overall fund performance is calculated by taking an asset-weighted average of returns of the most representative share class of all funds managed by Value Partners.*
2. *Annual calendar returns of Value Partners Greater China High Yield Income Fund (Class P Acc USD) over the past five years: 2014: +1.1%; 2015: +6.1%; 2016: +15.9%; 2017: +10.1%; 2018: -4.9%; 2019 (Year to date as at 30 June): +8.3%.*
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. *Annual calendar returns of Value Partners Classic Fund (A Units) over the past five years: 2014: +13.5%; 2015: -1.5%; 2016: -3.2%; 2017: +44.9%; 2018: -23.1%; 2019 (Year to date as at 30 June): +18.3%.*
5. *Annual calendar returns of Value Partners High-Dividend Stocks Fund (Class A1) over the past five years: 2014: +9.4%; 2015: -3.7%; 2016: -0.2%; 2017: +32.9%; 2018: -14.2%; 2019 (Year to date as at 30 June): +10.8%.*

Source for performance figures: HSBC Institutional Trust Services (Asia) Limited and Bloomberg. 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 2019 (six months ended 30 June 2018: Nil).

Foreign exchange

Except for its Renminbi-denominated bank deposits, which has a balance of around HK\$154.1 million as at 30 June 2019 (30 June 2018: HK\$154.0 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 2019, the Group employed 181 staff (30 June 2018: 184) in Hong Kong SAR, 23 staff (30 June 2018: 20) in Shanghai, 7 staff (30 June 2018: 5) in Shenzhen, 5 staff (30 June 2018: 11) in Singapore, 3 staff (30 June 2018: 2) in London and 6 staff (30 June 2018: nil) in Malaysia. Remuneration packages that take into account of business performance, market practices and competitive market conditions are offered to employees in compensation for their contributions. In line with the Group's emphasis on recognition for performance and human capital retention, the Group rewards its employees with year-end discretionary bonus which is linked to the Group's level of profits for that financial year.

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 2019.

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 2019.

Independent review of interim results

The unaudited interim results of the Group for the six months ended 30 June 2019 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 2019.

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 2019.

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) and the Company (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
Dato’ Seri CHEAH Cheng Hye
Co-Chairman and Co-Chief Investment Officer

Hong Kong, 19 August 2019

As of the date of this Announcement, our Directors are Dato’ Seri Cheah Cheng Hye, Mr. So Chun Ki Louis, Ms. Hung Yeuk Yan Renee and Mr. Ho Man Kei, Norman as Executive Directors and Dr. Chen Shih Ta Michael, Mr. Nobuo Oyama and Mr. Wong Poh Weng as Independent Non-executive Directors.