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惠理集團
Value Partners Group

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 2015

FINANCIAL HIGHLIGHTS

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

(In HK\$ million)	For the period ended 30 June		
	2015 Unaudited	2014 Unaudited	% Change
Total revenue	924.8	443.6	+108.5%
Gross management fees	548.8	340.7	+61.1%
Gross performance fees	229.2	21.9	+946.6%
Operating profit (before other gains/losses)	361.7	159.2	+127.2%
Profit attributable to equity holders of the Company	445.7	140.6	+217.0%
Basic earnings per share (HK cents)	24.2	8.0	+202.5%
Diluted earnings per share (HK cents)	24.1	8.0	+201.3%
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 2015.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
	Note	2015 HK\$'000 Unaudited	2014 HK\$'000 Unaudited
Income			
Fee income and other revenue	2	924,842	443,564
Distribution and advisory fee expenses		(323,405)	(152,575)
Net fee income		601,437	290,989
Other income		17,957	18,093
Total net income		619,394	309,082
Expenses			
Share-based compensation		(14,457)	(2,253)
Other compensation and benefit expenses		(181,038)	(103,175)
Operating lease rentals		(12,401)	(9,087)
Other expenses		(49,798)	(35,370)
Total expenses		(257,694)	(149,885)
Operating profit (before other gains/losses)		361,700	159,197
Net gains on investments		129,692	3,127
Net gains/(losses) on investments held-for-sale		2,301	(5,448)
Net foreign exchange losses		(5,423)	(4,477)
Other gains/(losses) – net	3	126,570	(6,798)
Operating profit (after other gains/losses)		488,270	152,399
Share of profit of an associate		132	9,484
Profit before tax		488,402	161,883
Tax expense	4	(43,634)	(22,777)
Profit for the period		444,768	139,106
Other comprehensive income/(loss) for the period			
– Items that may be subsequently reclassified to profit or loss			
Fair value losses on available-for-sale financial assets		(776)	(4,117)
Foreign exchange translation		1,406	(10,231)
Other comprehensive income/(loss) for the period	5	630	(14,348)
Total comprehensive income for the period		445,398	124,758
Profit attributable to			
Equity holders of the Company		445,733	140,616
Non-controlling interests		(965)	(1,510)
		444,768	139,106
Total comprehensive income for the period attributable to			
Equity holders of the Company		445,821	127,467
Non-controlling interests		(423)	(2,709)
		445,398	124,758
Earnings per share for profit attributable to equity holders of the Company (HK cents per share)			
– basic	6	24.2	8.0
– diluted	6	24.1	8.0

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Note	30 June 2015 HK\$'000 Unaudited	31 December 2014 HK\$'000 Audited
Non-current assets			
Property, plant and equipment		16,648	13,753
Intangible assets		39,154	32,406
Investment in an associate		102,783	102,651
Deferred tax assets		5,434	3,797
Investments	8	1,154,518	889,616
Other assets		8,863	8,703
Loan portfolio, net		138,931	141,031
		1,466,331	1,191,957
Current assets			
Investments	8	233,471	178,931
Investments held-for-sale	9	54,048	29,528
Fees receivable	10	247,545	693,600
Loan portfolio, net		171,502	171,093
Amounts receivable on sale of investments		254,935	254,935
Prepayments and other receivables		59,365	41,423
Time deposits		109,113	250,169
Cash and cash equivalents	11	1,771,818	1,551,001
		2,901,797	3,170,680
Current liabilities			
Accrued bonus		91,145	235,506
Distribution fee expenses payable	12	116,303	77,016
Other payables and accrued expenses		38,942	36,107
Short-term loan		62,425	62,420
Current tax liabilities		87,282	64,822
		396,097	475,871
Net current assets		2,505,700	2,694,809
Total assets less current liabilities		3,972,031	3,886,766
Non-current liabilities			
Accrued bonus		561	561
Net assets		3,971,470	3,886,205
Equity			
Capital and reserves attributable to equity holders of the Company			
Issued equity	13	1,369,572	1,336,979
Other reserves		204,890	191,186
Retained earnings			
– proposed dividends	7	–	404,066
– others		2,321,730	1,877,357
		3,896,192	3,809,588
Non-controlling interests		75,278	76,617
Total equity		3,971,470	3,886,205

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 2015. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2015 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 2014, 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. TURNOVER AND REVENUE

Turnover and revenue consist of fees from investment management activities, fund distribution activities, as well as interest and fee income from loan portfolio.

	Six months ended 30 June	
	2015 <i>HK\$'000</i> Unaudited	2014 <i>HK\$'000</i> Unaudited
Management fees	548,826	340,733
Performance fees	229,242	21,861
Front-end fees	115,691	54,957
Total fee income	893,759	417,551
Interest income from loan portfolio	29,970	23,689
Fee income from loan portfolio	1,113	2,324
Total turnover and revenue	924,842	443,564

3. OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Net gains on investments		
Gains on financial assets at fair value through profit or loss	133,726	29,335
Losses on financial assets at fair value through profit or loss	(4,034)	(28,051)
Gains on disposal of available-for-sale financial assets	–	3,734
Losses on disposal of available-for-sale financial assets	–	(1,891)
Net gains/(losses) on investments held-for-sale		
Gains on investments held-for-sale	5,101	2,980
Losses on investments held-for-sale	(2,800)	(8,428)
Net foreign exchange losses	(5,423)	(4,477)
Total other gains/(losses) – net	126,570	(6,798)

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 2015 at the rate of 16.5% (2014: 16.5%).

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Current tax		
Hong Kong profits tax	34,582	20,363
Overseas tax	14,653	6,872
Adjustments in respect of prior years	(6,031)	(4,318)
Total current tax	43,204	22,917
Deferred tax		
Origination and reversal of temporary differences	430	(140)
Total tax expense	43,634	22,777

5. OTHER COMPREHENSIVE INCOME/(LOSS)

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	Unaudited	Unaudited
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Available-for-sale financial assets		
Fair value (losses)/gains during the period	(776)	248
Reclassification adjustments for gains included in profit or loss	—	(4,365)
Fair value losses on available-for-sale financial assets	(776)	(4,117)
Foreign exchange translation	1,406	(10,231)
Total other comprehensive income/(loss)	630	(14,348)

6. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the profit attributable to equity holders of the Company of HK\$445,733,000 (2014: HK\$140,616,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,841,413,000 (2014: 1,755,202,800). The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue during the period of 1,841,413,000 (2014: 1,755,202,800) by 4,367,000 (2014: 4,237,469) 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\$405,426,000 are related to the year ended 31 December 2014 and were paid on 26 May 2015. No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2015 (2014: Nil).

8. INVESTMENTS

Investments include the following:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Total	
	30 June 2015 HK\$'000 Unaudited	31 December 2014 HK\$'000 Audited	30 June 2015 HK\$'000 Unaudited	31 December 2014 HK\$'000 Audited	30 June 2015 HK\$'000 Unaudited	31 December 2014 HK\$'000 Audited
Listed securities (by place of listing)						
Equity securities – China	233,471	178,931	–	–	233,471	178,931
Investment funds – Hong Kong	164,568	165,251	–	–	164,568	165,251
Market value of listed securities	398,039	344,182	–	–	398,039	344,182
Unlisted securities (by place of incorporation/establishment)						
Equity securities – Singapore	–	–	4,831	8,379	4,831	8,379
Investment funds – Australia	16,644	15,882	–	–	16,644	15,882
Investment funds – Cayman Islands	640,932	547,477	2,777	2,835	643,709	550,312
Investment funds – China	30,306	17,508	27,704	–	58,010	17,508
Investment funds – Ireland	126,635	105,614	–	–	126,635	105,614
Investment funds – Luxemburg	–	–	77,167	–	77,167	–
Investment funds – Taiwan	–	3,201	–	–	–	3,201
Investment funds – United States	350	294	23,651	23,175	24,001	23,469
Fair value of unlisted securities	814,867	689,976	136,130	34,389	950,997	724,365
Derivative financial instruments						
Equity swap	38,953	–	–	–	38,953	–
Fair value of derivative financial instruments	38,953	–	–	–	38,953	–
Total investments	1,251,859	1,034,158	136,130	34,389	1,387,989	1,068,547
Representing:						
Non-current	1,018,388	855,227	136,130	34,389	1,154,518	889,616
Current	233,471	178,931	–	–	233,471	178,931
Total investments	1,251,859	1,034,158	136,130	34,389	1,387,989	1,068,547

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.

	Fair Value	
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	Unaudited	Audited
Investment funds – Ireland	38,595	–
Investment funds – Taiwan	15,453	29,528
Total investments held-for-sale	54,048	29,528

As at 30 June 2015 and 31 December 2014, the major assets of the above funds were listed equity securities.

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	31 December
	2015	2014
	HK\$'000	HK\$'000
	Unaudited	Audited
Fees receivable that were past due but not impaired		
1 – 30 days	2,543	754
31 – 60 days	–	72
61 – 90 days	3,417	198
Over 90 days	2,700	911
	8,660	1,935
Fees receivable that were within credit period	238,885	691,665
Total fees receivable	247,545	693,600

11. CASH AND CASH EQUIVALENTS

	30 June 2015 <i>HK\$'000</i> Unaudited	31 December 2014 <i>HK\$'000</i> Audited
Cash at banks and in hand	435,640	178,158
Short-term bank deposits	1,207,937	1,200,717
Deposits with brokers	128,241	172,126
Total cash and cash equivalents	1,771,818	1,551,001

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 2015 <i>HK\$'000</i> Unaudited	31 December 2014 <i>HK\$'000</i> Audited
0 – 30 days	115,261	76,946
31 – 60 days	1,042	11
61 – 90 days	–	35
Over 90 days	–	24
Total distribution fee expenses payable	116,303	77,016

13. ISSUED EQUITY

	Number of shares	Issued equity <i>HK\$'000</i>
Unaudited		
As at 1 January 2014 and 30 June 2014	1,755,202,800	889,213
Unaudited		
As at 1 January 2015	1,836,664,831	1,336,979
Shares issued upon exercise of share options	9,800,000	32,593
As at 30 June 2015	1,846,464,831	1,369,572

REPORT OF THE CHIEF EXECUTIVE OFFICER

Delivering robust and sustainable growth

Value Partners' story was compelling in the first half of 2015. Net profit of the Group more than tripled from a year earlier while net sales and assets under management ("AUM") both reached an all-time high. Entering the second half of the year, market volatility edged up and might post uncertainties to our near-term business outlook. Notwithstanding the ongoing development, we remain well positioned to embrace the opportunities and challenges ahead.

In the six months ended 30 June 2015, profit attributable to our equity holders soared 217% to HK\$446 million from HK\$141 million a year ago, bolstered by sizable increase in performance fees¹ and management fees, as well as considerable growth in net fair value gains of the Group's treasury operations. Treasury operations mainly include the Group's investments in its own funds that were made side-by-side with clients. Details of our profit drivers are illustrated below:

- (1) As of 30 June 2015, the Group's AUM increased to US\$17.8 billion from US\$12.9 billion at the end of 2014 on the back of substantial fund inflows and outstanding fund performance. Net sales in the first half of 2015 surged to a record high of US\$3.2 billion. The six-month total was so strong that it equaled the sum of the Group's net sales in the past two years.

With more subscriptions coming in, particularly through our distribution network, management fees, our major revenue contributor, increased 61% to HK\$549 million (1H 2014: HK\$341 million). Meanwhile, the larger share of inflows through distribution channels reduced annualized net management fee margin slightly to 59 basis points (1H 2014: 62 basis points).

- (2) Performance fees, another key component of the Group's revenue, grew considerably to HK\$229 million from HK\$22 million a year earlier, mainly driven by increasing contribution from the Group's growing mandates in mainland China. Performance fees of some of these China mandates crystallized before the end of June, contributing to the surge in fee income during the period. These investment mandates and funds add to the diversity of crystallization dates as performance fees for most of our major own branded funds crystallize at the end of each year. Fund performance in the second half will determine if we can collect more performance fees this year.
- (3) In terms of expenses, the Group continued to exercise stringent cost management, keeping fixed costs of fund management business well covered by net management fees (a relatively stable source of income that excludes other revenue sources such as performance fees). Fixed cost coverage ratio increased to 3 times from 2.7 times a year ago, demonstrating the Group's tenacity and resilience, which are particularly important in a volatile environment.
- (4) As a result of enhanced fee income and effective cost control, operating profit before other gains or losses rose 127% to HK\$362 million (1H 2014: HK\$159 million). Operating profit margin² increased to 60.1% from 54.7% in the first half of 2014.
- (5) Outstanding fund performances fortified net fair value gains of the Group's treasury operations. Net fair value gains, which include our seed capital investments and investments in our own funds, rose to HK\$126 million in the first half of 2015 from a net fair value loss of HK\$10 million a year earlier. Seed capital investments were made by the Group to provide initial capital for new funds in the early phase of fund launch.

Constantly evolving for future growth

Value Partners is a company with much growth potential. Over the past 22 years, Value Partners has evolved as one of the largest asset management companies in Asia with growing geographical presence and product offerings. With China liberalizing its asset management market to Hong Kong fund managers through the Mainland-Hong Kong Mutual Recognition of Funds (“MRF”), Value Partners is perfectly positioned at a prime location to capture this promising source of inflow. Supported by our solid foundation, we will keep on strengthening our distribution network, anchoring our presence in strategic markets, innovating our suite of products and delivering consistent performance to seize the opportunities ahead.

1. Deepening ties with distribution partners

Value Partners is highly recognized among major international, regional and Chinese distributors in Hong Kong for our core competence in investment management and distinctive product offerings. Value Partners High-Dividend Stocks Fund, our largest own branded fund (AUM: US\$4.2 billion³), has been named the “Best Retail Product⁴” in *AsianInvestor*’s Asset Management Awards 2015. The fund, designed to capture strong dividend plays across Asia, was also crowned “Asia ex-Japan Fund – Long Term Performance⁵” in *HedgePo*’s Investors Choice Awards 2015 (Asia Pacific).

While we enjoy high penetration in the home market with our strong franchise, we have been leveraging the network of our distributors to extend the reach of our best-selling funds to investors in the region and other overseas markets. During the period, the Group’s best-selling funds were added to the product platform of more distributors. Meanwhile, marketing campaigns have also been rolled out in China and Hong Kong to strengthen brand awareness and substantiate sales effort.

For the rest of 2015, the Group will continue to foster ties with retail banks, private banks, insurance companies, independent financial advisory firms, as well as institutional clients in the region, further broadening our clientele and footprint.

2. Getting new China opportunities

China remains a key market to the Group. In the first half of 2015, new prospects have emerged on the onshore and cross-border front, underpinning net sales of the Group’s fund management business in China.

On the mainland, our partnership with Industrial and Commercial Bank of China Ltd. (“ICBC”), the country’s biggest bank, grew deeper and evolved into a multi-facet and comprehensive collaboration. In addition to offering A-share investment advisory services, Value Partners is also working with ICBC to provide cross-border and outbound investments for the bank’s clients. Qualified Domestic Institutional Investors (“QDII”) fund is one of such examples. Likewise, we are also substantiating cooperation with other Chinese banks, insurance companies and financial institutions.

Separately, the Group has been in active preparation to take part in the MRF scheme to introduce our best-selling funds to investors in China. With the MRF qualification, this will mark an important milestone in our history as this is the first time we can tap domestic China capital with our own branded funds and invest the money overseas.

China's asset management industry has developed quickly in the past year or so as liberalization goes on. With new relaxation and pilot schemes emerged, some foreign fund managers have shown preference to operating their China business through a wholly foreign owned subsidiary. While the Group's joint venture in China stayed profitable, Value Partners will continue to rationalize its business model in mainland China as opportunities arise.

3. Launching new funds to add diversity

In the first seven months of 2015, the Group has broadened its product range with five new funds, aiding expansion into new markets and bringing in new clients. Value China A-Share ETF, the world's first⁶ value-based Renminbi Qualified Foreign Institutional Investors ("RQFII") A-share exchange-traded fund ("ETF"), was listed on the Stock Exchange of Hong Kong in March 2015. While most A-share ETFs in the market are passive funds that track the performance of market indices, Value China A-Share ETF, a smart beta ETF, tracks a customized index that adopts a robust screening model to identify undervalued stocks with good fundamental quality.

Meanwhile, the Group has expanded its product platform under the Undertakings for the Collective Investment in Transferable Securities ("UCITS") scheme by adding new thematic funds and equity funds. With a growing demand for UCITS funds from private banks, as well as investors in Europe and some Asian countries, our enriched UCITS platform will help expedite our entry into these markets.

4. Building presence in Southeast Asia and Taiwan

Following the establishment of Value Partners Asset Management Singapore Pte Ltd. as our second strategic hub in Asia last year, the Singapore subsidiary introduced its first feeder fund in Malaysia in June 2015. The feeder fund, with assets investing in Value Partners High-Dividend Stocks Fund, was launched with Affin Hwang Asset Management Berhad, one of the top five asset managers in Malaysia.

While accredited and institutional investors remain our near-term focus in Singapore and nearby markets, we seek to grow our Singapore subsidiary to become a full-fledged fund management operation with investment research and product development functions in the long run.

Elsewhere in Taiwan, we have adjusted the strategic focus of our joint venture early this year. On top of our commitment to the local market, we will also focus on meeting the offshore investment needs of Taiwan's financial institutions. With anticipation on further easing on the offshore business, we have established partnership with a couple of leading Taiwanese banks and securities firms. On the institutional front, we are also in discussion with insurance companies which are interested in investing overseas.

5. Developing small loan business

Chengdu Vision Credit Limited is a unit of the Group focusing on lending to the white collar, small-business entrepreneurs, as well as small- and medium-sized enterprises in Chengdu city in Sichuan province. During the period, we exercised caution in growing our loan book as the operating environment for China's small loan industry turned more challenging. The unit contributed HK\$11.2 million of profit to the Group in the first half of the year.

6. Winning market recognitions

Value Partners' business and investment performance have advanced on all fronts, bringing in four new awards in the first half of 2015 and extending our list of accolades to more than 100 prizes since our establishment. In *The Asset's* Triple A, Investor and Fund Management Awards 2015, Value Partners was crowned "Fund Management Company of the Year (Hong Kong)⁴". Meanwhile, Value Partners was named "Best Fund Provider – China Equity⁴" in *Asian Private Banker's* Asset Management Awards for Excellence 2014/15.

Outlook

As a long-term investor in China for over two decades, Value Partners has immense experience in weathering market downturns and we believe the underlying direction of the Chinese stockmarket is still up over the long run. Every time Value Partners went through market turbulence, we came out stronger than before. Although the market is likely to be volatile in the near future, we will continue to demonstrate the fundamental strength of our business and execute on our strategy to deliver sustainable returns for investors and shareholders.

Appreciation

Last but not least, we want to express our gratitude to our diligent team for their dedication and pursuit of performance excellence. We would also like to extend our appreciation to all investors, business partners and shareholders.

¹ Performance fees are generated when funds, at the dates of their performance fee crystallization, reported returns exceeding their benchmarks or high watermarks for the respective periods.

² Operating profit margin is derived by dividing operating profit (before other gains/losses) by net fee income.

³ As of 30 June 2015.

⁴ Based on achievements as of 31 December 2014.

⁵ Based on performance in the three-year period from 1 January 2012 to 31 December 2014.

⁶ Based on Bloomberg data, as of 30 June 2015, on RQFII A-Share ETFs in the market.

FINANCIAL REVIEW

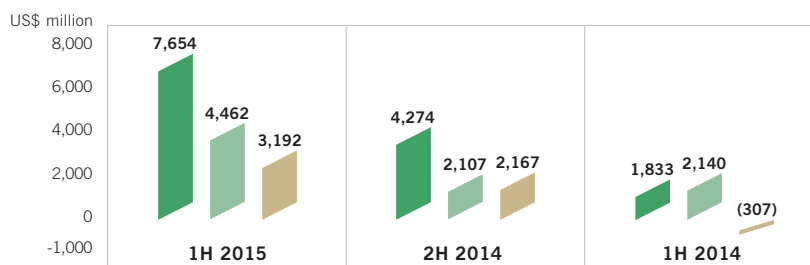
Assets Under Management

AUM and return

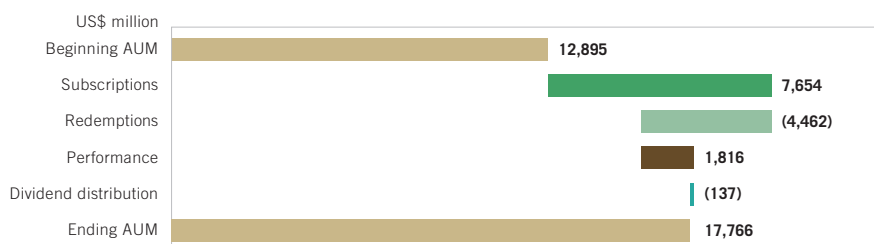
The Group's AUM increased to US\$17,766 million at the end of June 2015 (31 December 2014: US\$12,895 million) on the strength of strong sales and fund performance in 2015. Net subscriptions and positive fund returns in the first half of 2015 rose to a record high of US\$3,192 million and US\$1,816 million, respectively. Overall fund performance, as calculated in asset-weighted average return of funds under management, gained 14.5% in the period. Among all, Value Partners Classic Fund¹, our flagship product, generated solid returns of 18.6% in the period while Value Partners High-Dividend Stocks Fund², the Group's largest public fund³ in Hong Kong, recorded a gain of 11.8% in the period.

Gross subscriptions in the first half of 2015 (US\$7,654 million) increased significantly from the first half of 2014 (US\$1,833 million) while gross redemptions in the first half of 2015 (US\$4,462 million) increased from the first half of 2014 (US\$2,140 million). All in all, net subscriptions reached an all-time high of US\$3,192 million in the period (1H 2014: net redemptions of US\$307 million).

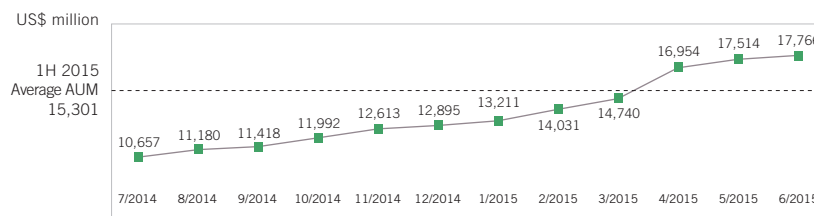
■ Gross subscriptions
■ Gross redemptions
■ Net subscriptions/(redemptions)



AUM Change in the first half 2015⁴



Monthly AUM in the past twelve months



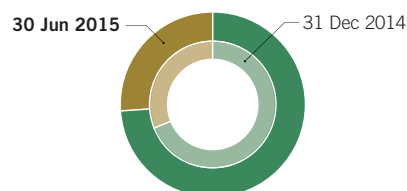
AUM by category

The charts below provide an analysis of the Group's AUM as at 30 June 2015 by three different classifications: brand, strategy and fund type. During the period, contribution from Own Branded Funds (74%) continued to rise on the back of relatively stronger fund flows into Value Partners' own branded products amid the Group's expansion in distribution network. In terms of strategy, our Absolute Return Long-biased Funds continued to represent the majority of our funds (89%), followed by our Fixed Income Funds (9%), in which the largest share was contributed by our Greater China High Yield Income Fund. In terms of fund type, Hong Kong Securities and Futures Commission ("SFC") authorized funds³ (i.e. public funds in Hong Kong) remained the largest composition of the Group's AUM (82%).

Classification by brand

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

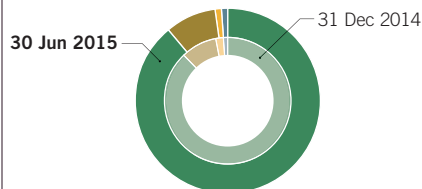
30 Jun 2015	31 Dec 2014
74%	69%
26%	31%



Classification by strategy

- Absolute Return Long-biased Funds
- Fixed Income Funds
- Long-short Hedge Funds
- Quantitative Funds & ETF

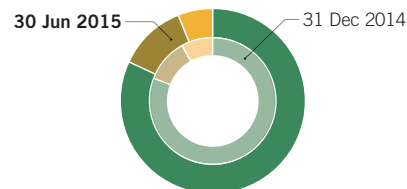
30 Jun 2015	31 Dec 2014
89%	88%
9%	9%
1%	2%
1%	1%



Classification by type

- SFC authorized Funds³
- Managed Accounts
- Non-SFC authorized Funds

30 Jun 2015	31 Dec 2014
82%	81%
12%	11%
6%	8%



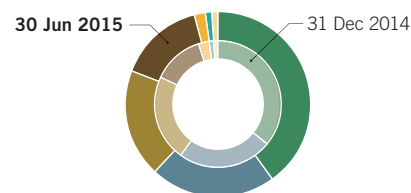
Client base

Institutional clients – including institutions, pension funds, high-net-worth individuals (“HNWs”), endowments and foundations, funds of funds, together with family offices and trusts – remained the Group’s primary set of fund investors, accounting for 60% of total AUM (31 December 2014: 64%). The growth in retail clients was strong as a result of our expanding distribution network, particularly in retail banks, boosting retail contribution to 40% of total AUM (31 December 2014: 36%). In terms of geographical location, Hong Kong clients accounted for 75% of the Group’s AUM (31 December 2014: 74%) while clients from United States, Europe and China together represented 18% of the total (31 December 2014: 17%).

Client analysis by type

Retail
Institutions
Pension funds
High-net-worth individuals
Endowments & foundations
Funds of funds
Family offices & trusts

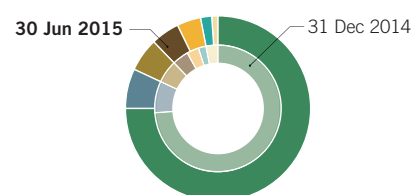
30 Jun 2015	31 Dec 2014
40%	36%
22%	24%
19%	22%
15%	13%
2%	3%
1%	1%
1%	1%



Client analysis by geographical region

Hong Kong
United States
Europe
China
Singapore
Australia
Others

30 Jun 2015	31 Dec 2014
75%	74%
7%	8%
6%	6%
5%	3%
4%	4%
2%	2%
1%	3%



Summary of results

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

(In HK\$ million)	1H 2015	1H 2014	% Change
Total revenue	924.8	443.6	+108.5%
Gross management fees	548.8	340.7	+61.1%
Gross performance fees	229.2	21.9	+946.6%
Operating profit (before other gains/losses)	361.7	159.2	+127.2%
Profit attributable to equity holders of the Company	445.7	140.6	+217.0%
Basic earnings per share (HK cents)	24.2	8.0	+202.5%
Diluted earnings per share (HK cents)	24.1	8.0	+201.3%
Interim dividend per share	Nil	Nil	

Revenue and fee margin

Breakdown of total net income

(In HK\$ million)

Revenue

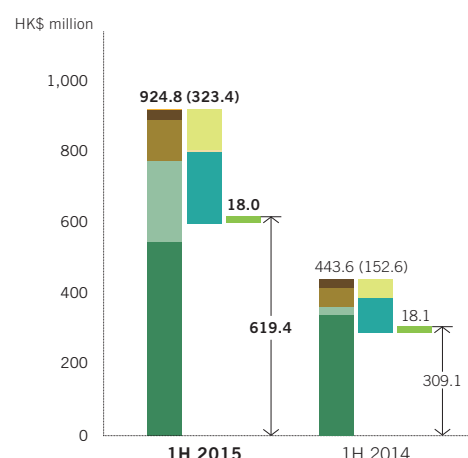
Management fees	548.8	340.7
Performance fees	229.2	21.9
Front-end fees	115.7	55.0
Interest income from loan portfolio	30.0	23.7
Fee income from loan portfolio	1.1	2.3

Distribution and advisory fee expenses

Management fee rebates	(201.1)	(98.7)
Performance fee rebates	(7.2)	–
Other revenue rebates	(115.1)	(53.9)

Other income

Other income	18.0	18.1
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The Group's profit attributable to equity holders soared 217.0% to HK\$445.7 million for the six months ended 30 June 2015 (1H 2014: HK\$140.6 million). Total revenue rose 108.5% to HK\$924.8 million (1H 2014: HK\$443.6 million). Gross management fees, the major contributor to our revenue, increased 61.1% to HK\$548.8 million (1H 2014: HK\$340.7 million), driven by a 49.7% growth in the Group's average AUM, which rose to US\$15,301 million (1H 2014: US\$10,218 million).

During the period, annualized gross management fee margin increased to 93 basis points (1H 2014: 87 basis points) on the back of relatively stronger inflows into our Own Branded Funds. As an effort to further grow our distribution network, net sales of the Group was bolstered to a record US\$3,192 million. With inflows from distribution network taking a larger share, management fee rebates for distribution channels increased to HK\$201.1 million (1H 2014: HK\$98.7 million), compressing annualized net management fee margin slightly to 59 basis points (1H 2014: 62 basis points).

Gross performance fees, another source of revenue, increased by HK\$207.3 million to HK\$229.2 million (1H 2014: HK\$21.9 million). Performance fees are generated when funds, at the dates of their performance fee crystallization, report returns exceeding their benchmark 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 further performance fees in 2015.

Other revenue mainly included front-end fees, of which a substantial amount was rebates to distribution channels. Such rebates are a usual market practice. Other revenue also included HK\$31.1 million (1H 2014: HK\$26.0 million) of interest and fee income generated from the loan portfolio of our non-wholly owned subsidiary, which operates and develops small loan business in Chengdu.

Other income, which mainly comprised interest income and dividend income, was HK\$18.0 million (1H 2014: HK\$18.1 million). Interest income increased to HK\$10.0 million (1H 2014: HK\$5.8 million) while dividend income decreased to HK\$7.9 million (1H 2014: HK\$11.8 million).

Other gains and losses

Breakdown of other gains/(losses) – net	(In HK\$ million)	1H 2015	1H 2014
Net gains on investments		129.7	3.1
Net gains/(losses) on investments held-for-sale		2.3	(5.4)
Others		(5.4)	(4.5)
		126.6	(6.8)

Other gains or losses mainly included fair value changes and realized gains or losses on investment items that include seed capital investments, investments in own funds, debt securities and other investments, as well as net foreign exchange gains or losses. Seed capital investments were made by the Group to provide certain amount of 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

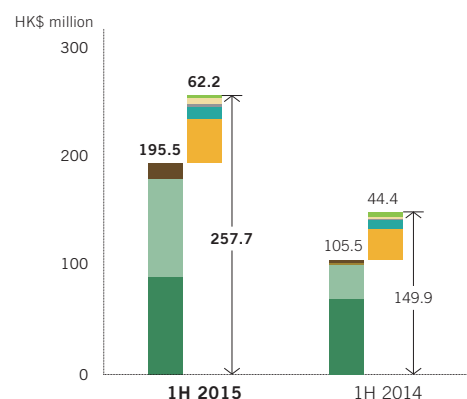
(In HK\$ million)

Compensation and benefit expenses

Fixed salaries and staff benefits	90.4	70.1
Management bonuses	89.6	30.6
Staff rebates	1.0	2.5
Share-based compensation expenses	14.5	2.3

Other expenses

Other fixed operating costs	39.9	28.1
Sales and marketing	12.2	8.7
Loan impairment allowances	2.5	0.4
Depreciation	5.1	2.7
Non-recurring expenses	2.5	4.5



The Group's management team 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. This objective 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's fixed cost coverage (for asset management business) rose to 3.0 times (1H 2014: 2.7 times), portraying our defensive approach as market volatility edged up.

Compensation and benefit expenses

Fixed salaries and staff benefits increased by HK\$20.3 million to HK\$90.4 million (1H 2014: HK\$70.1 million). The increase was mainly attributable to salary increments and additional headcount costs incurred 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 bonuses to employees – management bonuses for the period amounted to HK\$89.6 million (1H 2014: HK\$30.6 million). The net profit pool is derived by deducting certain adjustments, including cost of capital, from net profit before management bonuses and taxation. Discretionary bonuses promote staff loyalty and performance while aligning employee interests with shareholders'.

Staff rebates decreased to HK\$1.0 million (1H 2014: HK\$2.5 million). Staff of Value Partners are entitled to partial rebates of management fees and performance fees when investing in funds managed by the Group.

The Group also recorded expenses of HK\$14.5 million (1H 2014: HK\$2.3 million) relating to stock options granted to employees. This expense item has no impact on cash flow and is 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\$39.9 million (1H 2014: HK\$28.1 million).

Sales and marketing expenses rose to HK\$12.2 million (1H 2014: HK\$8.7 million) as a result of increased spending on advertising and distributor sponsorship to grow brand awareness.

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\$1,771.8 million. Net cash inflows from operating activities amounted to HK\$817.1 million. Bank balance of RMB50 million was pledged as collateral for the Group's banking facilities of an equal amount. The Group's debt-to-equity ratio (interest-bearing external borrowings divided by shareholders' equity) was 0.02 times while current ratio (current assets divided by current liabilities) was 7.3 times.

Capital structure

As at 30 June 2015, the Group's shareholders' equity and total number of shares in issue for the Company stood at HK\$3,971.5 million and 1.85 billion, respectively.

1 *Performance of Value Partners Classic Fund (A Units) over past five years: 2010: +20.2%; 2011: -17.2%; 2012: +14.0%; 2013: +11.2%; 2014: +13.5%; 2015 (Year to date as at 31 July): +5.6%.*

2 *Performance of Value Partners High-Dividend Stocks Fund (Class A1) over past five years: 2010: +25.8%; 2011: -11.9%; 2012: +25.2%; 2013: +8.1%; 2014: +9.4%; 2015 (Year to date as at 31 July): +4.6%.*

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 it is an endorsement of its suitability for any particular investor or class of investors.*

4 *Excluding AUM of Goldstate Capital Fund Management Company Limited, in which the Group holds an ownership interest of 49%.*

Source for performance figures: HSBC Institutional Trust Services (Asia) Limited. Performance figures are calculated in the funds' respective trading and base currencies, NAV to NAV, with dividend 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 2015 (six months ended 30 June 2014: Nil).

Foreign exchange

Except for its Renminbi-denominated bank deposit and loan portfolio in China, which has a balance of around HK\$954.5 million as at 30 June 2015, 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 2015, the Group employed a total of 175 staff (30 June 2014: 137) in Hong Kong and the research office in Shanghai, 8 staff (30 June 2014: 3) in Singapore, 25 staff (30 June 2014: 29) in Taiwan and 87 staff (30 June 2014: 58) in Chengdu. Competitive remuneration packages that take into account 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 2015.

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 2015.

Independent review of interim results

The unaudited interim results of the Group for the six months ended 30 June 2015 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 2015.

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 2015.

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.com.hk). 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, 13 August 2015

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.