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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 2021

FINANCIAL HIGHLIGHTS

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

(In HK\$ million)	For the period ended 30 June		
	2021 Unaudited	2020 Unaudited	% Change
Total revenue	707.8	579.8	+22.1%
Gross management fees	501.9	519.6	-3.4%
Gross performance fees	91.3	15.6	+485.3%
Operating profit (before other gains)	193.4	114.7	+68.6%
Profit attributable to owners of the Company	209.8	125.5	+67.2%
Basic earnings per share (HK cents)	11.3	6.8	+66.2%
Diluted earnings per share (HK cents)	11.2	6.8	+64.7%
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 2021.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 Unaudited	2020 HK\$'000 Unaudited
Income			
Fee income	2	707,806	579,819
Distribution fee expenses		(315,842)	(272,102)
Net fee income		391,964	307,717
Other income		52,295	46,872
Total net income		444,259	354,589
Expenses			
Share-based compensation		(14,577)	(8,275)
Compensation and benefit expenses	6	(171,086)	(153,978)
Operating lease rentals		(3,878)	(4,491)
Depreciation of right-of-use assets – properties		(13,417)	(14,900)
Other expenses		(47,877)	(58,278)
Total expenses		(250,835)	(239,922)
Operating profit (before other gains)		193,424	114,667
Net gains on investments		32,956	29,846
Fair value gain of an investment property	4	11,945	–
Others		(11,232)	(6,826)
Other gains – net	3	33,669	23,020
Operating profit (after other gains)		227,093	137,687
Finance costs		(1,584)	(1,883)
Share of gains on joint ventures	5	16,687	10,143
Profit before tax		242,196	145,947
Tax expense	7	(32,378)	(20,414)
Profit for the period attributable to owners of the Company		209,818	125,533

		Six months ended 30 June	
	<i>Note</i>	2021 <i>HK\$'000</i> Unaudited	2020 <i>HK\$'000</i> Unaudited
Other comprehensive income/(loss) for the period <i>– Items that may be subsequently reclassified to profit or loss</i>			
Foreign exchange translation		7,962	(11,350)
Other comprehensive income/(loss) for the period		7,962	(11,350)
Total comprehensive income for the period attributable to owners of the Company		217,780	114,183
Earnings per share attributable to owners of the Company (HK cents per share)			
Basic earnings per share	<i>8</i>	11.3	6.8
Diluted earnings per share	<i>8</i>	11.2	6.8

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

		30 June 2021	31 December 2020
	<i>Note</i>	HK\$'000 <i>Unaudited</i>	HK\$'000 <i>Audited</i>
Non-current assets			
Property, plant and equipment		194,444	193,928
Right-of-use assets – properties		55,213	14,627
Investment property	4	190,387	181,000
Intangible assets		15,359	16,360
Investments in joint ventures	5	380,909	342,229
Deferred tax assets		1,639	1,095
Investments	10	2,571,108	1,876,413
Other assets		9,178	2,654
		3,418,237	2,628,306
Current assets			
Investments	10	18,820	17,252
Fees receivable	11	177,380	1,495,304
Amount receivable on sale of investments		–	139,500
Prepayments and other receivables		35,084	44,043
Cash and cash equivalents	12	1,938,933	1,974,408
		2,170,217	3,670,507
Current liabilities			
Accrued bonus		19,570	384,559
Distribution fee expenses payable	13	112,428	109,773
Borrowing		872	86,499
Other payables and accrued expenses		40,860	64,754
Lease liabilities		19,009	12,457
Current tax liabilities		188,280	170,768
		381,019	828,810
Net current assets		1,789,198	2,841,697

		30 June 2021 HK\$'000 <i>Unaudited</i>	31 December 2020 HK\$'000 <i>Audited</i>
	<i>Note</i>		
Non-current liabilities			
Accrued bonus		71,541	51,186
Borrowing		84,516	–
Lease liabilities		34,321	775
		190,378	51,961
Net assets		5,017,057	5,418,042
Equity			
Equity attributable to owners of the Company			
Issued equity	<i>14</i>	1,404,491	1,407,105
Other reserves		298,613	296,588
Retained earnings		3,313,953	3,714,349
Total equity		5,017,057	5,418,042

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 2021. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2. REVENUE

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Management fees	501,893	519,618
Performance fees	91,343	15,568
Front-end fees	114,570	44,633
	<u>707,806</u>	<u>579,819</u>
Total fee income	<u>707,806</u>	<u>579,819</u>

3. OTHER GAINS – NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Net gains on investments		
Net gains on financial assets at fair value through profit or loss	32,956	29,846
Fair value gain of an investment property	11,945	–
Others		
Net foreign exchange losses	(11,232)	(6,875)
Gains on disposal of property, plant and equipment	–	49
	<u>33,669</u>	<u>23,020</u>
Total other gains – net	<u>33,669</u>	<u>23,020</u>

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 2021 and 31 December 2020.

5. INVESTMENTS IN JOINT VENTURES

As at 30 June 2021, “Investments in joint ventures” on the condensed consolidated balance sheet, amounting to HK\$380,909,000 (31 December 2020: HK\$342,229,000), represent the Group’s 50% (31 December 2020: 50%) equity interest in Value Investing Group Company Limited (“Value Investing”), Clear Miles Hong Kong Limited (“Clear Miles HK”), VP-ZACD Fund Holdings Pte. Ltd. and 15% (31 December 2020: Nil) equity interest in AM 310 Ann Street Investor Unit Trust (“Ann Street Investor Unit Trust”).

As at 30 June 2021, Value Investing has a beneficial interest in a trust which owns three logistic centers located in Japan (31 December 2020: three) and Ann Street Investor Unit Trust holds an Australian commercial tower (31 December 2020: Nil). During the period ended 30 June 2021, Clear Miles HK sold the industrial facility located in Australia and held no investments as at 30 June 2021.

On 18 February 2021, the Group acquired 15% of the interest of Ann Street Investor Unit Trust with a consideration of AUD15,000,000 (equivalent to HK\$88,150,000).

6. COMPENSATION AND BENEFIT EXPENSES

No government wage subsidies for the period ended 30 June 2021. For the period ended 30 June 2020, the government wage subsidies amounting to HK\$1,631,000 are included in the “compensation and benefit expenses” line item. There are no unfulfilled conditions or other contingencies attaching to these subsidies.

7. 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 Cayman Islands 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 2021 at the rate of approximately 16.5% (2020: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Current tax		
Hong Kong profits tax	28,105	12,830
Overseas tax	8,616	5,689
Adjustments in respect of prior years	(3,799)	2,579
Total current tax	32,922	21,098
Deferred tax		
Origination and reversal of temporary differences	(544)	(684)
Total tax expense	32,378	20,414

8. 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\$209,818,000 (2020: HK\$125,533,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,855,043,000 (2020: 1,855,083,000). The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue during the period of 1,855,043,000 (2020: 1,855,083,000) by 15,175,000 (2020: 54,000) to assume conversion of all dilutive potential ordinary shares granted under the Company’s share option scheme.

9. DIVIDENDS

Final dividend of HK\$630,728,000 declared by the Company was related to the year ended 31 December 2020 and was paid on 21 May 2021. No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2021 (2020: Nil).

10. INVESTMENTS

Investments include the following:

	Financial assets at fair value through profit or loss	
	30 June 2021 HK\$'000 Unaudited	31 December 2020 HK\$'000 Audited
Listed securities		
Equity securities – Long – Hong Kong	7,780	8,420
Equity securities – Long – United States	412	370
Investment funds – Hong Kong	410,515	230,595
Fair value of listed securities	418,707	239,385
Unlisted securities		
Equity securities – Singapore	1,811	1,300
Investment funds – Cayman Islands	227,640	223,420
Investment funds – China	31,592	37,440
Investment funds – Hong Kong	436,908	181,305
Investment funds – Ireland	868,163	633,060
Investment funds – South Korea	54,405	49,707
Investment funds – United States	74,973	51,185
Loan note – Australia	475,729	476,863
Fair value of unlisted securities	2,171,221	1,654,280
Representing:		
Non-current	2,571,108	1,876,413
Current	18,820	17,252
Total investments	2,589,928	1,893,665

11. 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 2021 HK\$'000 Unaudited	31 December 2020 HK\$'000 Audited
Fees receivable that were past due but not impaired		
1 – 30 days	6,752	346
31 – 60 days	–	1,524
61 – 90 days	2,164	148
Over 90 days	<u>5,880</u>	<u>179</u>
	14,796	2,197
Fees receivable that were within credit period	<u>162,584</u>	<u>1,493,107</u>
Total fees receivable	<u>177,380</u>	<u>1,495,304</u>

12. CASH AND CASH EQUIVALENTS

	30 June 2021 HK\$'000 Unaudited	31 December 2020 HK\$'000 Audited
Cash at banks and in hand	392,178	441,783
Short-term bank deposits	1,540,653	1,532,256
Deposits with brokers	<u>6,102</u>	<u>369</u>
Total cash and cash equivalents	<u>1,938,933</u>	<u>1,974,408</u>

13. 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 2021 HK\$'000 Unaudited	31 December 2020 HK\$'000 Audited
0 – 30 days	98,295	98,837
31 – 60 days	1,968	747
61 – 90 days	1,105	386
Over 90 days	11,060	9,803
Total distribution fee expenses payable	112,428	109,773

14. ISSUED EQUITY

	Number of shares	Issued equity HK\$'000
Unaudited		
As at 1 January 2021	1,855,082,831	1,407,105
Shares repurchase	(556,000)	(2,614)
As at 30 June 2021	1,854,526,831	1,404,491
Audited		
As at 1 January 2020 and 31 December 2020	1,855,082,831	1,407,105

The Company purchased a total of 556,000 shares on the Stock Exchange during the period ended 30 June 2021 and the aggregate consideration paid was HK\$2,614,000. As at 30 June 2021, the purchased 556,000 shares were under the procedures of cancellation.

MANAGEMENT DISCUSSION AND ANALYSIS

The year of 2021 began with hopes that the global economy was set to restart and gradually recover on the back of vaccine rollouts. However, inflationary and policy tightening concerns, as well as ongoing pandemic challenges, resulted in a mixed market. That said, we are pleased to share that despite a volatile period, our investment team continued to deliver strong performance for our investors in the first half of 2021.

On the business front, we are optimistic about the industry as a whole, as we continue to see strong interest from global investors allocating more of their assets into Asian markets, particularly into China. Global holdings of Chinese stocks and bonds have surged 40% year-over-year to more than US\$800 billion in the first half of 2021¹. In addition, the further opening up of China's financial sector presents new business opportunities for the Group, including the highly anticipated Greater Bay Area ("GBA") Wealth Management Connect Scheme.

Financial highlights

As of the end of June 2021, our assets under management ("AUM") stood at US\$13.0 billion, compared to US\$14.2 billion as of the end of 2020. We saw net outflows of US\$1.7 billion during the period, which led to a slight decrease in our gross management fees by 3.4% year-on-year to HK\$501.9 million. The redemptions came largely from our lower margin and white-label products, while we continue to see healthy inflows into our absolute-alpha long-biased equity funds.

The net outflows were partially offset by the strong performance of our equity funds during the period, amounting to US\$697.4 million of returns. Overall fund performance, calculated as the asset-weighted average return of funds under management, rose 4.3% during the first six months this year. This drove our gross performance fees to surge by 485.3% to HK\$91.3 million.

On the cost front, the Group continues to exercise stringent controls during the period. Fixed operating expenses, including fixed salaries and benefits, rental, investment research and other administrative and office expenses, were HK\$159.3 million, which is down 7.3% compared to the same period last year.

As a result of performance fees contribution and prudent cost control, our operating profit was up 68.6% to HK\$193.4 million, while profit attributable to owners of the Company was up 67.2% to HK\$209.8 million.

Our balance sheet remains strong, with a net cash balance of HK\$1.9 billion and no corporate bank borrowings as of 30 June 2021. Such financial resources not only provide flexibility for the Group in an environment of heightened volatility, but also allow us to be able to incubate new products, as we continue to expand our product suite to capture new investor demands.

Product suite expansion and performance highlights

Despite the mixed sentiment in markets, our funds have performed well, as we continue to be diligent with our bottom-up investment process.

The flagship Value Partners Classic Fund continues to be on the first quartile of its peer group ranking, delivering returns of 9.1%² on a year-to-date basis, outperforming the Hang Seng Index's 7.3% performance. Our High-Dividend Stocks Fund also recorded outperformance, returning 9.6%³ versus the MSCI AC Asia ex-Japan Index's 6.4% returns. Meanwhile, our Health Care Fund, which has become popular in the region and rated 5-star by Morningstar, returned 9.1%⁴ during the period.

During the first half of 2021, we have also launched new products to capture new demand from various investor segments. In Hong Kong, for example, our Health Care Fund has been made available to retail investors at the beginning of this year, following its registration with the Securities and Futures Commission (“SFC”) of Hong Kong in October 2020. We have also promoted to the market an Asia-focused bond product which further expands our fixed income and UCITS-compliant product suite. Similarly, the All China Bond Fund has also been registered with the SFC in June this year, and we are currently finalizing the fund’s set-up and expect the product to be rolled out in the second half of 2021. Elsewhere, we rolled out our first ETF in Malaysia.

For the rest of the year, we expect to add more strategies to our product suite, including thematic and fixed income strategies.

Capturing opportunities in Mainland China

Our business in Mainland China continued to gather momentum during the period, with AUM contribution remaining stable at US\$1.2 billion, accounting for 9% of the Group’s total AUM. Our core business continued to be underpinned by three key segments, including institutional clients, private fund management (“PFM”) mandates and retail clients via the Mainland-Hong Kong Mutual Recognition of Funds (“MRF”) scheme.

China’s asset management industry is currently at an inflection point towards the next phase of rapid growth. This is favorable to asset managers such as Value Partners, which possesses strong investment capabilities. The transition period of China’s New Asset Management Rules is expected to end by year-end 2021, by which legacy implicit-guaranteed wealth management products will be phased out and investors will need to shift their wealth into NAV-based financial products such as mutual funds.

We are currently working with our institutional clients to reposition their portfolios to align with the above-mentioned new regulations. However, the retail segment remains a bright spot as the penetration of financial assets within Chinese households remain substantially below global standards, at 20% compared to over 90% in the United States. In addition, more than 50% of these financial assets held by Chinese households are still in cash and deposits, while 20% are in legacy wealth management products⁵.

To capture such industry tailwinds, we have invested more in our China business to expand our retail distribution network, which now covers a wide range of domestic and foreign banks, securities firms and third-party online distribution platforms. As a result, we have seen strong inflows in our two MRF products, which include the Value Partners Classic Fund and Value Partners High-Dividend Stocks Fund.

The Group is also actively preparing to capture new business opportunities, such as the highly anticipated GBA Wealth Management Connect Scheme. The Southbound Connect will allow individual residents of the GBA, which has a total population of more than 80 million, for the first time, to have direct access to wealth management products in Hong Kong. In particular, the criteria for eligible products to be distributed via the Scheme will be funds that are domiciled in Hong Kong, which is a competitive advantage for the Group, as we have a diverse range of Hong Kong-domiciled funds currently available to our investors.

Our franchise and efforts have continued to be recognized by the industry. Early this year, Value Partners was named by *Asia Asset Management* as the “Best Wholly-Foreign Owned Enterprise (WFOE) House in China, 2021”. We were also awarded the “2020 Golden Changjiang Fast Growing Private Fund Award” by Securities Times and Changjiang Securities in April 2021 and were ranked 7th and 12th in Z-Ben Advisors’ 2021 Top 10 Outbound Managers and Top 25 Foreign Firms in China respectively.

We continue to take a long-term perspective on the enormous potential presented by the China market, with increasing demand from Chinese households to diversify their asset allocation. As a demonstrated industry early mover, we are actively preparing and positioning ourselves to capture such opportunities.

Expanding our geographical footprint

The Group has also made significant inroads in expanding our business outside our home market in the first half of 2021.

In Japan, we are pleased to share that our strategic partnership with a leading Japanese financial group continues to gain momentum. Japan now accounts for 6% of our total AUM, up significantly from less than 1% a year ago, as we see increasing appetite for our innovation and health care strategies among investors in the country.

In Malaysia, we successfully listed our first China A-Shares ETF on 28 July 2021. The product complies with Shariah principles and is the first pure A-shares ETF that has been launched in the country. It is also the first-ever ETF in the world that tracks the Dow Jones Islamic Market China A-Shares 100 Index. We have also taken advantage of the rising popularity of online wealth platforms in the country and have partnered with a digital wealth manager to help with the distribution of the ETF.

In Taiwan, we have made moves during the period to penetrate the retail market, in addition to servicing domestic institutional investors. In February 2021, we registered our first offshore fund in the market, the Value Partners High-Dividend Stocks Fund, with Taiwan’s Financial Supervisory Commission (“FSC”), and plan to complete the local registration of another equities strategy by the second half of the year.

Outside of Asia, we are seeing growing interest from Middle Eastern, European and North American investors in allocating more to Asian and Chinese assets. In North America, we received an additional sizable investment from an institutional investor for an Asian fixed income mandate in the first quarter of this year. Riding on our success in securing a mandate in excess of GBP 500 million with M&G (*a leading savings and investments business headquartered in the U.K.*) late last year, one of the largest China mandate ever awarded by a European institution, the Group is allocating more resources to cover increased interests across all channels.

ESG commitment

We continue to view the development of our environmental, social and corporate governance (“ESG”) practices and capabilities as one of the Group’s key priorities and have continued to step up our efforts on both the Group and investment levels during the first half of this year.

On the Group level, we have further improved on the quality of our disclosure. In our latest ESG report, which was published in our 2020 annual report, we provided more information about our ESG practices and policies, as well as more data on our ESG performance.

On the investment level, we formally incorporated our Value Partners proprietary “ESG Scorecards” early this year, strengthening the integration of ESG factors into our investment process.

These developments are a testament to the Group’s commitment to ESG, and our journey continues as we have set the agenda for ongoing ESG developments in the long term.

Outlook

Stepping into the second half of 2021, it is encouraging to see economies in certain parts of the world have begun to gradually recover. However, we view that ongoing geopolitical tensions, rising inflationary pressures, concerns over moderating growth and ongoing pandemic risks could dent investor sentiment. Despite market uncertainty, we are cautiously optimistic and believe it is crucial to stick to our disciplined bottom-up investment approach, favoring quality companies with strong fundamentals which could weather through any potential short-term market volatility.

On the business front, we are optimistic that Value Partners is well-positioned to take advantage of the opportunities that the asset and wealth management industry presents, especially China’s liberalization of its financial markets, such as the GBA Wealth Connect initiative, as well as global investors’ increasing appetite towards Asia-focused assets.

Appreciation

Last but not least, we would like to thank our colleagues, shareholders, clients and business partners for their invaluable support, especially in these challenging times. We promise to remain focused on providing the highest standard of service and value for clients and continue to be innovative to capture growing opportunities in the ever-evolving wealth and asset management landscape.

1. *Source: Financial Times. Data as of 14 July 2021.*
2. *Annual calendar returns of Value Partners Classic Fund (A Units) over the past five years: 2016: -3.2%; 2017: +44.9%; 2018: -23.1%; 2019: +32.4%; 2020: +37.6%; 2021 (year to date as at 30 June): +9.1%. Morningstar’ performance ranking is based on the performance of funds which are categorized under the Morningstar Greater China Equity Fund category and with performance history started before 1 April 1993. Based on the performance from 2 April 1993 to 30 June 2021.*
3. *Annual calendar returns of Value Partners High-Dividend Stocks Fund (Class A1 USD) over the past five years: 2016: -0.2%; 2017: +32.9%; 2018: -14.2%; 2019: +14.9%; 2020: +13.9%; 2021 (year to date as at 30 June): +9.6%.*
4. *© Morningstar 2021. All Rights Reserved. Morningstar rating as of 30 June 2021. Morningstar ranks mutual funds on a scale of one to five stars, based on past performance relative to peer funds. Star ratings are graded on a curve; the top 10% of funds receive five stars, the next 22.5% receive four stars. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Annual calendar returns of Value Partners Health Care Fund (Class A USD Unhedged) over the past five years: 2016: +1.9%; 2017: +20.8%; 2018: -5.4%; 2019: +21.0%; 2020: +34.4%; 2021 (year to date as at 30 June): +9.1%.*
5. *Source: CICC.*

Source for performance figures: HSBC Institutional Trust Services (Asia) Limited, HSBC Institutional Trust Services (Ireland) DAC and Bloomberg. Data as of 30 June 2021. Past performance is not indicative of future performance. Performance is calculated in USD, NAV to NAV, with dividend reinvested and net of fees. All indices are for reference only.

SFC authorisation 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

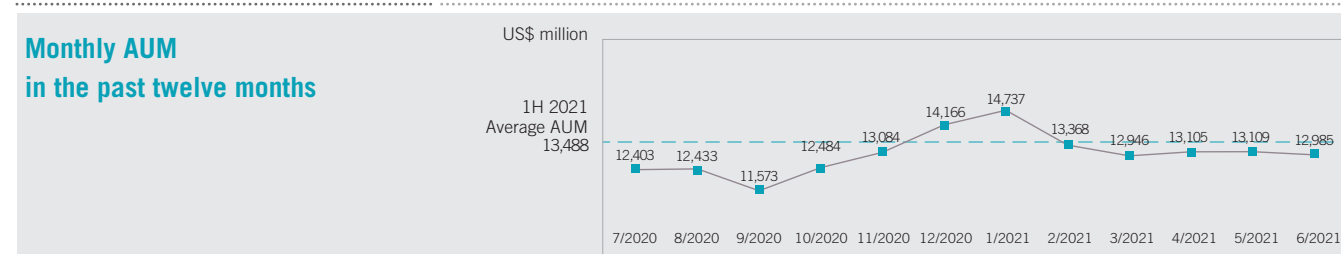
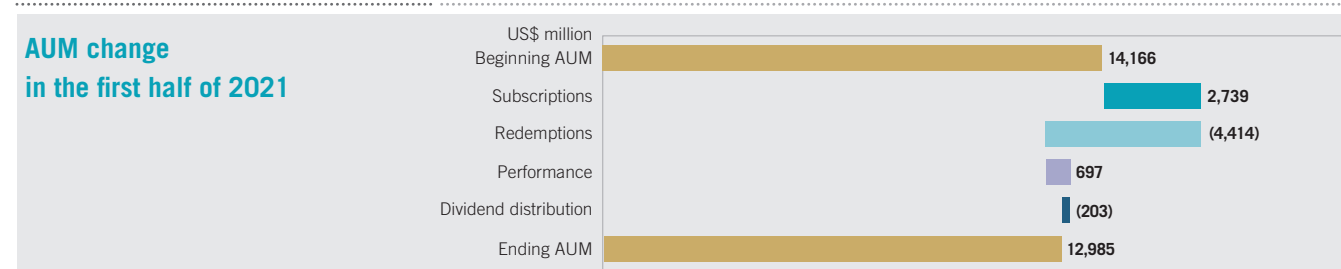
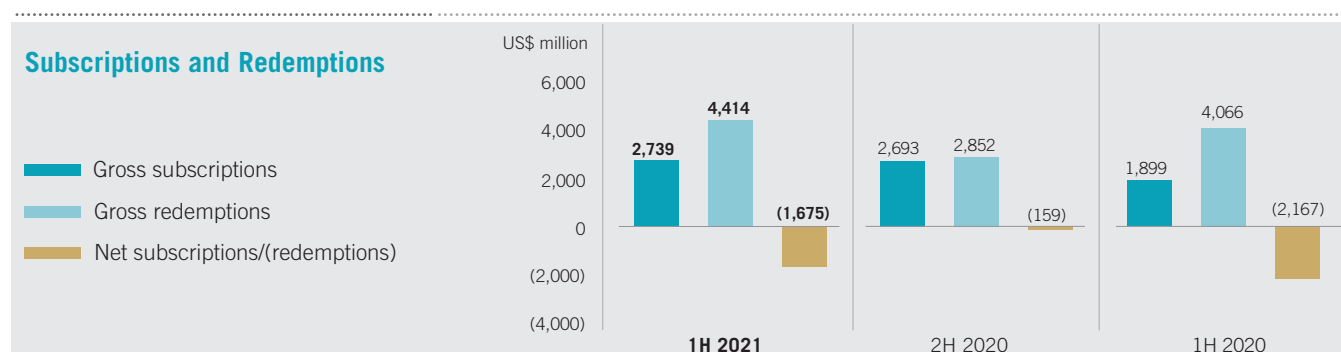
Assets Under Management (“AUM”)

AUM and return

The Group’s AUM stood at US\$12,985 million at the end of June 2021 (31 December 2020: US\$14,166 million). The movement was mainly attributable to the positive fund returns of US\$697 million offset by net redemption of US\$1,675 million in the first half of 2021.

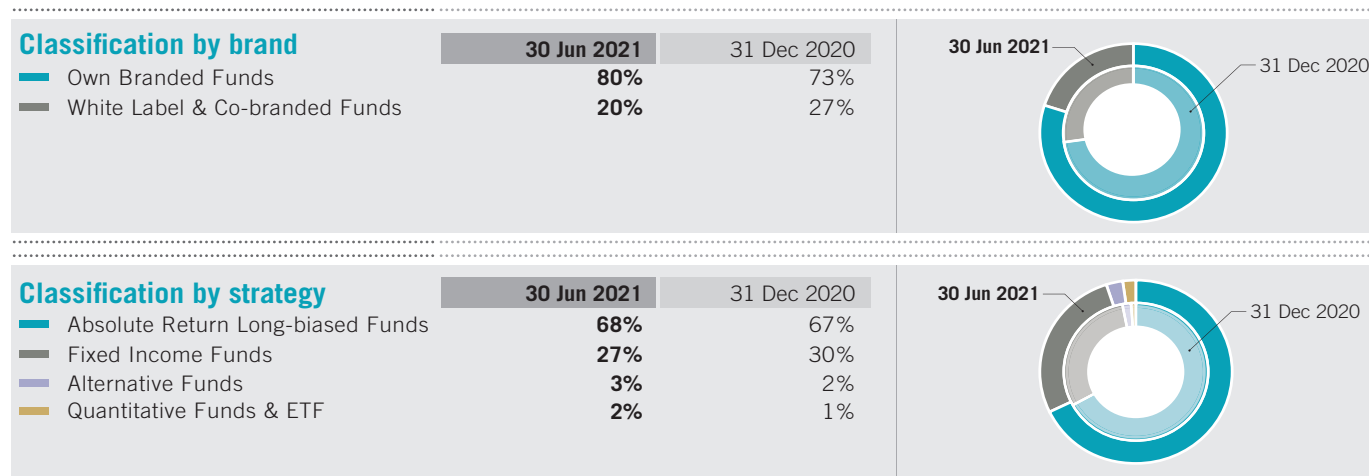
Overall fund performance¹, calculated as the asset-weighted average return of funds under management, rose 4.3% in the period under review. Among our funds, the Value Partners Classic Fund², our flagship product, increased by 9.1% during the period, while the Value Partners High-Dividend Stocks Fund³, recorded a gain of 9.6%. Meanwhile, the Value Partners Greater China High Yield Income Fund⁴, fell 2.5% during the period.

In the first half of 2021, gross subscriptions increased slightly to US\$2,739 million from US\$2,693 million in the second half of 2020. Gross redemptions for the first half of 2021 increased to US\$4,414 million from US\$2,852 million in the second half of 2020 with a net redemption of US\$1,675 million (2H 2020: US\$159 million).



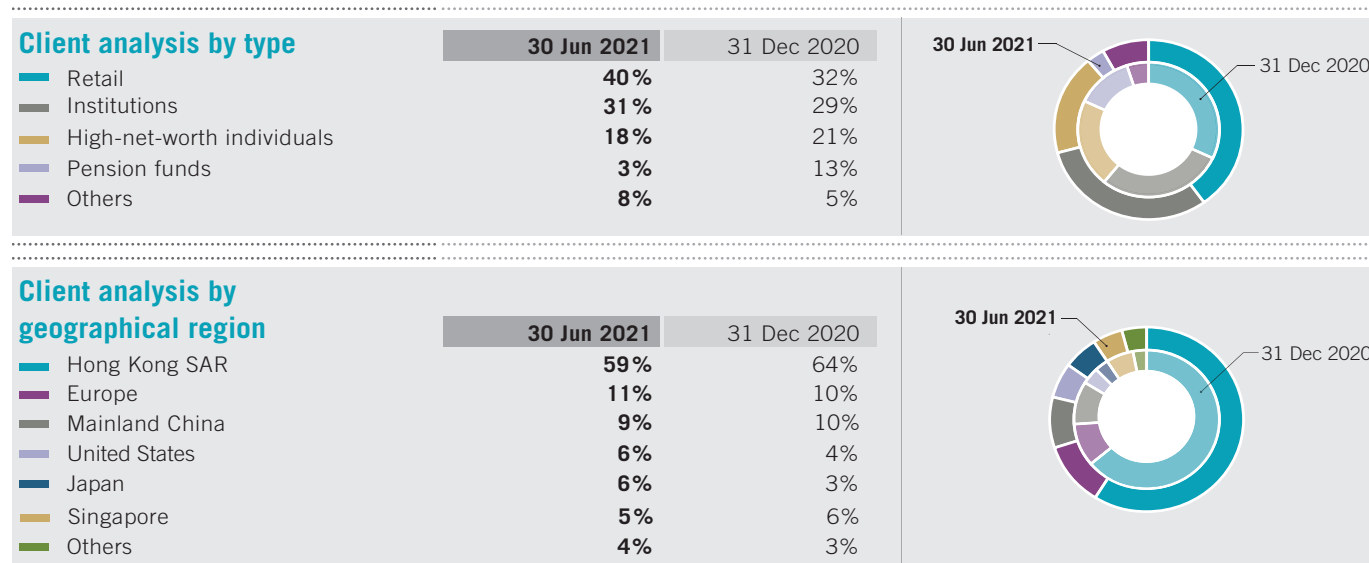
AUM by category

The charts below show breakdowns of the Group's AUM as at 30 June 2021 using two classifiers: brand and strategy. Own Branded Funds (80%) remained the biggest contributor to the Group's AUM. By strategy, Absolute Return Long-biased Funds (68%) continued to represent the largest share of the Group's AUM, followed by Fixed Income Funds (27%), where the majority of AUM was contributed by the Value Partners Greater China High Yield Income Fund.



Client base

During the period, institutional clients – including institutions, high-net-worth individuals, pension funds, endowments and foundations, funds of funds, and family offices and trusts – remained the Group's primary set of fund investors, accounting for 60% of total AUM (31 December 2020: 68%). Meanwhile, retail clients contributed 40% of total AUM (31 December 2020: 32%). In terms of geographic location, Hong Kong clients continued to be the largest segment, contributing 59% of the Group's AUM (31 December 2020: 64%). The share of AUM contributed by clients in mainland China remained stable at 9% (31 December 2020: 10%). There was a notable rise in the share of AUM attributable to clients in Japan, which increased to 6% (31 December 2020: 3%) due to the increased subscription in our healthcare fund and Asian innovation fund in Japan.

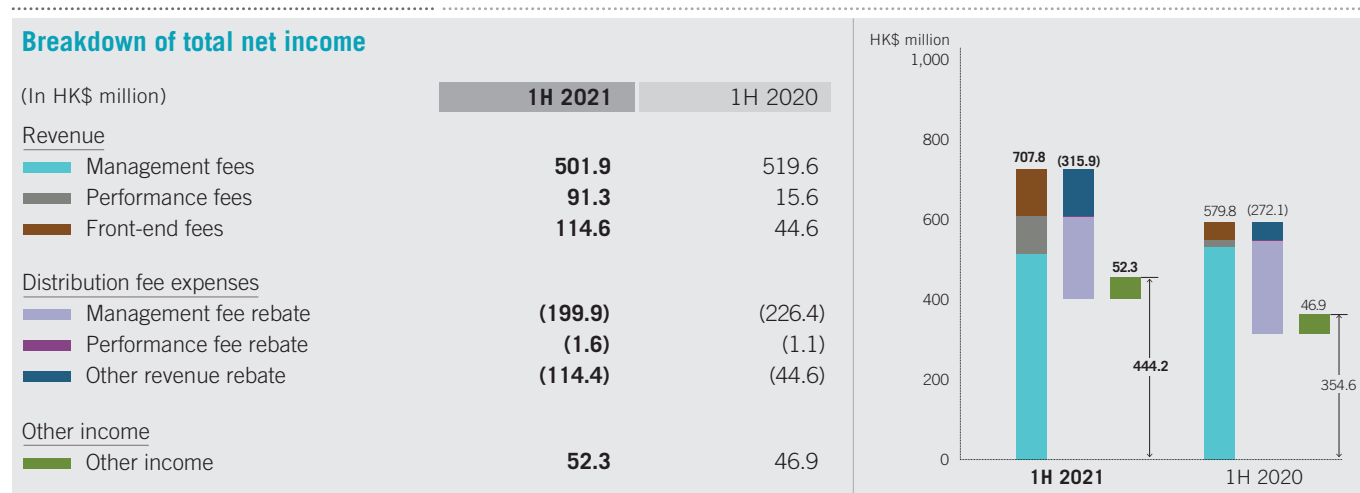


Summary of results

Key financial highlights for the reporting period are as follows:

(In HK\$ million)	1H 2021	1H 2020	% Change
Total revenue	707.8	579.8	+22.1%
Gross management fees	501.9	519.6	-3.4%
Gross performance fees	91.3	15.6	+485.3%
Operating profit (before other gains)	193.4	114.7	+68.6%
Profit attributable to owners of the Company	209.8	125.5	+67.2%
Basic earnings per share (HK cents)	11.3	6.8	+66.2%
Diluted earnings per share (HK cents)	11.2	6.8	+64.7%
Interim dividend per share	Nil	Nil	

Revenue and fee margin



The Group's profit attributable to owners of the Company increased to HK\$209.8 million for the six months ended 30 June 2021 (1H 2020: HK\$125.5 million). Gross management fees, the Group's largest revenue contributor, decreased slightly to HK\$501.9 million (1H 2020: HK\$519.6 million).

During the period, our annualized gross management fee margin decreased to 98 basis points (1H 2020: 108 basis points) due to higher AUM portion with a lower management fee margin compared to the first half of 2020. Our annualized net management fee margin was narrowed down to 59 basis points (1H 2020: 61 basis points), while our management fee rebates for distribution channels decreased to HK\$199.9 million (1H 2020: HK\$226.4 million).

Gross performance fees, another source of revenue, increased to HK\$91.3 million (1H 2020: HK\$15.6 million). 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.

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 income from an investment property, totaled HK\$52.3 million (1H 2020: HK\$46.9 million). The change was mainly due to the increase in dividend income to HK\$13.4 million (1H 2020: HK\$7.2 million).

Other gains – net

(In HK\$ million)	1H 2021	1H 2020
Net gains on investments	33.0	29.8
Fair value gain of an investment property	11.9	–
Net foreign exchange losses	(11.2)	(6.8)
Other gains – net	33.7	23.0

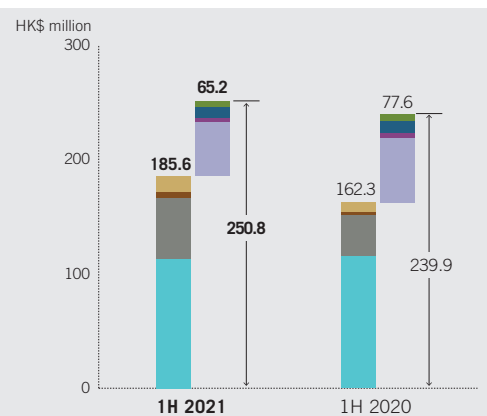
Other gains mainly included fair value changes and realized gains or losses on seed capital investments, investments in our own funds and other investments, as well as net foreign exchange gains or losses. Seed capital investments are made by the Group to provide capital that was considered necessary 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.

Investments in joint ventures

In 2017, the Group set up Value Partners Asia Pacific Real Estate Limited Partnership (the “Real Estate Partnership”) to engage in real estate private equity business. As at 30 June 2021, the Real Estate Partnership held three logistic centers located in Japan and a commercial tower located in Australia through two joint ventures in which the Group had 50% and 15% equity interest respectively. (As at 31 December 2020, the Real Estate Partnership held three logistic centers located in Japan and an industrial facility located in Australia through two joint ventures in which the Group had 50% and 50% equity interest respectively.) The Group’s share of gains amounted to HK\$16.7 million (1H 2020: HK\$10.1 million), which was attributable to the rental income and fair value gain of the properties for the six months ended 30 June 2021.

Cost management

Breakdown of total expenses		
(In HK\$ million)	1H 2021	1H 2020
Compensation and benefit expenses		
Fixed salaries and staff benefits	112.9	115.2
Management bonus	53.3	36.1
Staff rebates	4.8	2.7
Share-based compensation expenses	14.6	8.3
Other expenses		
Other fixed operating costs	46.4	56.7
Sales and marketing	3.9	3.9
Depreciation, excluding depreciation of right-of-use assets – properties	9.8	10.3
Non-recurring expenses	5.1	6.7



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. For the current period, the Group reported a fixed cost coverage ratio of 1.9 times (1H 2020: 1.7 times). The Group takes a cautionary stance in cost management and has implemented measures such as resource realignment and ongoing cost control to manage future business headwinds. This approach is to ensure strict cost management while developing longer-term strategy projects.

Compensation and benefit expenses

During the period, fixed salaries and staff benefits slightly decreased by HK\$2.3 million to HK\$112.9 million (1H 2020: HK\$115.2 million).

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 2021 totaled HK\$53.3 million (1H 2020: HK\$36.1 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 period amounted to HK\$4.8 million (1H 2020: HK\$2.7 million).

During the period, the Group recorded expenses of HK\$14.6 million (1H 2020: HK\$8.3 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\$46.4 million for the period (1H 2020: HK\$56.7 million), while sales and marketing expenses remained stable at HK\$3.9 million (1H 2020: HK\$3.9 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 2021, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK\$1,938.9 million. Net cash inflows from operating activities amounted to HK\$1,156.9 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 5.7 times.

Capital structure

As at 30 June 2021, the Group's shareholders' equity and total number of shares issued were HK\$5,017.1 million and 1.85 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 Classic Fund (A Units) over the past five years: 2016: -3.2%; 2017: +44.9%; 2018: -23.1%; 2019: +32.4%; 2020: +37.6%; 2021 (Year to date as at 30 June): +9.1%.*
3. *Annual calendar returns of Value Partners High-Dividend Stocks Fund (Class A1) over the past five years: 2016: -0.2%; 2017: +32.9%; 2018: -14.2%; 2019: +14.9%; 2020: +13.9%; 2021 (Year to date as at 30 June): +9.6%.*
4. *Annual calendar returns of Value Partners Greater China High Yield Income Fund (Class P Acc USD) over the past five years: 2016: +15.9%; 2017: +10.1%; 2018: -4.9%; 2019: +9.4%; 2020: -0.3%; 2021 (Year to date as at 30 June): -2.5%.*

Source for performance figures: HSBC Institutional Trust Services (Asia) Limited and Bloomberg. Past performance is not indicative of future performance. Performance is calculated in USD, NAV to NAV, with dividend reinvested and net of fees.

SFC authorisation 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.

OTHER INFORMATION

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Foreign exchange

Except for its Renminbi-denominated bank deposits, which has a balance of around HK\$1,083.3 million as at 30 June 2021 (30 June 2020: HK\$153.7 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 2021, the Group employed 177 staff (30 June 2020: 173) in Hong Kong SAR, 39 staff (30 June 2020: 35) in Shanghai, 5 staff (30 June 2020: 6) in Shenzhen, 5 staff (30 June 2020: 4) in Singapore, 2 staff (30 June 2020: 2) in London and 6 staff (30 June 2020: 6) 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

The Company purchased a total of 556,000 shares on the Stock Exchange during the six month ended 30 June 2021 and the aggregate consideration paid was HK\$2,614,000. As at 30 June 2021, the total number of shares in issue was 1,855,082,831 before the cancellation of the shares. The purchased shares were cancelled.

Save as disclosed above, 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 2021.

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 2021.

Independent review of interim results

The unaudited interim results of the Group for the six months ended 30 June 2021 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 (except as stated below) in the Corporate Governance Code (“CG Code”), as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2021. In respect of code provision A.2.1 of the CG Code, the roles of chairman and chief executive are held by the same individuals, namely, Dato’ Seri CHEAH Cheng Hye and Mr. SO Chun Ki Louis as Co-Chairmen and also members of the Leadership Committee which serves the function of chief executive. In view of the nature of the Group’s business, the chairman and chief executive must have a deep understanding of asset management operations in order to lead the Group in developing prompt response to market changes. Further, all major decisions have been made in consultation with the Board, the appropriate board committees and/or senior management of the Group. The Board therefore considers that the current arrangement provides a balance of power and authority and avoids power being concentrated in any one individual in line with the stated principle of A.2.1 of the CG Code.

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 enquiries with all Directors and all of them confirmed that they have complied with the required standards set out in the Model Code for the six months ended 30 June 2021.

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, 12 August 2021

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.