

2021

INTERIM REPORT

Pioneer in
value investing
since 1993

An award-winning asset manager,
with 240+ performance awards won since inception.

Value Partners —
your right partner
in China and Asia investments

Value Partners Group Limited
惠理集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 806



Key facts about Value Partners



28 years of history

Our headquarters is located in Hong Kong, with offices in Shanghai, Shenzhen, Kuala Lumpur, Singapore and London.

Assets under management:

US\$13.0 billion[^]



We are one of Asia's leading independent asset managers and the first asset manager to be listed on the Main Board of the Hong Kong Stock Exchange.

An average 20 years of industry experience



We have a stable and highly experienced investment team.



70+ on-the-ground investment professionals

We focus on Greater China and Asia ex-Japan investments.



240+ performance awards and prizes

We are a well-recognized franchise.

Conducts 6,500+ due diligence meetings every year.



Managing 60+ funds and mandates



We manage funds and mandates for global investors across different asset classes, including equities, fixed income and multi-asset strategies, as well as ETF and alternative solutions.

234 employees

We have a strong corporate culture, and always putting clients' best interests first.



[^] As of 30 June 2021.

Corporate profile

Established in 1993, Value Partners is one of Asia's largest independent asset management firms offering world-class investment services and products for institutional and individual clients globally. The firm has been a dedicated value investor in Asia and around the world. Its investment strategies cover equities, fixed income, alternatives, multi-asset and Quantitative Investment Solutions. In addition to its Hong Kong headquarters, the firm operates in Shanghai, Shenzhen, Kuala Lumpur, Singapore and London, and maintains a representative office in Beijing.

Value Partners was the first asset management firm listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 806 HK) after it went public in November 2007. The firm had about US\$13.0 billion of assets under management as of 30 June 2021.

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In the event of inconsistency, the English content of this Interim Report shall prevail over the Chinese content.

Corporate information

Board of Directors

Co-Chairmen and Co-Chief Investment Officers

Dato' Seri CHEAH Cheng Hye
Mr. SO Chun Ki Louis

Executive Directors

Ms. HUNG Yeuk Yan Renee
(Senior Investment Director)
Mr. HO Man Kei, Norman
(Senior Investment Director)

Independent Non-executive Directors

Dr. CHEN Shih-Ta Michael
Mr. Nobuo OYAMA
Mr. WONG Poh Weng

Company Secretary

Mr. CHEUNG Kwong Chi, Aaron

Authorized Representatives

Mr. CHEUNG Kwong Chi, Aaron
Mr. HO Man Kei, Norman

Members of the Audit Committee

Mr. WONG Poh Weng *(Chairman)*
Dr. CHEN Shih-Ta Michael
Mr. Nobuo OYAMA

Members of the Nomination Committee

Dato' Seri CHEAH Cheng Hye *(Chairman)*
Dr. CHEN Shih-Ta Michael
Mr. HO Man Kei, Norman
Mr. Nobuo OYAMA
Mr. WONG Poh Weng

Members of the Remuneration Committee

Dr. CHEN Shih-Ta Michael *(Chairman)*
Dato' Seri CHEAH Cheng Hye
Mr. Nobuo OYAMA
Mr. SO Chun Ki Louis
Mr. WONG Poh Weng

Members of the Risk Management Committee

Ms. WONG York Ying, Ella *(Chairperson)*
Mr. CHENG Tsz Chung, Clement
Mr. HO Man Kei, Norman
Ms. LAM Mei Kuan, Winnie
Ms. LEE Vivienne

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Office

43rd Floor, The Center
99 Queen's Road Central
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D,
P.O. Box 1586, Gardenia Court, Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisor

Reed Smith Richards Butler

PRC Legal Advisor

LLinks Laws Offices

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

Website

www.valuepartners-group.com

Stock Code

Stock Exchange of Hong Kong: 806

Hong Kong Economic Times, a leading financial newspaper in Hong Kong, devoted its front page (2 August 2021) featuring our Co-Chairman and Co-Chief Investment Officer Dato' Seri CHEAH Cheng Hye. The discussion was about the market outlook in response to the Chinese government's regulatory updates in July 2021 and market sell-off.

Dato' Seri CHEAH indicated that policy changes are directed to strengthen the livelihood conditions of the Chinese middle class. While the policies introduced led to volatility in markets, longer-term, they should address the concerns and should bring more quality and sustainable economic growth, which is more important than a temporary setback in the stock market. For medium and long term investors, China remains very attractive, he said.

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謝清海：監管震盪 料持續2至4個月

內地出手利長綫增長 續投資中國

寧單中港市場中資股 避審計風險

看好港樓市 正尋找抗通脹資產

受惠大灣區政策 有更大市場

消費券商機 首期2千元到手 市民迫爆商場消費

投資理財 債券市場 債券市場 債券市場

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珠寶業後疫料續擴 舖門市滿

加東實業案罰14倍 有人罰入損失逾

子女移民長居圍擾 平安鐘求助增

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Financial highlights

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

(In HK\$ million)	For the period ended 30 June		
	2021	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	

(In US\$ million)	30 June 2021	31 December 2020	% Change
Assets under management	12,985	14,166	-8.3%

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

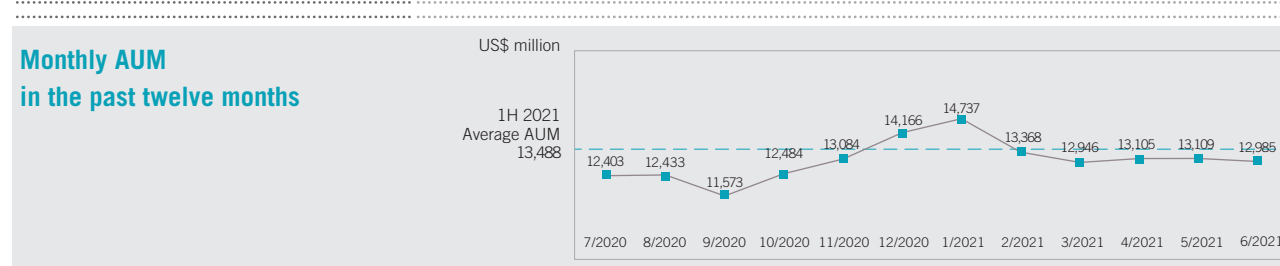
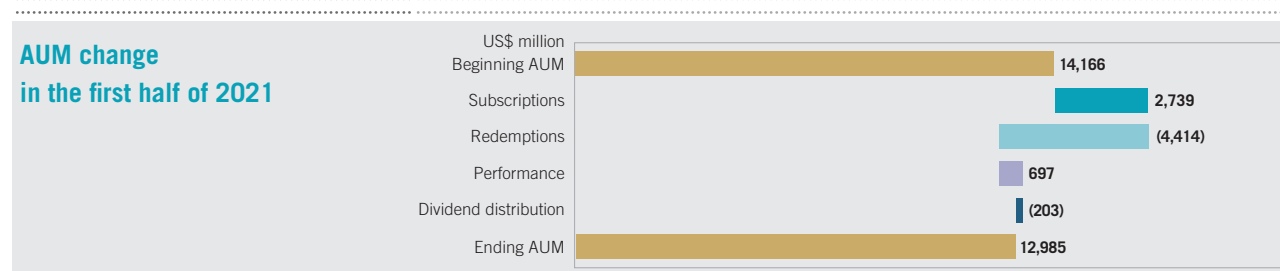
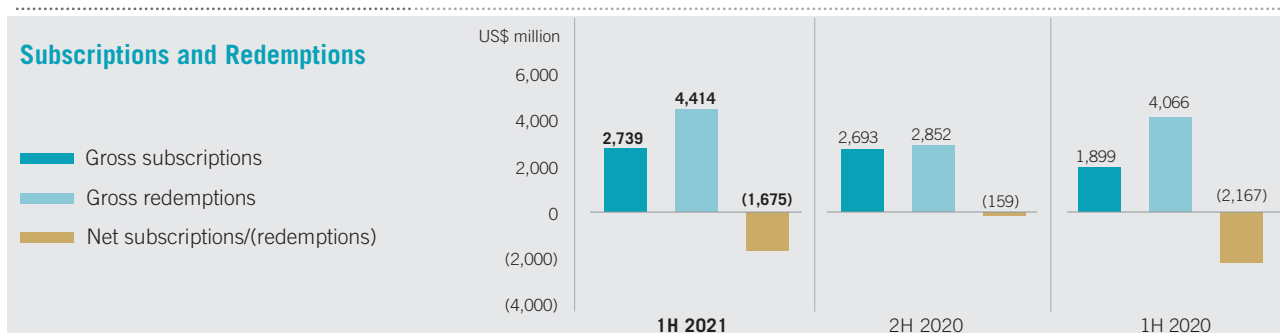
Assets Under Management (“AUM”)

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.

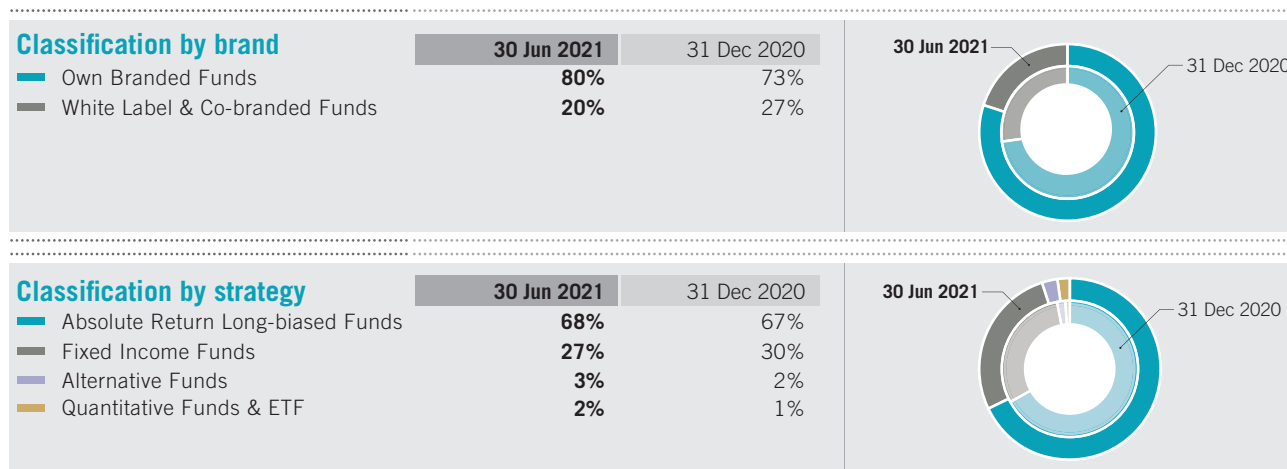
In the first half of 2021, gross subscriptions increased slightly to US\$2,739 million from US\$2,693 million in the second half of 2020. Gross redemptions for the first half of 2021 increased to US\$4,414 million from US\$2,852 million in the second half of 2020 with a net redemption of US\$1,675 million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



Financial Review

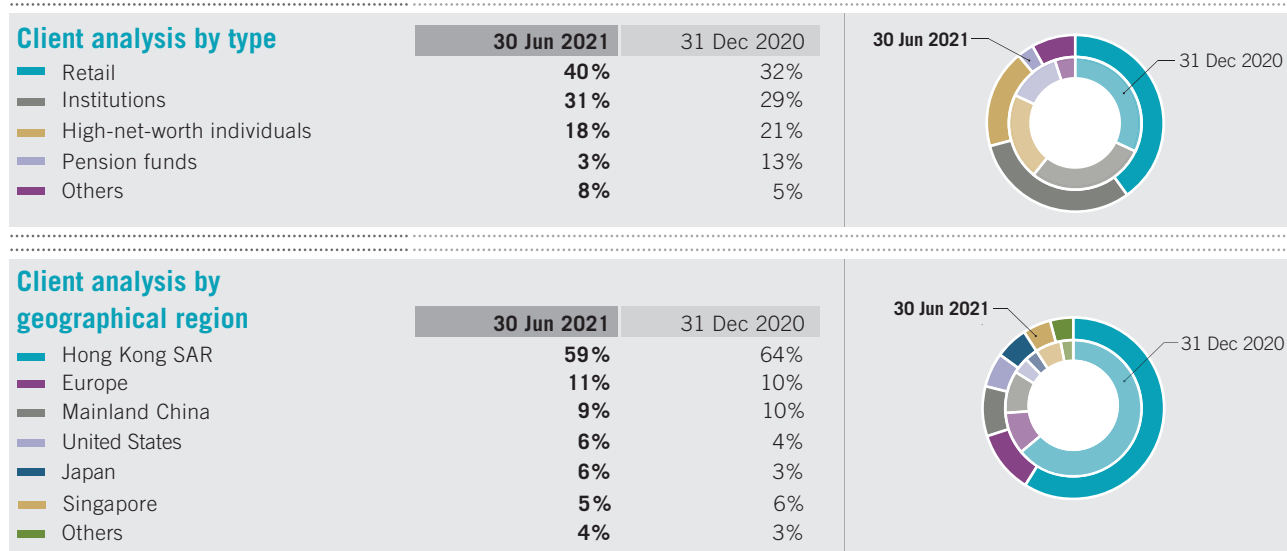
AUM by category

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.

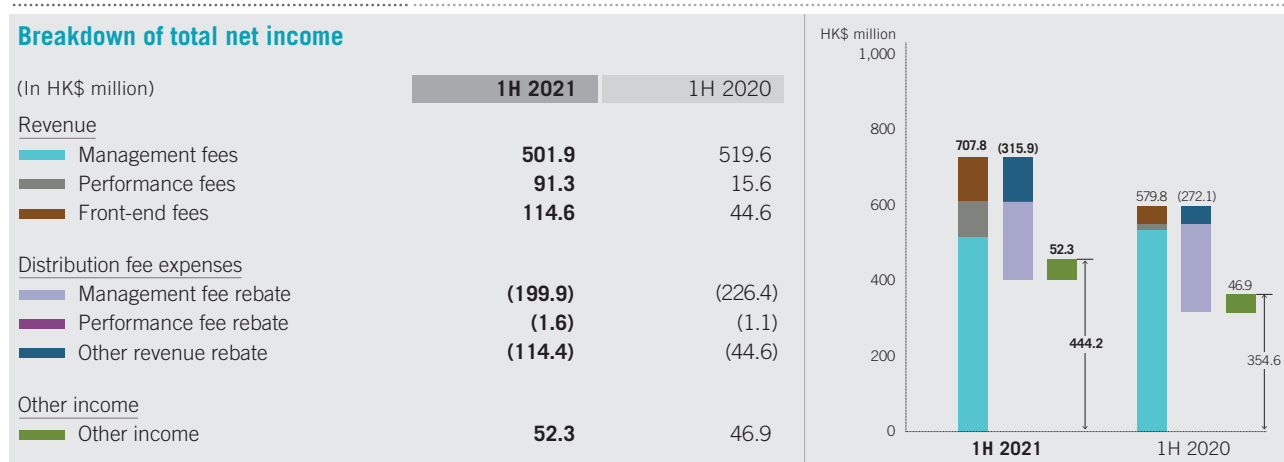


Summary of results

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).

Financial Review

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.

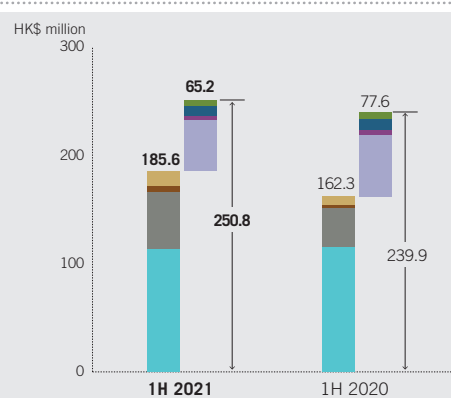
Investments in joint ventures

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.

Independent review report

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF VALUE PARTNERS GROUP LIMITED *(Incorporated in the Cayman Islands with limited liability)*

Introduction

We have reviewed the interim financial information set out on pages 15 to 37, which comprises the interim condensed consolidated balance sheet of Value Partners Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 August 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	6	707,806	579,819
Distribution fee expenses		(315,842)	(272,102)
Net fee income		391,964	307,717
Other income	7	52,295	46,872
Total net income		444,259	354,589
Expenses			
Share-based compensation	21	(14,577)	(8,275)
Compensation and benefit expenses	8	(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	13,18	11,945	–
Others		(11,232)	(6,826)
Other gains – net	9	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	15,18	16,687	10,143
Profit before tax		242,196	145,947
Tax expense	10	(32,378)	(20,414)
Profit for the period attributable to owners of the Company		209,818	125,533
Other comprehensive income/(loss) for the period			
– Item that may be subsequently reclassified to profit or loss			
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		11.3	6.8
Diluted earnings per share		11.2	6.8

The notes on pages 19 to 37 are an integral part of this condensed consolidated interim financial information.

Condensed consolidated balance sheet

As at 30 June 2021

	Note	30 June 2021 HK\$'000 Unaudited	31 December 2020 HK\$'000 Audited
Non-current assets			
Property, plant and equipment	12	194,444	193,928
Right-of-use assets – properties		55,213	14,627
Investment property	13, 18	190,387	181,000
Intangible assets	14	15,359	16,360
Investments in joint ventures	15, 18	380,909	342,229
Deferred tax assets		1,639	1,095
Investments	17, 18	2,571,108	1,876,413
Other assets		9,178	2,654
		3,418,237	2,628,306
Current assets			
Investments	17	18,820	17,252
Fees receivable	19	177,380	1,495,304
Amounts receivable on sales of investments		–	139,500
Prepayments and other receivables		35,084	44,043
Cash and cash equivalents	20	1,938,933	1,974,408
		2,170,217	3,670,507
Current liabilities			
Accrued bonus		19,570	384,559
Distribution fee expenses payable	22	112,428	109,773
Borrowing	18	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
Non-current liabilities			
Accrued bonus		71,541	51,186
Borrowing	18	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	21	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

The notes on pages 19 to 37 are an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2021

	Note	Attributable to owners of the Company			
		Issued equity HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Unaudited					
As at 1 January 2020		1,407,105	242,439	2,739,900	4,389,444
Profit for the period		–	–	125,533	125,533
Other comprehensive income/(loss)					
Foreign exchange translation		–	(11,350)	–	(11,350)
Total comprehensive income/(loss)		–	(11,350)	125,533	114,183
Transactions with owners					
Share-based compensation	21	–	8,275	–	8,275
Transfer of share-based compensation reserve upon exercise or forfeiture of share options		–	(320)	320	–
Dividends to owners of the Company		–	–	(408,118)	(408,118)
Total transactions with owners		–	7,955	(407,798)	(399,843)
As at 30 June 2020		1,407,105	239,044	2,457,635	4,103,784
Unaudited					
As at 1 January 2021		1,407,105	296,588	3,714,349	5,418,042
Profit for the period		–	–	209,818	209,818
Other comprehensive income					
Foreign exchange translation		–	7,962	–	7,962
Total comprehensive income		–	7,962	209,818	217,780
Transactions with owners					
Shares repurchase	21	(2,614)	–	–	(2,614)
Share-based compensation	21	–	14,577	–	14,577
Transfer of share-based compensation reserve upon exercise or forfeiture of share options		–	(20,514)	20,514	–
Dividends to owners of the Company	11	–	–	(630,728)	(630,728)
Total transactions with owners		(2,614)	(5,937)	(610,214)	(618,765)
As at 30 June 2021		1,404,491	298,613	3,313,953	5,017,057

The notes on pages 19 to 37 are an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Cash flows from operating activities		
Net cash generated from operations	1,145,117	35,874
Interest received	27,190	27,348
Tax paid	(15,410)	(47,936)
Net cash generated from operating activities	1,156,897	15,286
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(5,991)	(7,110)
Disposal of property, plant and equipment	–	299
Purchase of investments	(662,763)	(650,820)
Disposal of investments	149,405	659,935
Dividends received from investments	11,482	6,046
Shares repurchase	(2,614)	–
Acquisition of a joint venture	(88,150)	–
Return of shareholder's loans	52,559	20,359
Dividends received from a joint venture	13,598	–
Net cash (used in)/generated from investing activities	(532,474)	28,709
Cash flows from financing activities		
Dividends paid	(630,728)	(408,118)
Principal elements of lease payments	(13,614)	(13,379)
Interest expense on borrowing	(1,075)	(1,088)
Net cash used in financing activities	(645,417)	(422,585)
Net decrease in cash and cash equivalents	(20,994)	(378,590)
Net foreign exchange losses on cash and cash equivalents	(14,481)	(11,789)
Cash and cash equivalents at beginning of the period	1,974,408	2,200,778
Cash and cash equivalents at end of the period	1,938,933	1,810,399

The notes on pages 19 to 37 are an integral part of this condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

1 General information

Value Partners Group Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office and its principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 43rd Floor, The Center, 99 Queen’s Road Central, Hong Kong, respectively.

The Company acts as an investment holding company. The Company and its subsidiaries (together, the “Group”) principally provides investment management services to investment funds and managed accounts. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 12 August 2021.

This condensed consolidated interim financial information has been reviewed, not audited.

2 Basis of preparation

This 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 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 (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants.

3 Accounting policies

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.

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

4 Fair value estimation

The following table presents the Group's financial instruments that are measured at fair value at the end of the reporting period by level of the fair value measurement hierarchy.

	Level 1		Level 2		Level 3		Total	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
Investments (Note 17)								
Listed securities	410,927	239,385	-	-	7,780	-	418,707	239,385
Unlisted securities								
Loan note – Australia	-	-	-	-	475,729	476,863	475,729	476,863
Equity securities	-	-	1,811	1,300	-	-	1,811	1,300
Investment funds	-	-	1,478,667	957,414	215,014	218,703	1,693,681	1,176,117
Sub-total	410,927	239,385	1,480,478	958,714	698,523	695,566	2,589,928	1,893,665

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for the financial assets held by the Group is the current last traded price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted bid prices (or net asset value) provided by fund administrators for unlisted investment funds. These investment funds invest substantially in private debt investments and private equities.
- Other techniques, such as recent arm's length transactions, discounted cash flow analysis or reference to other instruments that are substantially the same, for the remaining financial instruments.

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

4 Fair value estimation (continued)

The following table represents the movement in level 3 instruments.

	Period ended 30 June 2021				Year ended 31 December 2020			
	Listed securities HK\$'000	Unlisted securities – investment funds	Unlisted securities – loan note	Total HK\$'000	Listed securities HK\$'000	Unlisted securities – investment funds	Unlisted securities – loan note	Total HK\$'000
		Unaudited	Unaudited			Unaudited	Audited	
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited	Audited
As at 1 January	-	218,703	476,863	695,566	-	204,460	439,777	644,237
Transfer	7,780	-	-	7,780	-	-	-	-
Additions	-	-	-	-	-	1,164	-	1,164
Gains/(losses) recognized in profit or loss	-	(3,689)	(1,134)	(4,823)	-	13,079	37,086	50,165
As at 30 June 2021/31 December 2020	7,780	215,014	475,729	698,523	-	218,703	476,863	695,566
Total for the period/year included in the condensed gains/(losses) consolidated statement of comprehensive income for level 3 instruments held at the end of the period/year	-	(3,689)	(1,134)	(4,823)	-	13,079	37,086	50,165
Change in unrealized gains/(losses) for level 3 instruments held at period/year end and included in profit or loss	-	(3,689)	(1,134)	(4,823)	-	13,079	37,086	50,165

As at 30 June 2021, the level 3 instruments include two suspended listed securities, two investment funds, and a loan note with a related call option. As at 31 December 2020, the level 3 instruments include a suspended listed security, two investment funds, and a loan note with a related call options (Note 18).

The Group uses its judgement to select appropriate methods and make assumptions based on market conditions existing at the end of each reporting period.

As at 30 June 2021, one of the suspended listed securities was valued with reference to its last transaction price, subject to further illiquidity adjustment. The Group considers that the change in the input to the valuation model would not have a significant effect on the Group's result. No quantitative analysis has been presented.

As at 30 June 2021 and 31 December 2020, one of the suspended listed securities was marked to zero as a result of illiquidity adjustment.

As at 30 June 2021 and 31 December 2020, the investment funds were stated with reference to the net asset value provided by the respective administrators of the investment funds.

During the period ended 30 June 2021, there was no addition of level 3 instruments. During the year ended 31 December 2020, the addition amounting HK\$1,164,000 represented a capital contribution of an existing private equity fund.

As level 3 investment funds are closed-ended, the Group reviews the valuations of the underlying investments held by respective investment funds to assess the appropriateness of the net asset values as provided by the fund administrators, and may make adjustments as they consider appropriate.

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

4 Fair value estimation (continued)

As at 30 June 2021 and 31 December 2020, the loan note with a related call option was valued using discounted cash flow analysis with expected market yield of 5.125% (the discount rate) (2020: 5.25%) as the unobservable input.

The Group considers that the change in the input to the valuation models would not have a significant effect on the condensed consolidated interim financial information. No quantitative analysis has been presented.

There was a transfer from level 1 to level 3 of a listed security in the fair value measurement hierarchy due to the suspension of that listed security for the period ended 30 June 2021. There were no transfers between levels of the fair value measurement hierarchy for the year ended 31 December 2020.

The carrying amount of borrowing recorded at amortized cost in the condensed consolidated interim financial information approximates its fair value.

The maturities of fees receivable, amounts receivable on sale of investments, other receivables, deposits with brokers, time deposits, cash and cash equivalents and other financial liabilities are within one year, and the carrying value approximates their respective fair values.

5 Segment information

The Board of Directors reviews the Group's internal financial reporting and other information and also obtains other relevant external information in order to assess performance and allocate resources and operating segments are identified with reference to these.

The Group determines its operating segments based on the information reviewed by the Board of Directors, which is used to make strategic decisions. The Board of Directors considers the business from a product perspective.

The Group has one reportable segment – asset management business as at 30 June 2021 and 31 December 2020. The asset management business derives revenues from the provision of investment management services to investment funds and managed accounts.

The Board of Directors assesses the performance of the operating segment based on the measure of profit before tax.

The revenue, profit before tax, total assets and total liabilities reported to the Board of Directors is measured in a manner consistent with that in the condensed consolidated interim financial information.

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the condensed consolidated interim financial information. These assets are allocated based on the operations of the segment.

The Company is domiciled in the Cayman Islands with the Group's major operations in the Greater China. The revenue from external customers mainly arises from the Greater China region. The Board of Directors considers that substantially all the assets of the Group are located in Hong Kong.

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

6 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
Total fee income	707,806	579,819

7 Other income

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Interest income from cash and cash equivalents	11,830	12,943
Interest income from financial assets at fair value through profit or loss	16,595	12,394
Interest income from financial assets at amortized cost	–	4,623
Dividend income from financial assets at fair value through profit or loss	13,369	7,211
Rental income from an investment property	5,631	5,822
Others	4,870	3,879
Total other income	52,295	46,872

8 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.

9 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
Total other gains – net	33,669	23,020

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

10 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

11 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 25 May 2021. No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2021 (2020: Nil).

12 Property, plant and equipment

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	Unaudited	Audited
Opening net book amount	193,928	195,025
Additions	5,532	4,640
Disposals	–	(250)
Depreciation	(8,274)	(17,135)
Exchange differences	3,258	11,648
Closing net book amount	194,444	193,928

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

13 Investment property

	30 June 2021 HK\$'000 Unaudited	31 December 2020 HK\$'000 Audited
Beginning of the period/year	181,000	168,526
Fair value gain	11,945	–
Foreign exchange translation	(2,558)	12,474
End of the period/year	190,387	181,000

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.

The Group measures its investment property at fair value, with the help of an independent qualified valuer, Colliers International (Wellington Valuation) Limited. The fair value assessment is derived using the income approach and by making reference to recent transacted price or comparable sales transaction available in the relevant property market. The income approach applies a capitalization rate on market rent for deriving the capital value.

The Group's investment property is related to the investment in Value Partners Asia Pacific Real Estate Limited Partnership (the "Real Estate Partnership"). Refer to Note 18 for further information.

14 Intangible assets

	30 June 2021 HK\$'000 Unaudited	31 December 2020 HK\$'000 Audited
Opening net book amount	16,360	15,409
Additions	459	4,142
Amortization	(1,501)	(3,397)
Exchange differences	41	206
Closing net book amount	15,359	16,360

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

15 Investments in joint ventures

Details of the joint ventures indirectly held by the Group are as follows:

Name	Place of incorporation	Principal activities	Interest held	
			30 June 2021 Unaudited	31 December 2020 Audited
Value Investing Group Company Limited	Hong Kong	Investment holding	50%	50%
Clear Miles Hong Kong Limited	Hong Kong	Investment holding	50%	50%
VP-ZACD Fund Holdings Pte. Ltd.	Singapore	Investment holding	50%	50%
AM 310 Ann Street Investor Unit Trust	Australia	Investment holding	15%	–

The Group's investments in joint ventures is mainly related to the investment in the Real Estate Partnership. Refer to Note 18 for further information.

As at 30 June 2021, Value Investing Group Company Limited has a beneficial interest in a trust which owns three logistic centers located in Japan (31 December 2020: three) and AM 310 Ann Street Investor Unit Trust holds an Australian commercial tower (31 December 2020: Nil). During the period ended 30 June 2021, Clear Miles Hong Kong Limited 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 AM 310 Ann Street Investor Unit Trust with a consideration of AUD15,000,000 (equivalent to HK\$88,150,000).

Movement in investments in joint ventures during the period/year is as follows:

	30 June 2021 HK\$'000 Unaudited	31 December 2020 HK\$'000 Audited
Beginning of the period/year	342,229	318,504
Share of gain of joint ventures	16,687	32,471
Acquisition of a joint venture	88,150	–
Dividends received from a joint venture	(13,598)	–
Return of shareholder's loans	(52,559)	(8,746)
End of the period/year	380,909	342,229

Shareholder's loans are unsecured, non-interest bearing and have no fixed repayment terms. Shareholders can demand full repayment of loans upon written demand.

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

16 Investments in associates

Investments in associates measured at fair value

Where the Group has an interest in the investment funds that give the Group significant influence, but not control, the Group records such investments at fair value. Details of such investment funds are summarized as follows:

	Place of incorporation	Interest held	
		30 June 2021 Unaudited	31 December 2020 Audited
惠理中國新時代優選1號私募投資基金 ^(a)	China	–	22%
惠理中國鴻信1號私募證券投資基金	China	70%	30%
Value Partners Asia Principal Credit Fund Limited Partnership	Cayman Islands	29%	29%
Value Gold ETF ^(b)	Hong Kong	26%	14%
Hanwha Value Partners Asia High Dividend Equity Feeder Fund	South Korea	76%	71%
Value Partners Venture Capital Investment (Shenzhen) Limited Partnership	China	49%	49%

	Net asset value		Profit/(loss) for the period/year and total comprehensive income	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	HK\$'000 Unaudited	HK\$'000 Audited	HK\$'000 Unaudited	HK\$'000 Audited
惠理中國新時代優選1號私募投資基金 ^(a)	–	41,424	–	10,901
惠理中國鴻信1號私募證券投資基金	5,170	13,201	(1,219)	6,491
Value Partners Asia Principal Credit Fund Limited Partnership	715,110	729,056	21,017	87,449
Value Gold ETF ^(b)	1,755,809	1,650,567	2,887	4,263
Hanwha Value Partners Asia High Dividend Equity Feeder Fund	71,138	70,242	18,873	5,235
Value Partners Venture Capital Investment (Shenzhen) Limited Partnership	6,097	5,942	(41)	(40)

(a) As at 30 June 2021, 惠理中國新時代優選1號私募投資基金 was derecognized as “investment in associates”.

(b) As at 30 June 2021, Value Gold ETF was recognized as “investment in associates”.

The fair value of the Group's interest in such investment funds are summarized in Note 24.3.

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

17 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 (by place of listing)		
Equity securities – Long – Hong Kong	7,780	8,420
Equity securities – Long – United States	412	370
Investment funds – Hong Kong	410,515	230,595
Market value of listed securities	418,707	239,385
Unlisted securities (by place of incorporation/establishment)		
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

Interests in structured entities

The Group provided seed capital to set up a number of investment funds, of which the Group acts as the investment manager or investment advisor. As at 30 June 2021 and 31 December 2020, except for the consolidated investment fund disclosed in Note 18, the Group determined that all of the other investment funds are unconsolidated structured entities. Refer to Note 24.3 for further details.

The maximum exposure to loss for all interests in unconsolidated structured entities is the carrying value of the investments in investment funds (refer to Note 24.3) and fees receivable as shown in the condensed consolidated balance sheet. The size of the investment funds ranges from US\$0.7 million to US\$2.5 billion (31 December 2020: US\$1.7 million to US\$3.7 billion). During the period, other than seed capital, the Group did not provide other financial support to unconsolidated structured entities and had no intention of providing other support.

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

18 Investments in Value Partners Asia Pacific Real Estate Limited Partnership

In 2017, the Group set up the Real Estate Partnership to engage in real estate private equity business. The Group committed US\$100 million (equivalent to HK\$782 million) capital to the Real Estate Partnership, and there was no undrawn capital commitment as at 30 June 2021 (31 December 2020: US\$7 million (equivalent to HK\$54.3 million)). The Real Estate Partnership focuses on the acquisition of stabilized income assets in the Asia Pacific.

The Group has recognized investment gains and other income for the real estate private equity business. As at 30 June 2021 and 31 December 2020, the majority of the gains and incomes are unrealized.

As at 30 June 2021 and 31 December 2020, the Group held controlling interest in the Real Estate Partnership and all assets and liabilities of this fund was consolidated within the Group's condensed consolidated balance sheet.

	Place of incorporation	Effective interest held			
		30 June 2021 Unaudited		31 December 2020 Audited	
		Directly	Indirectly	Directly	Indirectly
Value Partners Asia Pacific Real Estate Limited Partnership	Cayman Islands	–	100%	–	100%

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

18 Investments in Value Partners Asia Pacific Real Estate Limited Partnership (continued)

As at 30 June 2021 and 31 December 2020, the assets and liabilities held by the Real Estate Partnership consolidated within the Group's condensed consolidated balance sheet are as follows:

Underlying investments		Note	30 June 2021 HK\$'000 Unaudited	31 December 2020 HK\$'000 Audited
Non-current assets:				
Investments in joint ventures	– Three Japanese logistic centers – One Australian commercial tower (31 December 2020: One Australian industrial facility)	(i)	380,909	342,229
Investment property	– One New Zealand student accommodation building	(ii)	190,387	181,000
Investments – Loan note	– One Australian office building	(iii)	475,729	476,863
Current liability:				
Borrowing		(iv)	(872)	(86,499)
Non-current liability:				
Borrowing		(iv)	(84,516)	–
Other net assets (current)		(v)	121,963	93,783
Total			1,083,600	1,007,376

(i) As at 30 June 2021, the Real Estate Partnership held 50% equity interest in Value Investing Group Company Limited, 50% equity interest in Clear Miles Hong Kong Limited and a newly acquired 15% equity interest in AM 310 Ann Street Investor Unit Trust. As at 30 June 2021, Value Investing Group Company Limited has a beneficial interest in a trust which owns three logistic centers located in Japan and AM 310 Ann Street Investor Unit Trust holds a commercial tower in Australia while the Australian industrial facility previously held by Clear Miles Hong Kong Limited was disposed during the current period. These interests are presented as "Investments in joint ventures" on the condensed consolidated balance sheet. Refer to Note 15 for further details.

(ii) The Real Estate Partnership held a student accommodation located in New Zealand. Refer to Note 13 for further details.

(iii) The Real Estate Partnership held a loan note with a related call option issued by the AM 9 Hunter Street Finance Unit Trust (the "Finance Trust"). The proceeds from the loan note were used solely by the Finance Trust to invest in the units of another trust which holds a property in Australia. The related call option is exercisable (1) in the event of default by the Finance Trust; or (2) execution of any contract to sell, dispose, or transfer the Australian property or the property of the Finance Trust. The exercise of the related call option enables the Group to own interest (in the form of ordinary units) in the Finance Trust. The loan note is presented as "Investments" on the condensed consolidated balance sheet. Refer to Notes 4 and 17 for further details.

(iv) The Real Estate Partnership's borrowing of NZD15,675,000 (equivalent to HK\$85,388,000) (31 December 2020: NZD15,675,000 (equivalent to HK\$86,499,000)) is secured by the student accommodation building located in New Zealand. The repayment date is 18 October 2023 (31 December 2020: 16 October 2021) and the effective interest rate is the sum of the lending bank's bill rate for that interest period plus a margin of 2.25% (31 December 2020: 2.15%) per annum.

(v) Other net assets comprise of cash and cash equivalents, prepayments and other receivables, other payables and accrued expenses.

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

19 Fees receivable

The carrying amounts of fees receivable approximate their respective fair values due to the short-term maturity. The maximum exposure to credit risk at the reporting date is the carrying amounts of the fees receivable. The Group did not hold any collateral as security as at 30 June 2021 (31 December 2020: Nil).

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	5,880	179
	14,796	2,197
Fees receivable that were within credit period	162,584	1,493,107
Total fees receivable	177,380	1,495,304

Fees receivable from investment management activities are generally deducted from the net asset value of the investment funds and managed accounts and paid directly by the administrator or custodian of the investment funds and managed accounts at the end of the relevant valuation period or credit period, as appropriate.

There was no impairment provision on fees receivable as at 30 June 2021 (31 December 2020: Nil).

20 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	6,102	369
Total cash and cash equivalents	1,938,933	1,974,408

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

21 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 31 December 2020	1,855,082,831	1,407,105

As at 30 June 2021, the total authorized number of ordinary shares of the Company was 5,000,000,000 shares (2020: 5,000,000,000 shares) with a par value of HK\$0.1 (2020: HK\$0.1) per share and all issued shares were fully paid.

The ordinary shares are non-redeemable and are entitled to dividends. Each ordinary share carries one vote. In the case of winding up of the Company, ordinary shares carry the right to return the paid-up capital and any balance then remaining.

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.

Share options

The Group operates a share option scheme for directors, employees and others whom the Board of Directors considers, in its sole discretion, have contributed or will contribute to the Group. The share option scheme is effective for a period of ten years from the date it was adopted, after which no new share options will be granted but the provisions of the scheme will remain in full force and effect in all other respects. The share options are subject to terms as the Board of Directors may determine. Such terms may include the exercise price of the share options, the minimum period for which the share options must be held before they can be exercised in whole or in part, the conditions that must be reached before the share options can be exercised. The Group has no legal or constructive obligation to repurchase or settle the share options in cash. 8,000,000 options were granted under the share option scheme during the six months ended 30 June 2021 (year ended 31 December 2020: 77,429,000 options).

The total expense recognized in the condensed consolidated statement of comprehensive income for share options granted to directors and employees during the six months ended 30 June 2021 was HK\$14,577,000 (six months ended 30 June 2020: HK\$8,275,000) which has no impact to the Group's cash flows. The weighted average fair value of options granted during the period/year 2021 and 2020 was determined using the Black-Scholes valuation model. The total fair value of options granted is amortized over the vesting period. The significant inputs into the model included share price at the grant date, exercise price, estimated volatility, estimated dividend yield based on historical dividend per share, expected option life and annual risk-free interest rate. The volatility was measured based on historic average share price volatility over a period of similar maturity to those of the share options.

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

21 Issued equity (continued)

Share options (continued)

Movements in the number of share options outstanding and their related exercise prices are as follows:

	Average exercise price (HK\$ per share)	Number of options ('000)
Unaudited		
As at 1 January 2020	12.34	137,820
Forfeited	14.09	(100)
As at 30 June 2020	12.33	137,720
Unaudited		
As at 1 January 2021	9.40	213,349
Forfeited	13.60	(1,820)
Forfeited	14.09	(380)
Forfeited	5.87	(5,500)
Forfeited	4.14	(13,020)
Granted	5.55	8,000
As at 30 June 2021	9.64	200,629

Out of the 200,629,000 (31 December 2020: 213,349,000) outstanding share options, 128,220,000 (31 December 2020: 127,253,333) options were exercisable as at 30 June 2021 with weighted average exercise price of HK\$12.66 (2020: HK\$12.85). No options were exercised during the six months ended 30 June 2021 (year ended 31 December 2020: Nil).

Share options outstanding have the following expiry date and exercise price:

Expiry date	Exercise price (HK\$ per share)	Number of options ('000)	
		30 June 2021 Unaudited	30 June 2020 Unaudited
11 November 2021	13.60	20,290	22,110
16 December 2021	14.09	86,930	87,610
30 May 2022	3.94	500	500
14 April 2025	5.87	20,500	27,500
22 August 2026	4.14	64,409	–
11 December 2026	5.55	8,000	–

The measurement dates of the share options were 12 March 2021, 23 November 2020, 15 October 2018, 17 June 2015, 12 May 2015, 31 May 2012, being the dates of grant of the share options, and 27 July 2015, being the date of the Group's extraordinary general meeting approving the grant of 54,800,000 share options to Dato' Seri Cheah. Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest or lapse. Forfeiture rate is also considered in determining the amount of share option expenses.

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

22 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 fee expenses 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

23 Commitments

23.1 Operating lease commitments

The Group leases various offices and office equipment under non-cancellable operating lease agreements. The lease terms are within one year. The majority of the lease agreements are renewable at the end of the lease period at market rate. As at 30 June 2021, the future aggregate minimum lease payments only include non-cancellable short-term leases.

	30 June 2021 HK\$'000 Unaudited	31 December 2020 HK\$'000 Audited
Not later than one year	474	504
Total operating lease commitments	474	504

23.2 Capital commitments

As at 30 June 2021, the Group has unfunded capital commitments in two private equity funds amounted to RMB363.9 million (equivalent to HK\$439.0 million) (31 December 2020: RMB363.9 million (equivalent to HK\$431.4 million)). As at 30 June 2021, the capital commitment contracted to purchase licensed software and hardware but not yet incurred amounted to HK\$2,930,000 (31 December 2020: HK\$692,000).

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

24 Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Apart from those disclosed elsewhere in the condensed consolidated interim financial information, the Group has also entered into the following significant related-party transactions which, in the opinion of the directors, were carried out in the ordinary and usual course of the Group's business.

24.1 Summary of transactions entered into during the ordinary course of business with related parties

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Consultancy fee to a related party of a director	145	145

24.2 Key management compensation

Key management includes executive directors of the Company. The compensation to key management for employee services is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Management bonus, salaries and other short-term employee benefits	11,649	9,510
Share-based compensation	10,694	4,855
Pension costs	27	27
Total key management compensation	22,370	14,392

24.3 Investments in investment funds which are managed/advised by the Group

The Group has interests in the following consolidated and unconsolidated structured entities. These are the investment funds under the Group's management or advisory and from which it earns fees from investment management or advisory activities and fund distribution activities. These investment funds manage pools of assets from third party investors, and are financed through the issue of units/shares to investors.

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2021

24 Related-party transactions (continued)

24.3 Investments in investment funds which are managed/advised by the Group (continued)

	Fair Value	
	30 June 2021 HK\$'000 Unaudited	31 December 2020 HK\$'000 Audited
Consolidated structured entity		
Value Partners Asia Pacific Real Estate Limited Partnership (Note 18)	1,083,600	1,007,376
Unconsolidated structured entities		
Value Gold ETF (Note 16)	461,079	230,595
Value Partners Asia Fund, LLC	541	505
Value Partners Classic Fund ^(b)	490	448
Value Partners Fund Series – Value Partners Asian Total Return Bond Fund ^(c)	16,376	16,425
Value Partners Fund Series – Value Partners China A-Share Select Fund ^(d)	142	138
Value Partners Fund Series – Value Partners Asian Innovation Opportunities Fund ^(a)	305,516	102,732
Value Partners Greater China High Yield Income Fund ^(e)	1	1
Value Partners Hedge Fund Limited ^(e)	2	2
Value Partners High-Dividend Stocks Fund ^(f)	436	396
Value Partners Intelligent Funds – Chinese Mainland Focus Fund ⁽ⁱ⁾	456	–
Value Partners Multi-Asset Fund ^(d)	46,673	46,381
Value Partners Ireland Fund ICAV – Value Partners Greater China High Yield Bond Fund ^(a)	432,472	286,239
Value Partners Ireland Fund ICAV – Value Partners Health Care Fund ^(g)	160,428	145,886
Value Partners Ireland Fund ICAV – Value Partners China A Shares Equity Fund ^(h)	69,495	66,561
Value Partners Ireland Fund ICAV – Value Partners China A Shares High Dividend Fund ^(h)	61,230	64,992
Value Partners Ireland Fund ICAV – Value Partners China A Shares Consumption Fund ^(a)	60,587	63,881
Value Partners Ireland Fund ICAV – Value Partners Asian Dynamic Bond Fund ⁽ⁱ⁾	38,800	–
Value Partners Ireland Fund ICAV – Value Partners Asia Ex – Japan Equity Fund ^(k)	43,406	–
Value Partners Venture Capital Investment (Shenzhen) Limited Partnership (Note 16)	2,852	2,848
Hanwha Value Partners Asia High Dividend Equity Feeder Fund (Note 16)	54,405	49,707
Value Partners Asia Principal Credit Fund Limited Partnership (Note 16)	210,326	214,428
惠理中國新時代優選1號私募投資基金 (Note 16)	1,827	8,962
惠理中國中璧1號私募投資基金	–	1,396
外貿信託 – 惠理滬港深6號	1,592	1,482
交銀國信•匯利202號集合資金信託計劃	1,725	1,529
惠理中國豐泰1號私募投資基金	2,051	3,074
惠理中國鴻信1號私募證券投資基金 (Note 16)	3,620	3,856
惠理中國中睿滬港深1號私募證券投資基金	1,822	1,778
惠理中國安欣價值滬港深1期私募證券投資基金	1,701	1,684
惠理華教(深圳)股權投資合夥企業(有限合夥)	9,195	9,038
平安資產鑫福22號資產管理產品	1,571	1,412
外貿信託 – 惠理滬港深證券投資集合資金信託計劃	1,182	–
惠理中國豐泰3號私募證券投資基金	1,194	–
Total investments in investment funds which are managed/advised by the Group	3,076,793	2,333,752

24 Related-party transactions (continued)

24.3 Investments in investment funds which are managed/advised by the Group (continued)

- (a) The units held were Class A and Class X units.
- (b) The units held were "C" units.
- (c) The units held were Class A Hedge.
- (d) The units held were Class A units.
- (e) The shares held were management shares.
- (f) The units held were Class A2 MDis units.
- (g) The units held were Class A Unhedge and hedge.
- (h) The units held were Class V units and Class X units.
- (i) The units held were Class A units and Class Z units.
- (j) The units held were Class V units.
- (k) The units held were Class X units.

24.4 Investment in an investment fund managed by a related company

As at 30 June 2021, the Group had investment in Malabar India Fund, LP amounting to HK\$74,044,000 (31 December 2020: HK\$50,660,000) which is managed by Malabar Investment LLC in which the Group had an interest of 6.6% (31 December 2020: 6.6%).

25 Cyclicalality

Performance fee valuation days of investment funds and managed accounts under management are mostly concentrated in December of each financial year. Therefore, the recognition of performance fees for the Group may be subject to cyclical fluctuation.

Other information

Directors' interests in shares, underlying shares and debentures

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which had been required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Long position in shares of the Company ("Shares")

Name of Director	Nature of interest	Number of Shares	Approximate percentage of issued Shares (For number of Shares only)	Number of underlying Shares in which the Directors hold under the share option scheme ⁽³⁾	Approximate percentage of issued Shares (For the aggregate number of Shares held/interested and the underlying Shares under the share option schemes)
Dato' Seri CHEAH Cheng Hye	Founder of trust/beneficial ⁽¹⁾	403,730,484	21.76%	-	21.76%
	Beneficial	60,733,516	3.27%	58,475,000	6.42%
Mr. SO Chun Ki Louis	Beneficial	15,765,723	0.84%	57,552,000	3.95%
Ms. HUNG Yeuk Yan Renee	Founder of trust ⁽²⁾	16,870,583	0.90%	-	0.90%
	Beneficial	1,200,000	0.06%	23,486,000	1.33%
Mr. HO Man Kei, Norman	Beneficial	13,621,132	0.73%	23,506,000	2.00%
Dr. CHEN Shih-Ta Michael	Beneficial	-	-	850,000	0.04%
Mr. Nobuo OYAMA	Beneficial	500,000	0.02%	650,000	0.06%
Mr. WONG Poh Weng	Beneficial	-	-	350,000	0.01%

Notes:

- (1) These Shares are directly held by Cheah Capital Management Limited ("CCML") which is wholly-owned by Cheah Company Limited ("CCL") which is in turn wholly-owned by BNP Paribas Jersey Nominee Company Limited, a company incorporated in Jersey, Channel Islands, holding the shares in CCL as nominee for BNP Paribas Jersey Trust Corporation Limited as trustee for a discretionary trust, the discretionary objects of which include Dato' Seri CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Dato' Seri CHEAH Cheng Hye is the founder of this trust. The ultimate holding company of BNP Paribas Jersey Trust Corporation Limited is BNP Paribas SA.
- (2) These Shares are directly held by Bright Starlight Limited which is wholly-owned by Scenery Investments Limited which is in turn wholly-owned by East Asia International Trustees Limited, a company incorporated in the British Virgin Islands, as trustee for a discretionary trust, the discretionary objects of which include certain members of the family of Ms. HUNG Yeuk Yan Renee.
- (3) The number of underlying Shares in which the Directors hold under the share option scheme are detailed in "Share options" section below.

(b) Share options

The Company adopted a share option scheme on 24 October 2007 (and as amended on 15 May 2008) and expired on 24 October 2017 (the “2007 Share Option Scheme”). All outstanding options granted under the 2007 Share Option Scheme will continue to be valid and exercisable in accordance with the principal terms of the 2007 Share Option Scheme. The Company adopted a new share option scheme at the annual general meeting held on 4 May 2017 (the “2017 Share Option Scheme”). A summary of the movements of the outstanding share options during the six months ended 30 June 2021 are as follows:

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2021	Number of Share Options			As at 30/06/2021
					Granted	Exercised	Lapsed	
Dato' Seri CHEAH Cheng Hye	17/06/2015 ⁽³⁾	17/12/2015–16/12/2021	14.092	18,873,333	–	–	–	18,873,333
		17/12/2016–16/12/2021	14.092	18,873,333	–	–	–	18,873,333
		17/12/2017–16/12/2021	14.092	18,873,334	–	–	–	18,873,334
	23/11/2020	23/05/2022–22/08/2026	4.14	927,500	–	–	–	927,500
		23/11/2023–22/08/2026	4.14	927,500	–	–	–	927,500
Mr. SO Chun Ki Louis	12/05/2015	12/05/2018–11/11/2021	13.60	1,716,666	–	–	–	1,716,666
		12/05/2019–11/11/2021	13.60	1,716,666	–	–	–	1,716,666
		12/05/2020–11/11/2021	13.60	1,716,668	–	–	–	1,716,668
	17/06/2015	17/12/2015–16/12/2021	14.092	3,413,333	–	–	–	3,413,333
		17/12/2016–16/12/2021	14.092	3,413,333	–	–	–	3,413,333
		17/12/2017–16/12/2021	14.092	3,413,334	–	–	–	3,413,334
	15/10/2018	15/04/2019–14/04/2025	5.87	6,000,000	–	–	–	6,000,000
		15/04/2020–14/04/2025	5.87	6,000,000	–	–	–	6,000,000
		15/04/2021–14/04/2025	5.87	6,000,000	–	–	–	6,000,000
	23/11/2020	23/05/2022–22/08/2026	4.14	12,081,000	–	–	–	12,081,000
		23/11/2023–22/08/2026	4.14	12,081,000	–	–	–	12,081,000

Other information

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2021	Number of Share Options			As at 30/06/2021
					Granted	Exercised	Lapsed	
Ms. HUNG Yeuk Yan Renee	12/05/2015	12/05/2018–11/11/2021	13.60	1,016,666	–	–	–	1,016,666
		12/05/2019–11/11/2021	13.60	1,016,666	–	–	–	1,016,666
		12/05/2020–11/11/2021	13.60	1,016,668	–	–	–	1,016,668
	17/06/2015	17/12/2015–16/12/2021	14.092	2,373,333	–	–	–	2,373,333
		17/12/2016–16/12/2021	14.092	2,373,333	–	–	–	2,373,333
		17/12/2017–16/12/2021	14.092	2,373,334	–	–	–	2,373,334
	23/11/2020	23/05/2022–22/08/2026	4.14	6,658,000	–	–	–	6,658,000
		23/11/2023–22/08/2026	4.14	6,658,000	–	–	–	6,658,000
	Mr. HO Man Kei Norman	12/05/2015	12/05/2018–11/11/2021	13.60	776,666	–	–	–
12/05/2019–11/11/2021			13.60	776,666	–	–	–	776,666
12/05/2020–11/11/2021			13.60	776,668	–	–	–	776,668
17/06/2015		17/12/2015–16/12/2021	14.092	2,620,000	–	–	–	2,620,000
		17/12/2016–16/12/2021	14.092	2,620,000	–	–	–	2,620,000
		17/12/2017–16/12/2021	14.092	2,620,000	–	–	–	2,620,000
23/11/2020		23/05/2022–22/08/2026	4.14	6,658,000	–	–	–	6,658,000
		23/11/2023–22/08/2026	4.14	6,658,000	–	–	–	6,658,000
Dr. CHEN Shih-Ta Michael		31/05/2012	31/05/2013–30/05/2022	3.94	66,667	–	–	–
	31/05/2014–30/05/2022		3.94	66,667	–	–	–	66,667
	31/05/2015–30/05/2022		3.94	66,666	–	–	–	66,666
	17/06/2015	17/12/2015–16/12/2021	14.092	100,000	–	–	–	100,000
		17/12/2016–16/12/2021	14.092	100,000	–	–	–	100,000
		17/12/2017–16/12/2021	14.092	100,000	–	–	–	100,000
	23/11/2020	23/05/2022–22/08/2026	4.14	175,000	–	–	–	175,000
		23/11/2023–22/08/2026	4.14	175,000	–	–	–	175,000

Other information

Grantee	Date of grant	Exercise period	Exercise price (HK\$)	As at 01/01/2021	Number of Share Options			As at 30/06/2021
					Granted	Exercised	Lapsed	
Mr. Nobuo OYAMA	17/06/2015	17/12/2015–16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2016–16/12/2021	14.092	100,000	-	-	-	100,000
		17/12/2017–16/12/2021	14.092	100,000	-	-	-	100,000
	23/11/2020	23/05/2022–22/08/2026	4.14	175,000	-	-	-	175,000
		23/11/2023–22/08/2026	4.14	175,000	-	-	-	175,000
Mr. WONG Poh Weng	23/11/2020	23/05/2022–22/08/2026	4.14	175,000	-	-	-	175,000
		23/11/2023–22/08/2026	4.14	175,000	-	-	-	175,000
Employees ⁽⁴⁾	31/05/2012	31/05/2013–30/05/2022	3.94	100,000	-	-	-	100,000
		31/05/2014–30/05/2022	3.94	100,000	-	-	-	100,000
		31/05/2015–30/05/2022	3.94	100,000	-	-	-	100,000
	12/05/2015	12/05/2018–11/11/2021	13.60	3,859,995	-	-	(606,666)	3,253,329
		12/05/2019–11/11/2021	13.60	3,859,995	-	-	(606,666)	3,253,329
		12/05/2020–11/11/2021	13.60	3,860,010	-	-	(606,668)	3,253,342
	17/06/2015	17/12/2015–16/12/2021	14.092	1,623,327	-	-	(126,666)	1,496,661
		17/12/2016–16/12/2021	14.092	1,623,327	-	-	(126,666)	1,496,661
		17/12/2017–16/12/2021	14.092	1,623,346	-	-	(126,668)	1,496,678
	15/10/2018	15/04/2019–14/04/2025	5.87	2,666,666	-	-	(1,833,333)	833,333
		15/04/2020–14/04/2025	5.87	2,666,666	-	-	(1,833,333)	833,333
		15/04/2021–14/04/2025	5.87	2,666,668	-	-	(1,833,334)	833,334
	23/11/2020	23/05/2022–22/08/2026	4.14	11,865,000	-	-	(6,510,000)	5,355,000
		23/11/2023–22/08/2026	4.14	11,865,000	-	-	(6,510,000)	5,355,000
	12/03/2021	12/09/2022–11/12/2026	5.55	-	4,000,000	-	-	4,000,000
12/03/2024–11/12/2026		5.55	-	4,000,000	-	-	4,000,000	
Total				213,349,000	8,000,000	-	(20,720,000)	200,629,000

Other information

Notes:

- (1) The closing prices of the Shares immediately before the share options granted on 31 May 2012, 12 May 2015, 17 June 2015, 15 October 2018, 23 November 2020 and 12 March 2021 were HK\$3.90, HK\$13.68, HK\$13.50, HK\$5.87, HK\$4.14 and HK\$5.55 respectively.
- (2) No share option was cancelled during the period under review.
- (3) Out of a total of 56,620,000 share options, the grant of 54,800,000 share options to Dato' Seri CHEAH was approved in the extraordinary general meeting of the Company held on 27 July 2015.
- (4) Eligible employees are working under employment contracts that are regarded as 'continuous contracts' for the purpose of the Employment Ordinance.

Save as disclosed above, at no time during the period under review was the Company or its subsidiaries a party to any arrangement that enabled the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

All the options forfeited before expiry of the 2007 and 2017 Share Option Schemes will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Scheme.

Share option expenses

According to HKFRS 2, the fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. In addition, employee forfeiture rate is also considered in determining the amount of share option expenses.

Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest or lapse.

Since the Black-Scholes option pricing model requires input of highly subjective assumptions, any change in the subjective input assumptions may materially affect the estimation of the fair value of an option.

Substantial shareholders' interests

As at 30 June 2021, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Interests or short position in the Shares under the SFO

Name	Nature of interest	Number of Shares held/interested	Approximate percentage of issued Shares (For number of Shares held/interested only)	Number of underlying Shares under the share option schemes	Approximate percentage of issued Shares (For the aggregate number of Shares held/interested and the underlying Shares under the share option schemes)
Ms. TO Hau Yin ⁽¹⁾	Spouse	464,464,000	25.03%	58,475,000	28.18%
Mr. YEH V-Nee	Beneficial	298,805,324	16.10%	-	16.10%
Mrs. YEH Mira ⁽²⁾	Spouse	298,805,324	16.10%	-	16.10%
Cheah Capital Management Limited ⁽³⁾	Beneficial	403,730,484	21.76%	-	21.76%
Cheah Company Limited ⁽³⁾	Corporate	403,730,484	21.76%	-	21.76%
BNP Paribas Jersey Nominee Company Limited ⁽³⁾	Nominee	403,730,484	21.76%	-	21.76%
BNP Paribas Jersey Trust Corporation Limited ⁽³⁾	Trustee	403,730,484	21.76%	-	21.76%
Haitong Securities Co., Ltd. ⁽⁴⁾	Corporate	187,943,000	10.13%	-	10.13%

Notes:

- (1) Ms. TO Hau Yin is the spouse of Dato' Seri CHEAH Cheng Hye.
- (2) Mrs. YEH Mira is the spouse of Mr. YEH V-Nee.
- (3) Cheah Capital Management Limited ("CCML") is wholly-owned by Cheah Company Limited ("CCL") which in turn is wholly-owned by BNP Paribas Jersey Nominee Company Limited, a company incorporated in Jersey, Channel Islands, holding the shares in CCL as nominee for BNP Paribas Jersey Trust Corporation Limited as trustee for a discretionary trust, the discretionary objects of which include Dato' Seri CHEAH Cheng Hye and certain members of his family. For the purposes of the SFO, Dato' Seri CHEAH Cheng Hye is the founder of this trust. The ultimate holding company of BNP Paribas Jersey Trust Corporation Limited is BNP Paribas SA.
- (4) Haitong Securities Co., Ltd. is deemed to be interested in the 187,943,000 Shares pursuant to the SFO, 187,943,000 Shares are held by West Ridge Investment Company Limited. Each of Haitong International (BVI) Limited and West Ridge Investment Company Limited is an indirect wholly-owned subsidiary of Haitong International Securities Group Limited (a company listed on the Main Board of the Stock Exchange with stock code 665), which is in turn indirectly owned as to 64.40% by Haitong Securities Co., Ltd.

Save as aforesaid and as disclosed in the "Directors' interests in shares, Underlying shares and debentures" and "Substantial shareholders' interests" sections of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 30 June 2021 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.

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.

Other information

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.