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VALUE PARTNERS GROUP LIMITED
惠理集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 806)

**INTERIM RESULTS ANNOUNCEMENT FOR
THE PERIOD ENDED 30 JUNE 2023**

FINANCIAL HIGHLIGHTS

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

(In HK\$ million)	For the period ended 30 June		
	2023	2022	% Change
Total revenue	276.8	331.9	-16.6%
Gross management fees	245.9	307.3	-20.0%
Gross performance fees	–	0.9	-100.0%
Operating loss (before other gains/losses)	(3.0)	(44.9)	-93.3%
Profit/(loss) attributable to owners of the Company	4.9	(428.6)	101.1%
Basic earnings/(loss) per share (HK cents)	0.3	(23.2)	101.3%
Diluted earnings/(loss) per share (HK cents)	0.3	(23.2)	101.3%
Interim dividend per share	Nil	Nil	

INTERIM RESULTS

The Board of Directors (the “Board”) of Value Partners Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the period ended 30 June 2023.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 HK\$'000 Unaudited	2022 HK\$'000 Unaudited
Income			
Fee income	2	276,785	331,944
Distribution fee expenses		(125,693)	(148,473)
Net fee income		151,092	183,471
Other income		37,253	35,979
Total net income		188,345	219,450
Expenses			
Compensation and benefit expenses		(119,110)	(178,432)
Share-based compensation		(7,113)	(14,172)
Operating lease rentals		(3,293)	(2,848)
Depreciation of right-of-use assets – properties		(8,312)	(10,184)
Other expenses		(53,552)	(58,712)
Total expenses		(191,380)	(264,348)
Operating loss (before other gains/losses)		(3,035)	(44,898)
Net gains/(losses) on investments		9,164	(322,493)
Fair value (loss)/gain of an investment property	8	(3,916)	14,828
Net foreign exchange losses		(9,077)	(71,589)
Other losses – net	3	(3,829)	(379,254)
Operating loss (after other gains/losses)		(6,864)	(424,152)
Finance costs		(3,298)	(2,350)
Share of gains on joint ventures	9	17,260	1,897
Profit/(loss) before tax		7,098	(424,605)
Tax expense	5	(2,218)	(3,983)
Profit/(loss) for the period attributable to owners of the Company		4,880	(428,588)
Other comprehensive loss for the period – Item that may be subsequently reclassified to profit or loss			
Foreign exchange translation		(9,924)	(15,902)
Total comprehensive loss for the period attributable to owners of the Company		(5,044)	(444,490)
Earnings/(loss) per share attributable to owners of the Company (HK cents per share)			
Basic earnings/(loss) per share	6	0.3	(23.2)
Diluted earnings/(loss) per share	6	0.3	(23.2)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2023

	<i>Note</i>	30 June 2023 <i>HK\$'000</i> Unaudited	31 December 2022 <i>HK\$'000</i> Audited
Non-current assets			
Property, plant and equipment		160,020	167,848
Right-of-use assets		19,861	29,500
Investment property	8	190,249	197,608
Intangible assets		14,121	15,689
Investments in joint ventures	9	547,346	545,758
Deferred tax assets		3,417	3,090
Investments	10	1,814,508	1,743,189
Other assets		2,758	9,491
		2,752,280	2,712,173
Current assets			
Investments	10	178,006	179,371
Fees receivable	12	62,793	67,131
Tax receivable		2,835	100,033
Prepayments and other receivables		27,596	22,688
Cash and cash equivalents	13	1,521,132	1,666,461
Investment held-for-sale	11	107,890	–
		1,900,252	2,035,684
Current liabilities			
Accrued bonus		629	44,751
Distribution fee expenses payable	14	51,209	50,793
Other payables and accrued expenses		33,791	43,900
Lease liabilities		18,077	19,522
Borrowing		74,134	76,054
Investment held-for-sale	11	36,740	–
		214,580	235,020
Net current assets		1,685,672	1,800,664
Non-current liabilities			
Accrued bonus		1,736	8,977
Lease liabilities		2,056	9,661
		3,792	18,638
Net Assets		4,434,160	4,494,199
Equity			
Equity attributable to owners of the Company			
Issued equity	15	1,326,832	1,326,832
Other reserves		58,313	61,124
Retained earnings		3,049,015	3,106,243
Total equity		4,434,160	4,494,199

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Critical Accounting Estimates and Judgements

Investments are classified as held-for-sale when their carrying amount are to be recovered principally through a sale transaction or dilution and the sale and dilution is considered highly probable. The investments are stated at the lower of carrying amount and fair value less costs to sell.

The Group acts as an investment manager to a number of investment funds, and has provided seed capital for the set up of these funds. Certain funds for which controlling interest is held by the Group and which is expected to be diluted within one year from the date of establishment are classified as held-for-sale. For details refer to Note 11.

2. REVENUE

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Management fees	245,927	307,268
Performance fees	–	896
Front-end fees	30,858	23,780
	<u>276,785</u>	<u>331,944</u>
Total fee income	276,785	331,944

3. OTHER LOSSES – NET

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Net losses on investments		
Net realized (losses)/gains on financial assets at fair value through profit or loss	(7,853)	239,877
Net unrealized gains/(losses) on financial assets at fair value through profit or loss	17,017	(562,370)
Fair value (loss)/gain of an investment property	(3,916)	14,828
Net foreign exchange losses	(9,077)	(71,589)
	<u>(3,829)</u>	<u>(379,254)</u>
Total other losses – net	(3,829)	(379,254)

4. COMPENSATION AND BENEFIT EXPENSES

For the details of management bonus and the deferred bonus plan for employees, please refer to “Financial review – Compensation and benefit expenses”.

For the period ended 30 June 2023, there were no government wage subsidies. For the period ended 30 June 2022, government wage subsidies amounting to HK\$1,600,000 were included in the “compensation and benefit expenses” line item. There were no unfulfilled conditions or other contingencies attaching to these subsidies.

5. 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 interim condensed consolidated financial information.

Hong Kong profits tax has been provided on the estimated assessable profit for the six months ended 30 June 2023 at the rate of approximately 16.5% (2022: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Current tax		
Hong Kong profits tax	2	484
Overseas tax	2,455	4,139
Adjustments in respect of prior years	–	(783)
Total current tax	2,457	3,840
Deferred tax		
Origination and reversal of temporary differences	(239)	143
Total tax expense	2,218	3,983

6. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the profit attributable to owners of the Company of HK\$4,880,000 (2022: loss of HK\$428,588,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,826,710,000 (2022: 1,845,114,000). The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue during the period of 1,826,710,000 (2022: 1,845,114,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

7. DIVIDENDS

Final dividend of HK\$62,108,000 declared by the Company was related to the year ended 31 December 2022 and HK\$62,108,000 was paid on 25 May 2023. (2022: Final dividend of HK\$147,999,000 declared by the Company was related to the year ended 31 December 2021 and HK\$147,631,000 was paid on 25 May 2022.) No interim dividend was proposed by the Board of Directors for the six months ended 30 June 2023 (2022: Nil).

8. INVESTMENT PROPERTY

On 21 September 2018, the Group acquired the entire interest in a student accommodation investment property located in New Zealand with a consideration of HK\$146,390,000, which was subsequently revalued by the Group as at 30 June 2023 and 31 December 2022.

9. INVESTMENTS IN JOINT VENTURES

As at 30 June 2023 and 31 December 2022, “investments in joint ventures” on the condensed consolidated balance sheet, amounting to HK\$547,346,000 (31 December 2022: HK\$545,758,000), represents the Group’s 50% equity interest in Value Investing Group Company Limited (“Value Investing”), Clear Miles Hong Kong Limited (“Clear Miles HK”), VP-ZACD Holdings Pte. Ltd., Golden Partners Investment Limited (“Golden Partners”), respectively, and 15% of the interest in AM 310 Ann Street Investor Unit Trust (“AM 310”). Value Investing has the trust beneficiary interests in four logistics centers in Japan (31 December 2022: four); AM 310 and Clear Miles HK hold two Australian commercial property projects (31 December 2022: two).

During the period ended 30 June 2023, the Group has formed Golden Partners with an independent business partner. On 27 July 2023, Golden Partners completed the purchase of a 50% stake in Cromwell Italy Urban Logistics Fund which owns seven logistics assets in Italy, with a total investment amount of Euro 13.1 million (equivalent to HK\$112 million) through the subscription of 50% units in Cromwell Italy Urban Logistics Fund.

10. INVESTMENTS

Investments include the following:

	Financial assets at fair value through profit or loss	
	30 June 2023 HK\$’000 Unaudited	31 December 2022 HK\$’000 Audited
Listed securities (by place of listing)		
Equity securities – Long – Hong Kong	1,804	4,668
Debt securities – Hong Kong	173,880	171,000
Investment funds – Hong Kong	445,394	495,510
Investment funds – Malaysia	13,233	13,817
Market value of listed securities	634,311	684,995
Unlisted securities (by place of incorporation/establishment)		
Equity securities – Singapore	963	1,034
Investment funds – Cayman Islands	88,601	111,247
Investment funds – China	23,158	19,307
Investment funds – Hong Kong	338,223	322,083
Investment funds – Ireland	783,484	670,737
Investment funds – South Korea	39,193	35,543
Investment funds – United States	84,581	77,614
Fair value of unlisted securities	1,358,203	1,237,565
Representing:		
Non-current	1,814,508	1,743,189
Current	178,006	179,371
Total investments	1,992,514	1,922,560

As at 30 June 2023, HK\$871 million (31 December 2022: HK\$851 million) of investments in associates are classified as “non-current investments” in the condensed consolidated balance sheet.

11. INVESTMENT HELD-FOR-SALE

The Group is considered holding the controlling power over an investment fund and reclassified it from “investments in associates” recognized in the consolidated balance sheet as at 31 December 2022 to “investment held-for-sale” as at 30 June 2023.

The Group intends to market such investment fund and dilute its holdings as soon as practicably possible to a level where its aggregate economic interest does not constitute a control. As at 30 June 2023, the Group recognized the investment under current assets as “investment held-for-sale” with the amount HK\$107,890,000 (which included financial assets at fair value through profit or loss of HK\$106,344,000, cash and cash equivalents of HK\$1,512,000 and other assets of HK\$34,000) and under current liabilities as “investment held-for-sale” with the amount HK\$36,740,000 (which included other liabilities of HK\$1,153,000 and net assets attributable to the unrelated shareholders of HK\$35,587,000) respectively and these amounts were recognized in the condensed consolidated balance sheet as at 30 June 2023. Such investment incurred a net unrealized loss on financial assets at fair value through profit or loss of HK\$1,500,000 in the condensed consolidated statement of comprehensive income during the period ended 30 June 2023.

12. FEES RECEIVABLE

Fees receivable from investment management activities are mainly due at the end of the relevant valuation period of the investment funds and managed accounts. However, some of these fees receivable are only due after the relevant valuation period as a result of credit periods granted to certain investment funds and managed accounts which are generally within one month. The ageing analysis of fees receivable that were past due but not impaired is as follows:

	30 June 2023 HK\$'000 Unaudited	31 December 2022 HK\$'000 Audited
Fees receivable that were past due but not impaired		
1 – 30 days	759	482
31 – 60 days	–	5,504
61 – 90 days	–	–
Over 90 days	<u>1,497</u>	<u>849</u>
	2,256	6,835
Fees receivable that were within credit period	<u>60,537</u>	<u>60,296</u>
Total fees receivable	<u>62,793</u>	<u>67,131</u>

13. CASH AND CASH EQUIVALENTS

	30 June 2023 HK\$'000 Unaudited	31 December 2022 HK\$'000 Audited
Cash at banks and in hand	306,976	282,223
Short-term bank deposits	1,210,839	1,378,285
Deposits with brokers	<u>3,317</u>	<u>5,953</u>
Total cash and cash equivalents	<u>1,521,132</u>	<u>1,666,461</u>

14. 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 2023 HK\$'000 Unaudited	31 December 2022 HK\$'000 Audited
0 – 30 days	48,907	43,130
31 – 60 days	225	1,574
Over 90 days	2,077	6,089
	<hr/>	<hr/>
Total distribution fee expenses payable	51,209	50,793
	<hr/> <hr/>	<hr/> <hr/>

15. ISSUED EQUITY

	Number of shares	Total issued equity HK\$'000
Unaudited		
As at 1 January 2023 and 30 June 2023	1,826,709,831	1,326,832
	<hr/>	<hr/>
Audited		
As at 1 January 2022	1,849,982,831	1,385,078
Shares repurchase	(23,273,000)	(58,246)
	<hr/>	<hr/>
As at 31 December 2022	1,826,709,831	1,326,832
	<hr/> <hr/>	<hr/> <hr/>

During the period ended 30 June 2023, there was no repurchase of the Company's shares. During the period ended 30 June 2022, the Company purchased a total of 12,433,000 shares on the Stock Exchange and the aggregate consideration paid was HK\$37,591,000. As at 30 June 2022, the purchased 12,433,000 shares were cancelled.

16. SUBSEQUENT EVENTS

On 26 July 2023, Sensible Asset Management Hong Kong Limited, a subsidiary of the Group, entered into a conditional subscription and share purchase agreement with PT Aldiracita Sekuritas Indonesia, to purchase 29.99% interest in PT Surya Timur Alam Raya Asset Management, with a consideration of US\$3.5 million (equivalent to HK\$27 million). Concurrently, the Group entered into a sales and purchase agreement with Aldiracita Global Investment Pte. Ltd, a subsidiary of PT Aldiracita Sekuritas Indonesia, to sell 29.99% interest in Value Partners Asset Management Singapore Pte. Ltd., a subsidiary of the Group, with a consideration of US\$758,000 (equivalent to HK\$6 million). The completion of these transactions are subject to the satisfaction of certain conditions precedents and regulatory approvals.

On 27 July 2023, Golden Partners Investment Limited, a joint venture of the Group, completed the purchase of a 50% stake in Cromwell Italy Urban Logistics Fund which owns seven logistics assets in Italy, with a total investment amount of Euro 13.1 million (equivalent to HK\$112 million) through the subscription of 50% units in Cromwell Italy Urban Logistics Fund.

MANAGEMENT DISCUSSION AND ANALYSIS

The first half of 2023 was a volatile period for global financial markets. New uncertainties unfolded during the period, including the banking woes in the US and Europe, which led to liquidity concerns within the banking system. Meanwhile, inflation and recession risks in the West continue to be key concerns for investors.

While these uncertainties impacted Asian markets, the region remained resilient. Markets in South Asia continued to be healthy, supported by the region's strong domestic demand. Meanwhile, the tech-heavy markets of Korea and Taiwan were propelled by growing investments in artificial intelligence.

In China, however, while investors turned optimistic toward the market following the country's reopening late last year, the nation's post-Covid recovery has lost momentum in the past few months. As a result, investors' interest has turned fragile, leading to volatility in the China markets.

During the first six months of 2023, the MSCI China Index was down 5.5%¹, while the broader MSCI AC Asia (ex-Japan) Index was up 3.0%¹. While our equity funds remained resilient in terms of flows, we saw modest outflows from our fixed income funds given the funds' focus on the high yield bond market, which was impacted more heavily by the slowdown of the real estate markets in mainland China.

Asia may still face uncertainties in the short-to-medium term. Nevertheless, we remain optimistic that the region's long-term prospects are intact, driven by secular trends. Given our ongoing efforts to be a leader in Asia investing, we are well-positioned to capture the long-term opportunities brought about by the market.

Financial highlights

As of the end of June 2023, our assets under management ("AUM") stood at US\$6.0 billion, slightly down by 1.9% from US\$6.1 billion at the end of 2022, mainly due to the weak market backdrop and the risk-off stance of some investors. As a result, our gross management fees dropped 20.0% year-on-year to HK\$245.9 million in the first six months of 2023.

Although the period was challenging, the Group recorded a net profit of HK\$4.9 million, largely contrasting with the HK\$428.6 million losses reported during the first six months last year. The improved result was primarily driven by the reduced investment losses on the Group's proprietary investments, which were mainly seed capital investments in its own funds, and decreased total expenses that compensated for the reduced management fees.

In terms of fund flows, despite the market volatility, we managed to capture US\$675 million in gross subscriptions during the first six months of 2023. There was strong demand for our equity strategies, with continuous net inflows into our flagship fund – the Value Partners High-Dividend Stocks Fund, and a Chinese equities mandate from a European client.

On the cost front, the Group continued with its disciplined cost controls. Fixed operating expenses, including fixed salaries and benefits, rental, investment research, information technology, and other administrative and office expenses, were HK\$161 million during the first half of 2023, decreasing by 4% compared to HK\$167 million from the same period last year despite general inflationary pressures on operating costs.

As of 30 June 2023, the Group continued to run a solid balance sheet, with net assets of HK\$4.4 billion, including cash of HK\$1.5 billion and investments of HK\$2.8 billion. We shall continue to manage our balance sheet prudently to meet future business needs as well as our longer-term strategic growth plans and initiatives.

Enhancing our client relationships and reach

Last year, we strengthened our management team and completed an enhancement exercise across different functions, including sales, client servicing, marketing, and product development processes, resulting in a stronger coverage in our business.

On the wealth management front, which remains a key strategic area for growth in our business, our banking partners in Hong Kong and overseas continued to support us, with net inflows into some of our funds, especially our dividend and multi-asset strategies. With our enhanced brand image, we also expanded our banking network to include a Chinese bank with a strong local presence in Hong Kong as a new retail and private banking distribution partner.

We also continued to build our family office coverage in the region, especially in Hong Kong and Singapore. To complement our already-strong Greater China coverage in our Hong Kong headquarters, we are putting in dedicated resources in Singapore to service South Asia's increasing wealth management demands.

On top of the continued buildout of our Singapore office, we carried through our efforts to tap new markets in Asia. In July, we formed a strategic partnership with Aldiracita Group, a prominent capital markets player in Indonesia. The alliance, which marks a significant milestone in our expansion strategy in Southeast Asia, enables Value Partners to bring innovative and distinct investment solutions to the fast-growing Indonesian market. The collaboration also enables us to capitalize on Southeast Asia's potential for long-term growth and development.

On the institutional front, we continued to receive rising inquiries from global institutions, particularly from Asia and the Middle East, regarding our product offerings for Greater China and Asia. We continue to have healthy pipelines built and expect more demand as they seek an Asian investment expert like us. In addition, a leading European financial institution added more capital allocations this year to the mandate we secured with the firm in 2020.

Given our enhanced resources for better coverage in the institutional space, we are better equipped to hold more brand-building initiatives and win more mandates.

Product expansion and highlights

During the first six months of 2023, we set a deliberate plan to grow beyond our traditional long-only equity funds to include a wider range of investment offerings. These include a new ESG product, expanding our fixed income product suite, and developing further our alternatives franchise.

In May, we launched the Value Partners Ireland Fund ICAV – Value Partners Asian Food and Nutrition Fund, which is our first Sustainable Finance Disclosure Regulation (“SFDR”) Article 8, Undertakings for Collective Investment in Transferable Securities (UCITS)-compliant fund. SFDR Article 8 funds promote ESG characteristics and invest in sustainable assets. The fund rollout is part of our ESG buildout as we continue to enhance our ESG capabilities.

The fund is also the first HKSFCA-authorized Asia ex-Japan-focused food and nutrition thematic ESG fund. We are excited to be a pioneer in launching this product, which captures various growth opportunities arising from key structural trends in Asia's food and beverage nutrition value chain. The fund allows Hong Kong and global investors to benefit from these thematic opportunities.

In addition to the ESG fund, we are expanding our product suite in other asset classes. These include a money market fund and an investment grade bond product, which we expect to roll out this year. As part of our plans to strengthen our fixed income capability, we hired Sean CHANG, Co-Chief Investment Officer, Fixed Income, to help create and manage high-quality and innovative fixed income solutions for our clients.

We also carried through our plans of developing further our alternatives franchise. Together with Shenzhen Capital (International) Asset Management Company Ltd., we are launching a Greater Bay Area (“GBA”)-focused alternative investment strategy. The strategy invests in listed and private companies across the Mainland China and Hong Kong markets, and the first closing of the fund is in the third quarter of this year. Besides generating investment returns, one of its objectives is to assist companies in expanding their businesses in the GBA. We are excited about the opportunities the strategy will bring, especially given its clear social value in contributing to the development of Hong Kong and the GBA.

On the real estate front, we are seeing investment opportunities in the logistics space, as demand for space from manufacturers and retailers is expected to increase. To capitalize on this opportunity, we are launching an Asian logistics real estate private equity fund in the second half of this year. We plan to widen the range of our alternative solutions further as we aim to strengthen our alternatives franchise.

Our investment capabilities continued to gain recognition in the industry. In February, Value Partners won two awards in Fund Selector Asia’s Fund Awards Singapore 2023. Our Value Partners China A-Share Select Fund received the Gold award in the Greater China/China Equity category, while our Value Partners Asian Innovation Opportunities Fund received the Gold award in the Mixed Asset category.

As we embark on our fourth decade of growth, we will continue to roll out several initiatives to expand our product suite to cater to the evolving needs of investors.

Growing commitment to the Mainland market

Mainland China remains a key strategic market for Value Partners, especially given the opportunities arising from the growing demand for professionally managed investment products.

We continued to expand our reach in the Mainland in different segments. Our China business continued to be underpinned by institutional, private fund management (“PFM”), qualified domestic limited partnership (“QDLP”), qualified domestic investment entity (“QDIE”), and qualified foreign limited partnership (“QFLP”) mandates, the Mainland-Hong Kong Mutual Recognition of Funds (“MRF”), and opportunities arising from the GBA Wealth Management Connect Scheme.

In April, we reached an investment advisory agreement with a new partner to provide investment advisory services for its newly issued insurance asset management product, which focuses on a high dividend strategy.

We also strengthened our relationship with existing partnerships, including foreign banks operating in the Mainland, and are working with them to include our two MRF funds on their priority sales lists.

As our commitment to the China market remains, we aim to expand our product offerings in the Mainland, including further developing our QDLP, QFLP, and QDIE businesses. We will continue to explore and watch out for new policies or cross-border schemes that could bring new business to our Group.

More ESG developments underway

Developing our ESG capabilities is among our top priorities. ESG is part of our growth strategy, especially given the rising demand from clients globally to address major environmental and sustainability challenges.

We have reached several milestones since beginning our journey in 2019. Reaching 100% coverage of our proprietary ESG assessment for all our listed investees across equities and fixed income security holdings in 2021 was an essential milestone, as it set critical foundations for our ESG developments in the past year.

As mentioned above, we launched the Value Partners Ireland Fund ICAV – Value Partners Asian Food and Nutrition Fund, which marks a major milestone of our ESG franchise to leverage our robust proprietary rating system to enhance and promote sustainable practices in the region. This is an important first step in our effort to build a comprehensive suite of sustainable products to meet investors' ESG investment needs.

With our enhanced capability, we are looking to upgrade our other funds to be SFDR Article 8 compliant in the next 12 months to meet the future expectations and requirements of global investors. This should also help solidify Value Partners' position as a market leader for ESG in Asia.

Our commitment to ESG practices and responsible investing has been recognized by the industry. In June, Value Partners Group was among the winners of the ESG Leading Enterprise Awards of the Year 2023 by Master Insight Media in Hong Kong.

Business outlook

Overall, we continue to be excited about the opportunities that Asia's asset and wealth management industry presents. Asia is home to some of the fastest-growing economies in the world, and the region is expected to bring robust wealth creation in the years to come. Meanwhile, global investors continue to allocate more to Asian assets and are actively seeking China and regional experts for their investment needs.

Despite the short-to-medium-term market headwinds, including inflation and interest rate hikes, geopolitical tensions, and recession risks in the West, we remain optimistic that Asia remains a bright spot for economic and earnings growth in 2023. In addition, as the region's long-term opportunities remain intact, driven by various secular drivers, we expect more demand for Asia assets. As a leader and pioneer in Asia investing, Value Partners is well-positioned to capture these opportunities, given our enhanced services and capabilities and our wide range of high-quality and competitive investment strategies.

As we further grow our business, we will bring more innovative investment solutions to the market to cater to the ever-changing needs of investors both locally and globally and further amplify our reach in different markets and segments.

Appreciation

Last but not least, we would like to thank all our colleagues, shareholders, clients, and business partners for their continued support and loyalty. We would also like to recognize our colleagues' dedication, commitment, and contribution toward the continued growth of Value Partners. We promise to remain focused on providing the highest standard of service and value for clients and continue innovating in the ever-evolving asset and wealth management landscape.

1. MSCI, 30 June 2023.

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.

FINANCIAL REVIEW

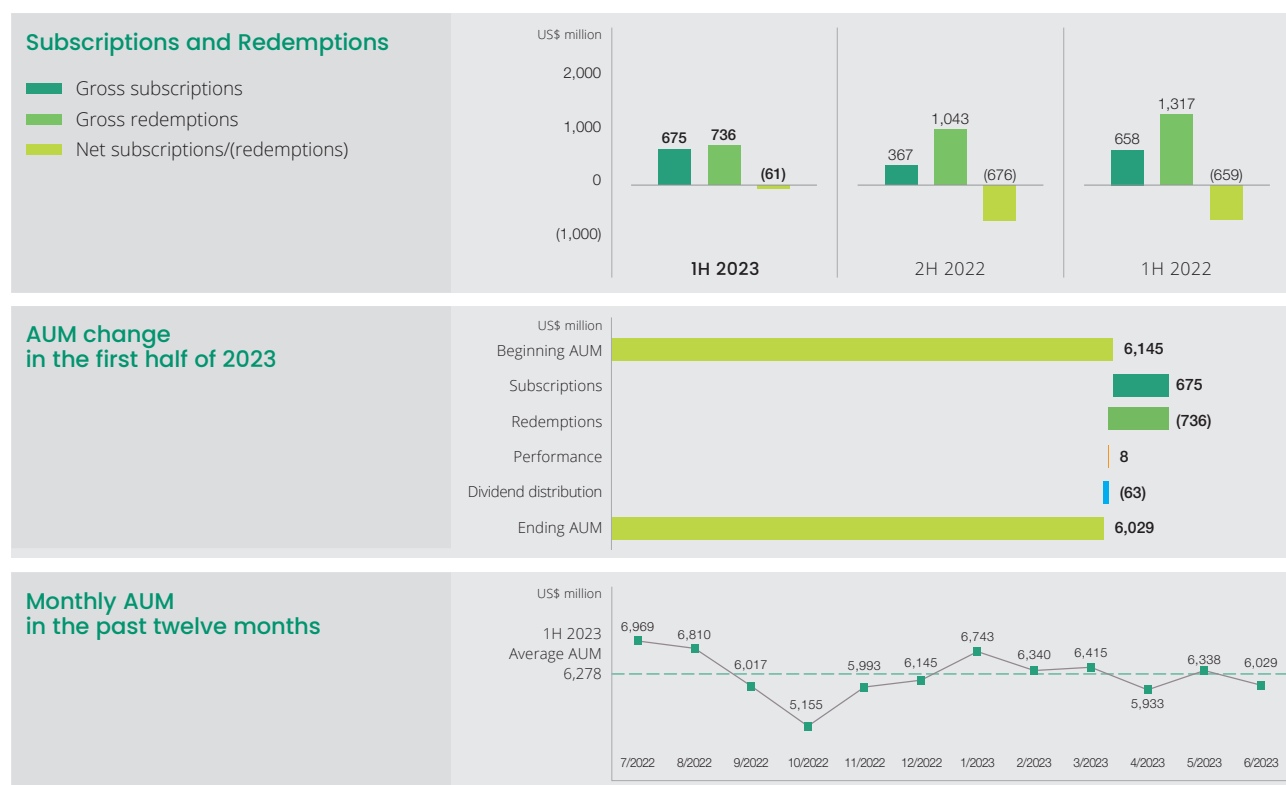
Assets Under Management (“AUM”)

AUM and return

The Group’s AUM stood at US\$6,029 million at the end of June 2023 (31 December 2022: US\$6,145 million). The decline was mainly attributable to the net redemptions of US\$61 million offset by positive fund returns of US\$8 million in the first half of 2023.

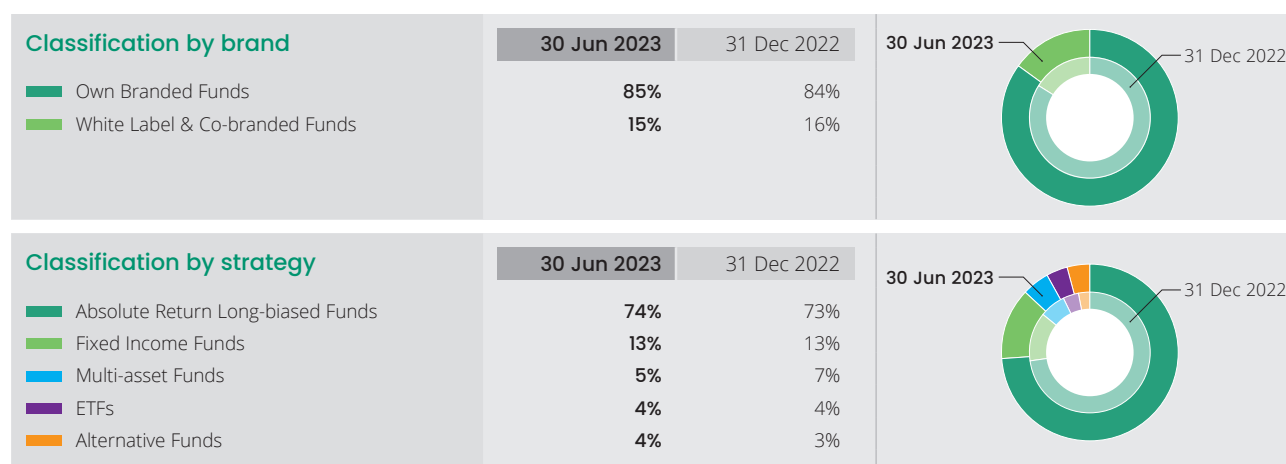
Overall fund performance¹, calculated as the asset-weighted average return of funds under management, rose 0.2% in the period under review. Among our funds, the Value Partners High-Dividend Stocks Fund² recorded a gain of 8.3% and Value Partners Greater China High Yield Income Fund³ recorded a gain of 4.2%, while the Value Partners Classic Fund⁴ fell 2.5% during the period.

In the first half of 2023, gross subscriptions increased to US\$675 million from US\$367 million in the second half of 2022. Gross redemptions for the first half of 2023 decreased to US\$736 million from US\$1,043 million in the second half of 2022 with a net redemption of US\$61 million (2H 2022: US\$676 million).



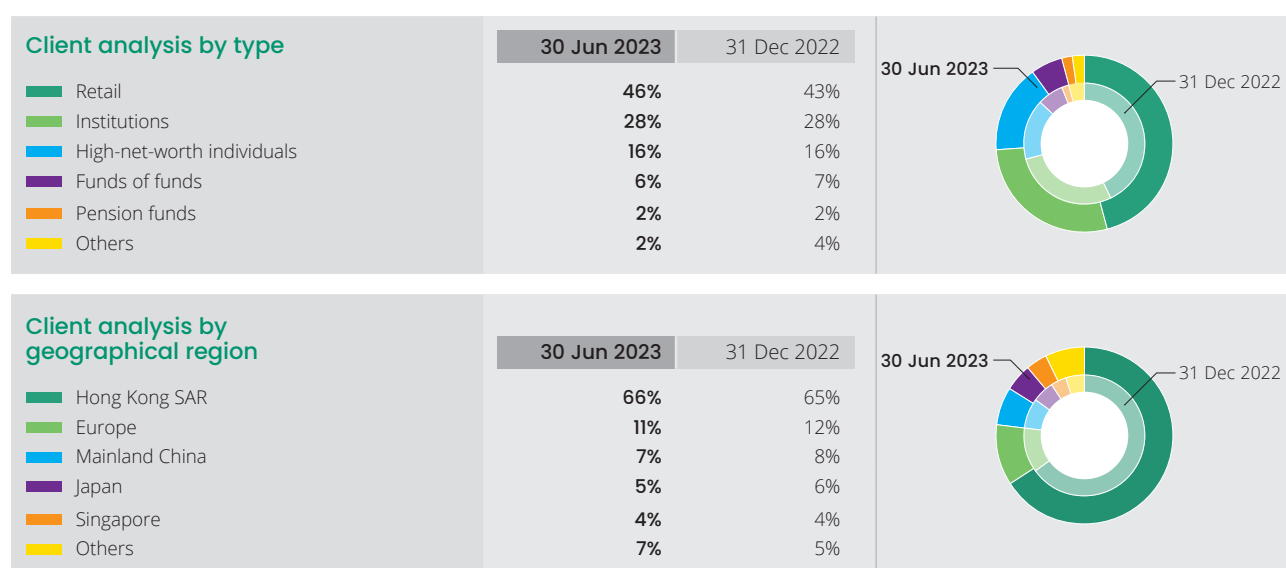
AUM by category

The charts below show breakdowns of the Group's AUM as at 30 June 2023 using two classifiers: brand and strategy. Own Branded Funds (85%) remained the biggest contributor to the Group's AUM. By strategy, Absolute Return Long-biased Funds (74%) continued to represent the largest share of the Group's AUM, followed by Fixed Income Funds (13%), 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, funds of funds, pension funds, endowments and foundations and family offices and trusts – remained the Group's primary set of fund investors, accounting for 54% of total AUM (31 December 2022: 57%). Meanwhile, retail clients contributed 46% of total AUM (31 December 2022: 43%). In terms of geographic location, Hong Kong clients continued to be the largest segment, contributing 66% of the Group's AUM (31 December 2022: 65%). The share of AUM contributed by clients in Europe and mainland China remained stable at 11% and 7%, respectively (31 December 2022: 12% and 8%, respectively).

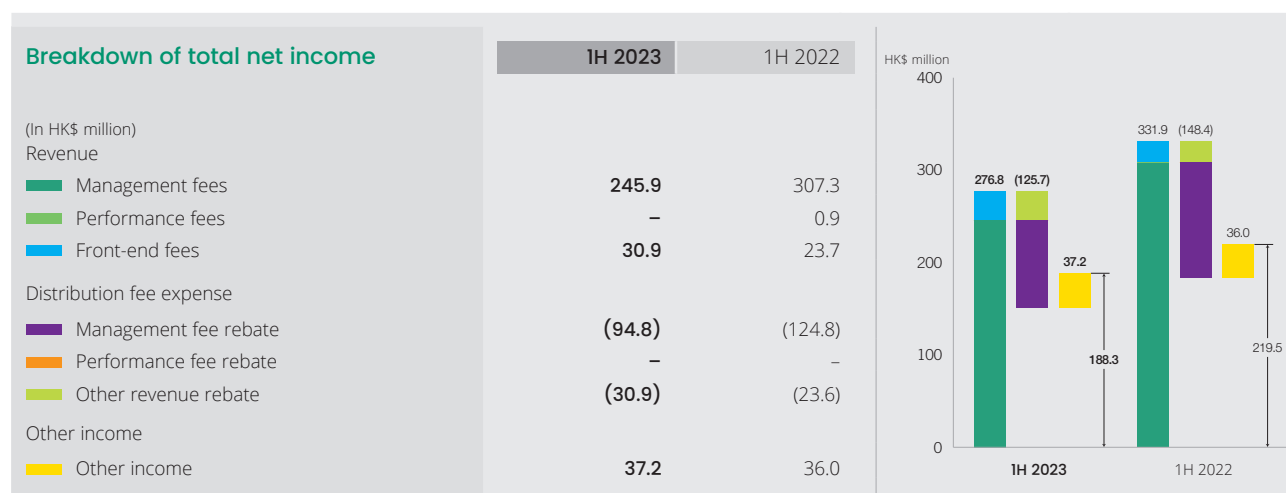


Summary of results

Key financial highlights for the reporting period are as follows:

(In HK\$ million)	1H 2023	1H 2022	% Change
Total revenue	276.8	331.9	-16.6%
Gross management fees	245.9	307.3	-20.0%
Gross performance fees	-	0.9	-100.0%
Operating loss (before other gains/losses)	(3.0)	(44.9)	-93.3%
Profit/(loss) attributable to owners of the Company	4.9	(428.6)	101.1%
Basic earnings/(loss) per share (HK cents)	0.3	(23.2)	101.3%
Diluted earnings/(loss) per share (HK cents)	0.3	(23.2)	101.3%
Interim dividend per share (HK cents)	Nil	Nil	

Revenue and fee margin



The Group's profit attributable to owners of the Company amounted to HK\$4.9 million for the six months ended 30 June 2022 (1H 2022 loss: HK\$428.6 million). Gross management fees, the Group's largest revenue contributor, decreased to HK\$245.9 million (1H 2022: HK\$307.3 million) with the Group's decreased AUM.

During the period, our annualized gross management fee margin increased to 102 basis points (1H 2022: 95 basis points) due to higher AUM portion with a higher management fee margin compared to the first half of 2022. Our annualized net management fee margin has increased to 63 basis points (1H 2022: 57 basis points), while our management fee rebates for distribution channels decreased to HK\$94.8 million (1H 2022: 124.8 million).

No performance fees (1H 2022: HK\$0.9 million) for the current period as returns of most of the Group's funds did not surpass their previous high watermarks. Performance fees are generated when eligible funds, at their performance fee crystallization dates, report returns exceeding their high watermarks for the respective period up to the crystallization date.

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\$37.2 million (1H 2022: HK\$36.0 million).

Other gains or losses

(In HK\$ million)	1H 2023	1H 2022
Net gains/(losses) on investments		
Net realized (losses)/gains on financial assets at fair value through profit or loss	(7.8)	239.9
Net unrealized gains/(losses) on financial assets at fair value through profit or loss	17.0	(562.4)
Fair value (loss)/gain of an investment property	(3.9)	14.8
Net foreign exchange losses	(9.1)	(71.6)
Other losses – net	(3.8)	(379.3)

Other gains or losses mainly included fair value changes and realized gains or losses on seed capital investments, investments in our own funds and other investments, as well as net foreign exchange gains or losses. Seed capital investments are made by the Group to provide capital that was considered necessary to new funds during the initial phase of fund launches. The Group also invests in its own funds alongside investors, where appropriate, for better alignment of interests and investment returns. The significant change from prior year same period was mainly due to the significant mark-to-market losses of the Group’s seed capital investments in prior year with stabilized market performance during the current period.

Investments in joint ventures

In 2017, the Group set up Value Partners Asia Pacific Real Estate Limited Partnership⁵ (the “Real Estate Partnership”) to engage in real estate private equity business. As at 30 June 2023 and 31 December 2022, the Real Estate Partnership held four logistic centers located in Japan and two commercial property projects located in Australia through three joint ventures in which the Group had 50%, 50% and 15% equity interest, respectively. The Group’s share of gains amounted to HK\$17.3 million (1H 2022: HK\$1.9 million), which was attributable to the rental income less outgoings, fair value gains of the properties and the foreign exchange differences for the six months ended 30 June 2023 and 2022.

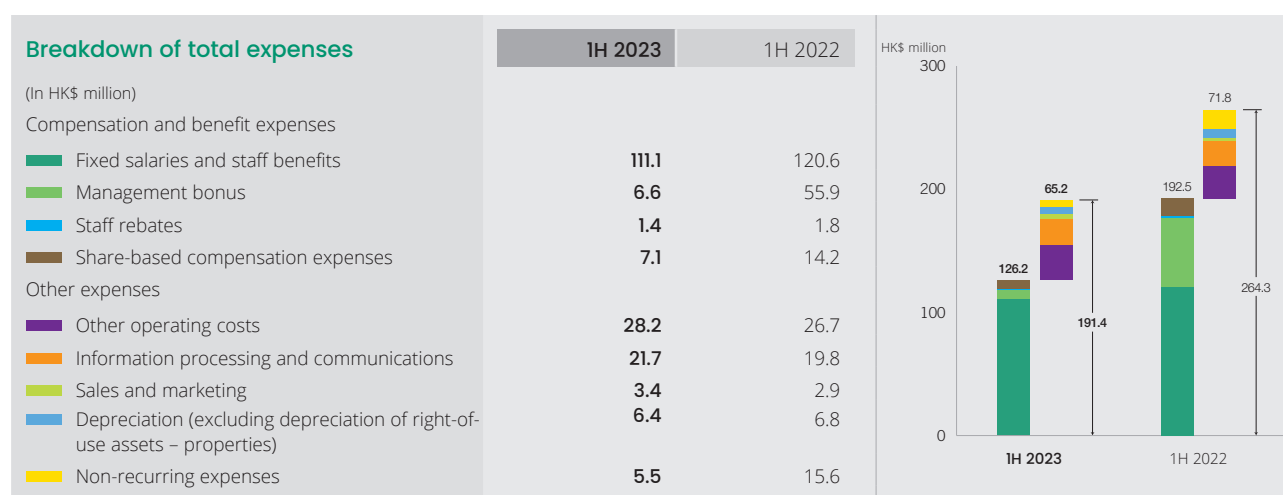
During the period ended 30 June 2023, the Group has formed a new joint venture, Golden Partners Investment Limited, with an independent business partner. On 27 July 2023, Golden Partners Investment Limited purchased a 50% stake in Cromwell Italy Urban Logistics Fund which owns seven logistics assets in Italy, with a total investment amount of Euro 13.1 million (equivalent to HK\$112 million) through the subscription of 50% units in Cromwell Italy Urban Logistics Fund.

Significant investments

As at 30 June 2023, the Group held 12,621,950 units (31 December 2022: 12,621,960 units) or 28.5% (31 December 2022: 27.8%) in Value Gold ETF, which is a fund listed on the Stock Exchange of Hong Kong Limited aiming to provide investment results that closely correspond to the performance of the London Bullion Market Association Gold Price. The investments, representing 10.8% (31 December 2022: 10.0%) of the Group's total assets with a fair value of HK\$500.2 million (31 December 2022: HK\$474.9 million) and a cost of HK\$420.3 million (31 December 2022: HK\$420.3 million), are for alignment of investors' interests and investment returns. For the period ended 30 June 2023, the Group recorded a net unrealized investment gain amounted to HK\$25.3 million (31 December 2022: HK\$2.8 million loss) with respect to such investments.

As at 30 June 2023, the Group held 4,474,116 units (31 December 2022: 4,970,998 units) in Value Partners Ireland Fund ICAV – Value Partners Greater China High Yield Bond Fund⁵ (“ICAV – GCHY Bond Fund”) which represents 15.9% (31 December 2022: 16.3%) of the net asset value of Value Partners Ireland Fund ICAV. ICAV – GCHY Bond Fund primarily invests in a portfolio of fixed and floating rate bonds and other debt securities in the Greater China region. The investments, representing 6.9% (31 December 2022: 7.5%) of the Group's total assets with a fair value of HK\$318.8 million (31 December 2022: HK\$357.1 million) and a cost of HK\$359.9 million (31 December 2022: HK\$400.6 million), are primarily as seed capital investment and also for investment returns. For the period ended 30 June 2023, the Group received dividends amounted to HK\$0.2 million (31 December 2022: HK\$0.6 million) and recorded a net unrealized investment gain amounted to HK\$2.4 million (31 December 2022: a loss of HK\$33.8 million) and a net realized investment loss amounted to HK\$1.5 million (31 December 2022: nil) with respect to such investments.

Cost management



Compensation and benefit expenses

During the period, salaries and staff benefits (excluding bonus) decreased by HK\$9.5 million to HK\$111.1 million (1H 2022: HK\$120.6 million). Management bonus for the period decreased to HK\$6.6 million (1H 2022: HK\$55.9 million) which was mainly resulted from deferred bonus from prior years being recognized during the current period under review in accordance with accounting standards requirement, the Board of Director would reassess the management bonus provision by end of 2023 after considering the full year operating result.

As part of its compensation policy, the Group distributes 20% to 23% of its annual realized net profit pool as a management bonus to employees. The realized profit pool is calculated by deducting certain adjustments from net result before management bonus and taxation. This discretionary bonus is maintained to promote staff loyalty and performance while aligning employee and shareholder interests. Also, there is a deferral bonus plan (the “Plan”) for employees. Each year, a portion of the management bonus awarded to certain employees of the Group will be under a deferral arrangement according to the Plan. The employee may elect to allocate all or part of the deferred amount into the nominated fund(s) managed by the Group or to retain the deferred amount in cash.

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\$1.4 million (1H 2022: HK\$1.8 million).

During the period, the Group recorded expenses of HK\$7.1 million (1H 2022: HK\$14.2 million), which were related to stock options granted to employees. This expense item had no impact on cash flows and was recognized in accordance with Hong Kong Financial Reporting Standards.

Other expenses

Other non-staff operating costs – such as rent, information processing and communications, legal and professional fees, investment research fees, and other administrative and office expenses – amounted to HK\$49.9 million for the period (1H 2022: HK\$46.5 million), and sales and marketing expenses also increased to HK\$3.4 million (1H 2022: HK\$2.9 million) due to inflationary pressure on operating costs and also increased travelling post Covid.

The Group will continue to take a cautionary stance in cost management and has implemented measures such as resource realignment and ongoing cost control to manage future business headwinds. Despite adherence to strict cost management, the Group will also continue investment in key strategic growth areas in order to bolster our competitive advantage in the longer term.

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. As at 30 June 2023, the Group’s balance sheet and cash flow positions remained strong, with a net cash balance of HK\$1,521.1 million. Other than relevant borrowings pledged with property asset by the Real Estate Partnership of HK\$74.1 million (31 December 2022: HK\$76.1 million), the Group had no other corporate bank borrowings and did not pledge any other assets as collateral for overdrafts or other loan facilities. The Group’s debt-to-equity ratio, measured by interest bearing external borrowings (excluding borrowings as mentioned above) divided by shareholders’ equity, was zero, while its current ratio (current assets divided by current liabilities) was 8.9 times.

Capital structure

As at 30 June 2023, the Group's shareholders' equity and total number of shares issued were HK\$4,434.2 million and 1.83 billion shares, 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 High-Dividend Stocks Fund (Class A1) over the past five years: 2018: -14.2%; 2019: +14.9%; 2020: +13.9%; 2021: +3.5%; 2022: -18.9%; 2023 (Year to date as at 30 June): +8.3%.*
3. *Annual calendar returns of Value Partners Greater China High Yield Income Fund (Class P USD Acc) over the past five years: 2018: -4.9%; 2019: +9.4%; 2020: -0.3%; 2021: -22.5%; 2022: -30.2%; 2023 (Year to date as at 30 June): +4.2%.*
4. *Annual calendar returns of Value Partners Classic Fund (A Units) over the past five years: 2018: -23.1%; 2019: +32.4%; 2020: +37.6%; 2021: -6.6%; 2022: -28.1%; 2023 (Year to date as at 30 June): -2.5%.*
5. *Value Partners Asia Pacific Real Estate Limited Partnership and Value Partners Ireland Fund ICAV – Value Partners Greater China High Yield Bond Fund are not authorized by SFC and are not available to the general public in Hong Kong.*

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

SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

OTHER INFORMATION

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Foreign exchange

As at 30 June 2023, other than the Renminbi-denominated bank deposits of approximately HK\$637 million (30 June 2022: the Renminbi-denominated bank deposits of approximately HK\$458 million and the Australian-dollar-denominated bank deposits of approximately HK\$652 million, respectively), the Group has no other 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 2023, the Group employed 141 staff (30 June 2022: 164) in Hong Kong SAR, 34 staff (30 June 2022: 43) in Shanghai, 5 staff (30 June 2022: 3) in Shenzhen, 8 staff (30 June 2022: 4) in Singapore, 2 staff (30 June 2022: 2) in London and 5 staff (30 June 2022: 6) in Malaysia. Remuneration packages that take into account of business performance, market practices and competitive market conditions are offered to employees in compensation for their contributions. In line with the Group's emphasis on recognition for performance and human capital retention, the Group rewards its employees with year-end discretionary bonus which is linked to the Group's level of profits for that financial year.

Purchase, sale or redemption of the Company's securities

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 2023.

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 2023.

Independent review of interim results

The unaudited interim results of the Group for the six months ended 30 June 2023 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 Directors' opinion, the Company applied the principles and complied with the relevant code provisions in the Corporate Governance Code, as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2023.

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 2023.

Publication of interim results and interim report on the Stock Exchange

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.valuepartners-group.com). The interim report will be despatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

Our appreciation

Finally, we would like to express our gratitude to the Shareholders, business partners, distributors and customers for their unfaltering support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

By order of the board of
Value Partners Group Limited
Dato' Seri CHEAH Cheng Hye
Co-Chairman and Co-Chief Investment Officer

Hong Kong, 11 August 2023

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