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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 2022**

FINANCIAL HIGHLIGHTS

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

(In HK\$ million)	For the period ended 30 June		
	2022	2021	% Change
Total revenue	331.9	707.8	-53.1%
Gross management fees	307.3	501.9	-38.8%
Gross performance fees	0.9	91.3	-99.0%
Operating (loss)/profit (before other gains/losses)	(44.9)	193.4	-123.2%
(Loss)/Profit attributable to owners of the Company	(428.6)	209.8	-304.3%
Basic (loss)/earnings per share (HK cents)	(23.2)	11.3	-305.3%
Diluted (loss)/earnings per share (HK cents)	(23.2)	11.2	-307.1%
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 2022.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 HK\$'000 Unaudited	2021 HK\$'000 Unaudited
Income			
Fee income	2	331,944	707,806
Distribution fee expenses		(148,473)	(315,842)
Net fee income		183,471	391,964
Other income		35,979	52,295
Total net income		219,450	444,259
Expenses			
Compensation and benefit expenses		(178,432)	(171,086)
Share-based compensation		(14,172)	(14,577)
Operating lease rentals		(2,848)	(3,878)
Depreciation of right-of-use assets – properties		(10,184)	(13,417)
Other expenses		(58,712)	(47,877)
Total expenses		(264,348)	(250,835)
Operating (loss)/profit (before other gains/losses)		(44,898)	193,424
Net (losses)/gains on investments		(322,493)	32,956
Net change in unrealized gains of an investment property	4	14,828	11,945
Net foreign exchange losses		(71,589)	(11,232)
Other (losses)/gains – net	3	(379,254)	33,669
Operating (loss)/profit (after other gains/losses)		(424,152)	227,093
Finance costs		(2,350)	(1,584)
Share of gains on joint ventures	5	1,897	16,687
(Loss)/profit before tax		(424,605)	242,196
Tax expense	7	(3,983)	(32,378)
(Loss)/profit for the period attributable to owners of the Company		(428,588)	209,818
Other comprehensive (loss)/income for the period			
– Item that may be subsequently reclassified to profit or loss			
Foreign exchange translation		(15,902)	7,962
Total comprehensive (loss)/income for the period attributable to owners of the Company		(444,490)	217,780
Earnings per share attributable to owners of the Company (HK cents per share)			
Basic (loss)/earnings per share	8	(23.2)	11.3
Diluted (loss)/earnings per share	8	(23.2)	11.2

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

	<i>Note</i>	30 June 2022 HK\$'000 Unaudited	31 December 2021 HK\$'000 Audited
Non-current assets			
Property, plant and equipment		179,825	192,106
Right-of-use assets		38,764	46,292
Investment property	4	193,495	190,572
Intangible assets		13,431	14,930
Investments in joint ventures	5	654,635	424,039
Deferred tax assets		1,788	1,538
Investments	10	1,838,549	2,820,414
Other assets		9,455	8,838
		2,929,942	3,698,729
Current assets			
Investments	10	198,277	25,601
Fees receivable	11	78,011	190,060
Tax receivable		96,310	59,936
Prepayments and other receivables		26,103	30,079
Cash and cash equivalents	12	1,603,645	1,665,937
		2,002,346	1,971,613
Current liabilities			
Accrued bonus		60,075	129,192
Distribution fee expenses payable	13	64,036	92,020
Other payables and accrued expenses		39,258	44,926
Lease liabilities		19,158	19,771
		182,527	285,909
Net current assets		1,819,819	1,685,704
Non-current liabilities			
Accrued bonus		3,972	11,166
Borrowing		77,075	82,634
Lease liabilities		19,122	25,878
Deferred tax liabilities		377	–
		100,546	119,678
Net Assets		4,649,215	5,264,755
Equity			
Equity attributable to owners of the Company			
Issued equity	14	1,347,487	1,385,078
Other reserves		80,193	83,130
Retained earnings		3,221,535	3,796,547
Total equity		4,649,215	5,264,755

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021, 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 2021. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2. REVENUE

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

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Management fees	307,268	501,893
Performance fees	896	91,343
Front-end fees	23,780	114,570
	<u>331,944</u>	<u>707,806</u>
Total fee income	<u>331,944</u>	<u>707,806</u>

3. OTHER GAINS/LOSSES – NET

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Net (losses)/gains on investments		
Realized gains on financial assets at fair value through profit or loss	239,877	3,578
Net unrealized (losses)/gains on financial assets at fair value through profit or loss	(562,370)	29,378
Net change in unrealized gains of an investment property	14,828	11,945
Net foreign exchange losses	(71,589)	(11,232)
	<u>(379,254)</u>	<u>33,669</u>
Total other (losses)/gains – net	<u>(379,254)</u>	<u>33,669</u>

4. INVESTMENT PROPERTY

On 21 September 2018, the Group acquired the entire interest in a student accommodation investment property located in New Zealand with a consideration of HK\$146,390,000, which was subsequently revalued by the Group as at 30 June 2022 and 31 December 2021.

5. INVESTMENTS IN JOINT VENTURES

As at 30 June 2022 and 31 December 2021, “investments in joint ventures” on the condensed consolidated balance sheet, amounting to HK\$654,635,000 (31 December 2021: HK\$424,039,000), 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., respectively, and 15% of the interest in AM 310 Ann Street Investor Unit Trust (“AM 310”). Value Investing has the trust beneficiary interests in three logistics centers in Japan (31 December 2021: three); AM 310 and Clear Miles HK hold two Australian commercial property projects (31 December 2021: one).

During the year ended 31 December 2021, Clear Miles HK committed to invest a total of Australian dollar (“AUD”) 110.0 million (equivalent to HK\$616.9 million) through the subscription of 110,000,000 units in AM Kent Street Investor Trust and it invested AUD11.0 million (equivalent to HK\$61.9 million) in which the Group’s portion amounted to AUD5.5 million (equivalent to HK\$30.9 million). During the period ended 30 June 2022, Clear Miles HK further invested AUD 99.0 million (equivalent to HK\$548.0 million) in which the Group’s portion amounted to AUD49.5 million (equivalent to HK\$281.9 million) for the subscription of 110,000,000 units in AM Kent Street Investor Trust. The subscription of units was completed and approved by the Australian Foreign Investment Review Board in April 2022.

6. 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 2022, government wage subsidies amounting to HK\$1,600,000 (2021: Nil) are included in the “compensation and benefit expenses” line item. There are no unfulfilled conditions or other contingencies attaching to these subsidies.

7. TAX EXPENSE

Under current tax laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Group. As a result, no provision for Cayman Islands income and capital gains taxes has been made in the interim condensed consolidated financial information.

Hong Kong profits tax has been provided on the estimated assessable profit for the six months ended 30 June 2022 at the rate of approximately 16.5% (2021: 16.5%). Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Current tax		
Hong Kong profits tax	484	28,105
Overseas tax	4,139	8,616
Adjustments in respect of prior years	(783)	(3,799)
Total current tax	3,840	32,922
Deferred tax		
Origination and reversal of temporary differences	143	(544)
Total tax expense	3,983	32,378

8. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the loss attributable to owners of the Company of HK\$428,588,000 (2021: profit of HK\$209,818,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 1,845,114,000 (2021: 1,855,043,000). The diluted earnings per share is calculated by adjusting the weighted average number of shares in issue during the period of 1,845,114,000 (2021: 1,855,043,000) by Nil (2021: 15,175,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

9. DIVIDENDS

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 2022 (2021: Nil).

10. INVESTMENTS

Investments include the following:

	Financial assets at fair value through profit or loss	
	30 June 2022 HK\$'000 Unaudited	31 December 2021 HK\$'000 Audited
Listed securities (by place of listing)		
Listed securities – Long – Hong Kong	184,572	7,780
Investment funds – Hong Kong	426,191	425,212
Investment funds – Malaysia	17,859	20,859
Market value of listed securities	628,622	453,851
Unlisted securities (by place of incorporation/establishment)		
Equity securities – Singapore	1,571	1,685
Investment funds – Cayman Islands	121,519	156,381
Investment funds – China	27,819	28,620
Investment funds – Hong Kong	481,784	586,829
Investment funds – Ireland	666,828	785,618
Investment funds – South Korea	39,311	46,346
Investment funds – United States	69,372	95,683
Loan note – Australia	–	691,002
Fair value of unlisted securities	1,408,204	2,392,164
Representing:		
Non-current	1,838,549	2,820,414
Current	198,277	25,601
Total investments	2,036,826	2,846,015

As at 30 June 2022, HK\$159 million (31 December 2021: HK\$196 million) of investments in associates are classified as “non-current investments” in the condensed consolidated balance sheet.

11. FEES RECEIVABLE

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

	30 June 2022 HK\$'000 Unaudited	31 December 2021 HK\$'000 Audited
Fees receivable that were past due but not impaired		
1 – 30 days	1,950	405
31 – 60 days	–	702
61 – 90 days	588	465
Over 90 days	<u>6,461</u>	<u>4,634</u>
	8,999	6,206
Fees receivable that were within credit period	<u>69,012</u>	<u>183,854</u>
Total fees receivable	<u>78,011</u>	<u>190,060</u>

12. CASH AND CASH EQUIVALENTS

	30 June 2022 HK\$'000 Unaudited	31 December 2021 HK\$'000 Audited
Cash at banks and in hand	227,082	304,663
Short-term bank deposits	1,369,990	1,360,687
Deposits with brokers	<u>6,573</u>	<u>587</u>
Total cash and cash equivalents	<u>1,603,645</u>	<u>1,665,937</u>

13. DISTRIBUTION FEE EXPENSES PAYABLE

The carrying amounts of distribution fee expenses payable approximate their fair value due to the short-term maturity. The ageing analysis of distribution fee expenses payable is as follows:

	30 June 2022 HK\$'000 Unaudited	31 December 2021 HK\$'000 Audited
0 – 30 days	56,600	78,905
31 – 60 days	1,304	695
61 – 90 days	13	532
Over 90 days	6,119	11,888
	<hr/>	<hr/>
Total distribution fee expenses payable	64,036	92,020

14. ISSUED EQUITY

	Number of shares	Total issued equity HK\$'000
Unaudited		
As at 1 January 2022	1,849,982,831	1,385,078
Shares repurchase	(12,433,000)	(37,591)
	<hr/>	<hr/>
As at 30 June 2022	1,837,549,831	1,347,487
	<hr/>	<hr/>
Audited		
As at 1 January 2021	1,855,082,831	1,407,105
Shares repurchase	(5,100,000)	(22,027)
	<hr/>	<hr/>
As at 31 December 2021	1,849,982,831	1,385,078

The Company purchased a total of 12,433,000 shares on the Stock Exchange during the period ended 30 June 2022 (30 June 2021: 556,000 shares) and the aggregate consideration paid was HK\$37,591,000 (30 June 2021: HK\$2,614,000). As at 30 June 2022, the purchased 12,433,000 shares were cancelled (30 June 2021: 556,000 shares were under the procedures of cancellation).

MANAGEMENT DISCUSSION AND ANALYSIS

The first half of 2022 continued to be challenging, with global markets broadly under pressure, including China and Asia. At the forefront of investors' concerns are the unexpected rising geopolitical tensions between Russia and Ukraine and the surging energy and commodity prices that drastically changed the world's inflation expectations. In addition, the US Fed and other central banks have started hiking interest rates at a faster-than-expected pace to combat persistently high inflation, which has much eroded the purchasing power of most consumers. Investor concerns now have turned to a possible recession, especially in the U.S., which has become one of the risk factors driving further weakness.

Elsewhere, the Omicron-induced lockdowns in China in the first half, notably in Shanghai and Beijing, further weighed on economic activities and led to supply chain disruptions. While the rest of the world has started to reopen their economies, we remain cautious about China's zero-Covid strategy and how it could further impact the country's economy.

During the first six months of 2022, the MSCI China Index was down 11.3%¹. The broader MSCI AC Asia (ex-Japan) Index also slumped, down 16.3%¹ during the same period. Given the dampened investor sentiment, the Group's funds' performances and corporate profitability dragged during the first half of 2022.

Nevertheless, despite the challenging period, we remain committed to developing our business and strengthening our franchise, with new senior hires to bolster our capabilities. We also have made progress with expanding our product suite, with more plans and initiatives to extend our client reach.

Financial highlights

As of the end of June 2022, our assets under management ("AUM") stood at US\$7.5 billion, down 25.4% from US\$10.0 billion at the end of 2021. The drop in AUM was mostly attributable to the declining performances of our funds and net outflows during the period, both mainly driven by unfavorable market conditions caused by the faster-than-expected rate hikes globally and recession fears in the United States. As a result, our gross management fees declined 39% year-on-year to HK\$307 million for the six months ended 30 June 2022 from HK\$502 million in the same period last year. In terms of fund flows, our fixed income funds continued to see net outflows during the period, as Asian bonds have been out of favor amid the increasing interest rates and lingering uncertainties over China's real estate market. Within the industry as a whole, we also saw other asset managers operating in Hong Kong having sizable outflows since the start of the year amid the dampened investor sentiment, with net redemptions amounting to US\$3.1 billion during the first five months of 2022².

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\$168 million, slightly up by 6% compared to HK\$159 million a year earlier.

As a result of the fall in gross management fees and reduction in performance fees, total revenue was squeezed. Operating loss (before other gains/losses) was HK\$45 million for the six months ending 30 June 2022. With net fair value losses of HK\$308 million on the Group's investments, which were mainly seed capital investments in its own funds, loss attributable to owners of the Company amounted to HK\$429 million for the first half of 2022.

Product highlights and expansion

Although the investment landscape was generally unfavorable, our distribution partners have continued to show support for some of our products. One of the most favored products during the period was our Asia-focused mixed-asset product, the Value Partners Asian Income Fund (“VAIF”). At a time of heightened volatility, VAIF was mostly preferred as its strategy aims to achieve lower volatility while providing better risk-adjusted returns to investors.

Meanwhile, our Asia ex-Japan High Dividend Equity strategy continued to gain recognition in the industry. In May, our High-Dividend Stocks Fund was named the best fund in the Asia ex-Japan Equity category by *AsianInvestor*’s Asset Management Awards 2022. As it enters its third decade, the Value Partners High-Dividend Stocks Fund has recorded gains of 859.8%³ as of the end of June 2022 since its inception in September 2002.

We have also continued to expand and diversify our product suite to cater to the evolving needs of investors.

In July, Value Partners and US-based EMQQ Global LLC (“EMQQ”) successfully listed the Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF (“VPEMQQ ETF”, stock code: 3030 HK) on the Hong Kong Stock Exchange. The product is the first thematic ETF in Hong Kong with a global emerging markets mandate. It provides investors exposure to the long-term growth opportunities of the internet and e-commerce sectors in emerging markets. We are optimistic about the long-term outlook of these sectors, which are driven by long-term trends, such as the increasing penetration of smartphones and internet connectivity, changing demographics, and the rising middle-class affluence in these markets.

The VPEMQQ ETF brings together the complementary strengths of Value Partners and EMQQ. Value Partners has a long track record in China and Asia, supported by its on-the-ground research capabilities, while EMQQ is an ETF specialist for emerging and frontier markets for almost a decade.

The launch of the new ETF is the start of our Group’s bigger ETF strategy. As we embark on our fourth decade of growth, the VPEMQQ ETF is just one of several initiatives we will be rolling out for our clients in the coming year.

Furthermore, we also have other strategies in the pipeline, including fixed income, multi-asset, and ESG mandates. As a leading Hong Kong-listed asset manager, we are committed to continuing our innovation work to cater to the evolving needs of our investors.

Enhancing our client relationships and reach

As the industry has also become more competitive, we have stepped up our efforts to enhance our client relationships and reach with a series of appointments to bolster our senior management team, including our distribution, sales and investment capabilities.

The Group appointed Ms. June WONG as Chief Executive Officer (“CEO”), effective 1 July 2022. Ms. WONG joined Value Partners in October 2021 as the Group’s President. As CEO, she will dedicate more effort to her responsibilities in managing the Group’s overall business, corporate strategy, and operations.

Meanwhile, Mr. Vincent CHING was appointed as Head of Intermediaries for Asia-Pacific in July 2022. In his new role, Mr. CHING oversees the management and development of fund distribution in the region and Hong Kong, including strengthening the Company's relationships with retail and private banks. Mr. CHING was previously the Group's Head of Hong Kong, Retail Distribution.

The Group has also hired experienced senior management staff in the first half, including Mr. Samuel SUN, Chief Risk Officer, to manage and oversee the Group's overall risk management function. Mr. SUN is a seasoned industry executive with over 25 years of risk management. We appointed Mr. Hyung Do KIM as Senior Director, Head of ETF Business and Korea Sales. Mr. KIM leads the strategy development and execution of the Group's ETF business and assists with the sales initiatives for Korea. Mr. Otto CHOI was also hired as Senior Director, Institutional Business, to bolster our institutional business coverage in North Asia. In Europe, Mr. David TOWNSEND was appointed as Managing Director, EMEA (Europe, Middle East, and Africa) Business to lead and grow the Company's business across the EMEA region.

On the investment side, we have strengthened our client portfolio management ("CPM") function with the appointment of Mr. Ricky TANG as Managing Director, Co-Head of Client Portfolio Management. Mr. TANG is responsible for the product strategy of the Group's fixed income and multi-asset capabilities, driving and developing the franchises' competitive positioning and strategic plans. He jointly leads the CPM function with Co-Head Mr. Frank TSUI, who focuses on the Group's equities capabilities and is also the Group's Head of ESG Investments.

We have also promoted Ms. Kelly CHUNG to Investment Director, Head of Multi-Assets. Ms. CHUNG, who joined the Group in April 2016 as Senior Fund Manager, has become instrumental in building out Value Partners' multi-asset capability, building the franchise with an outperformance track record against peers.

As Value Partners continues to grow, we continue to review our business strategy and product development. We will, from time to time, look for high-caliber professionals to join our Group.

Business opportunities in the Mainland

Due to market weakness and the Omicron-induced lockdowns in Shanghai, we saw some drag in our business in Mainland China. Our AUM from the Mainland stood at US\$0.63 billion at the end of June 2022, accounting for about 8.4% of the Group's total AUM. Our core business continued to be underpinned by four key segments, which are institutional clients, private fund management ("PFM") and qualified domestic limited partnership ("QDLP") mandates, retail clients via the Mainland-Hong Kong Mutual Recognition of Funds ("MRF"), and opportunities arising from the Greater Bay Area ("GBA") Wealth Management Connect ("WMC") Scheme.

As China steadily lifts pandemic restrictions, we expect business to return to normal in the second half. In addition, we continue to explore new business ventures in China, such as aiming to gain full or majority control of public asset management licenses. On the GBA Wealth Connect, we have onboarded three products on the shelves of certain eligible banks listed in the GBA WMC Scheme, and we continue working with current and potential distribution partners to add eligible products to their shelves. We continue to explore and watch out for new policies or cross-border schemes that could bring new business to our Group.

Our ongoing efforts in Mainland China have continued to be recognized by the industry. Value Partners is named as one of China's top 20 foreign managers for three consecutive years (2020-2022) by Z-Ben Advisors, China's leading fund industry consulting firm. Value Partners is also the only Asia-based fund house on the list.

Initiatives overseas

As we have established our presence outside our home market, we have continued to explore ways to capture the growth opportunities in other regions.

With our business activities ramping up in Southeast Asia, we are now seeking ways to expand our client base in this fast-growing market. For example, we are developing an engagement strategy to deepen our coverage with family offices – a client segment that is growing rapidly in the region.

In Malaysia, following the listing of our first pure A-shares Shariah ETF in the world, the product continued with its success as being among the top actively traded ETFs by value and volume in the country, according to data from Bursa Malaysia⁴. The pandemic has brought newfound awareness of ESG and responsible investing within the market, which has increased the appetite for ESG products. As our Malaysia office is the hub for Shariah products, we are also exploring ways to extend our Shariah capabilities to other Southeast Asia markets, particularly to institutions in Indonesia and Brunei, as well as in the EMEA region.

Outside of Asia, we are seeing investor sentiment towards China and Asia improving, which should bode well for us in the near- to medium-term. Many asset owners have recognized the region's differentiation benefits relative to the headwinds facing many developed markets, including slowing down of growth, rising interest rates, stronger inflationary pressures, and limited policy flexibility. In light of this, they have been actively seeking a China investment specialist.

In Europe, existing institutional clients have continued their support for us. For example, a leading British financial institution has added more capital allocations this year to the mandate we secured with the firm in 2020. Riding on the success of this mandate, we are seeing encouraging and developing interest in our China equity capabilities from sovereign wealth funds in the EMEA region, with several constructive discussions underway.

In North America, we continue to focus our sales efforts on key markets and client segments, strengthening our relationships with existing clients. Currently, we are actively engaging with a local consulting firm for a client with a sizeable mandate. Meanwhile, we have also been active in broader brand-building initiatives, such as China-focused roundtable events.

ESG journey continues

We have remained committed to developing our ESG capabilities, as Responsible Investing is an intrinsic part of our investment process to mitigate risks and identify opportunities for our shareholders and investors. After building and establishing our ESG framework and principles in 2019-2020, 2021 marked an important milestone. Last year, we expanded our team of dedicated ESG investment professionals and reached 100% coverage of our proprietary ESG assessment for all our listed investees across equities and fixed income security holdings.

The initiation of our proprietary ESG assessment framework in 2020 is the most crucial and essential milestone in our ESG journey, as it sets the ESG foundations for Value Partners' investment process and enables many ESG research developments in the inefficient emerging Asia markets going forward.

For one, our proprietary ESG assessment addresses several challenges surrounding ESG information procurement in the region. While some information or data are already present, they are not easily found or accessed as ESG disclosure in Asia remains inefficient, and additional resources are often needed to unearth this information. With our ramped-up ESG capability and on-the-ground researchers, we are able to fill in this gap to dig deeper to procure various kinds of ESG data.

Our proprietary assessment has also provided our analysts with a more systematic in-house framework to conduct ESG due diligence. Not only does this provide our analysts with a standardized way of assessing ESG factors, they are also able to gauge the materiality of ESG factors in the companies they cover. It also enables us to have a portfolio ESG rating for portfolio managers to review.

Reaching 100% coverage of our ESG assessment has also enabled us to provide more information to our clients and investors. We have started providing monthly proprietary ESG reports in the first half of 2022, which include ESG scores at the fund level and ESG rating distribution at the firm level, among others. These reports have already been incorporated in some of our client meetings since the beginning of the year.

We are also looking to leverage our proprietary ESG scorecards to improve our engagement with our investees. While we have been engaging with our investees since the firm's inception as part of its due diligence process, our scorecards should allow us to be more active in exercising our fiduciary duties on company engagement. With more information, our proprietary ESG assessment should enable us to articulate ESG awareness and concerns, such as helping them improve the quality of disclosures or ESG practices to encourage positive changes. It is pivotal for us to host discussions with investees on ESG-related practices, which should lead toward sustainable value creation and long-term resilience.

Following the successful launch of our China thematic strategy in Japan in 2021, we plan to develop our product suite further by rolling out other ESG funds in other markets. We expect a new product to be launched in this year's second half.

We are committed to ESG developments and have formed the blueprint enhancing ESG research, our responsible investment policy, reporting, and product offerings.

Market and business outlook

Despite a weak macro backdrop in the investment landscape, we believe there are some silver linings. In China, we continue to view that its counter-cyclical pro-growth policies, which contrast with other parts of the world, and fine-tuned regulations shall support its growth stability agenda in 2022. Meanwhile, although we remain cautious and closely monitor China's zero-Covid strategy, newly reported Covid cases have been falling, and more measures are being taken to ensure logistic flows and production resumptions. In Asia, inflation shall continue to drive diverging performances within the region. Nevertheless, the easing disruptions in the supply chain may help lower inflation pressures and lift investor sentiment.

Overall, we are cautiously optimistic about the China and Asia markets. While we are positive about China's pro-growth policies, we expect market volatility to persist given the unwavering concerns about rate hikes, quantitative tightening, and recession fears in the US, as well as their ripple effects on Asian markets. We are also monitoring the rising inflationary pressures in other Asian markets, which may exert downward pressure. We believe having a selective and bottom-up focus on quality fundamentals could be rewarding for long-term investors as some valuations offer compelling investment opportunities.

On the business front, Value Partners has continued its upward momentum of developing its business as we expand our product suite, bolster our investment capabilities, and explore ways to amplify our client reach in different markets and segments. Despite some drags in the industry, we remain positive longer-term in the opportunities that the asset and wealth management industry presents. As we further grow our business, we believe we are well-positioned to take advantage of the ever-changing needs of investors both locally and globally.

Appreciation

Last but not least, we would like to thank all our colleagues, shareholders, clients, and business partners for their continued support and loyalty, especially in these challenging times. 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 to be innovative to capture growing opportunities in the ever-evolving asset and wealth management landscape.

1. *MSCI, 30 June 2022.*
2. *Hong Kong Investment Funds Association, Report for Retail Sales and Redemptions by Hong Kong Investors.*
3. *Value Partners High-Dividend Stocks Fund (Class A1, USD) was launched on 2 September 2002. Calendar returns of the fund over the past five years: 2017: +32.9%; 2018: -14.2%; 2019: +14.9%; 2020: +13.9%; 2021: +3.5%; 2022 (Year to date as at 30 June): -14.3%.*
4. *Bursa Malaysia Group, as of 30 April 2022. The information is provided for general information only.*

Source: HSBC Institutional Trust Services (Asia) Limited and Bloomberg. Performance is calculated in USD, NAV to NAV, with dividend reinvested and net of fees. Indices are for references only.

Investment involves risk and past performance is not indicative of future results. Investors should refer to the explanatory memorandum for details and risk factors in particular those associated with investment in emerging markets.

FINANCIAL REVIEW

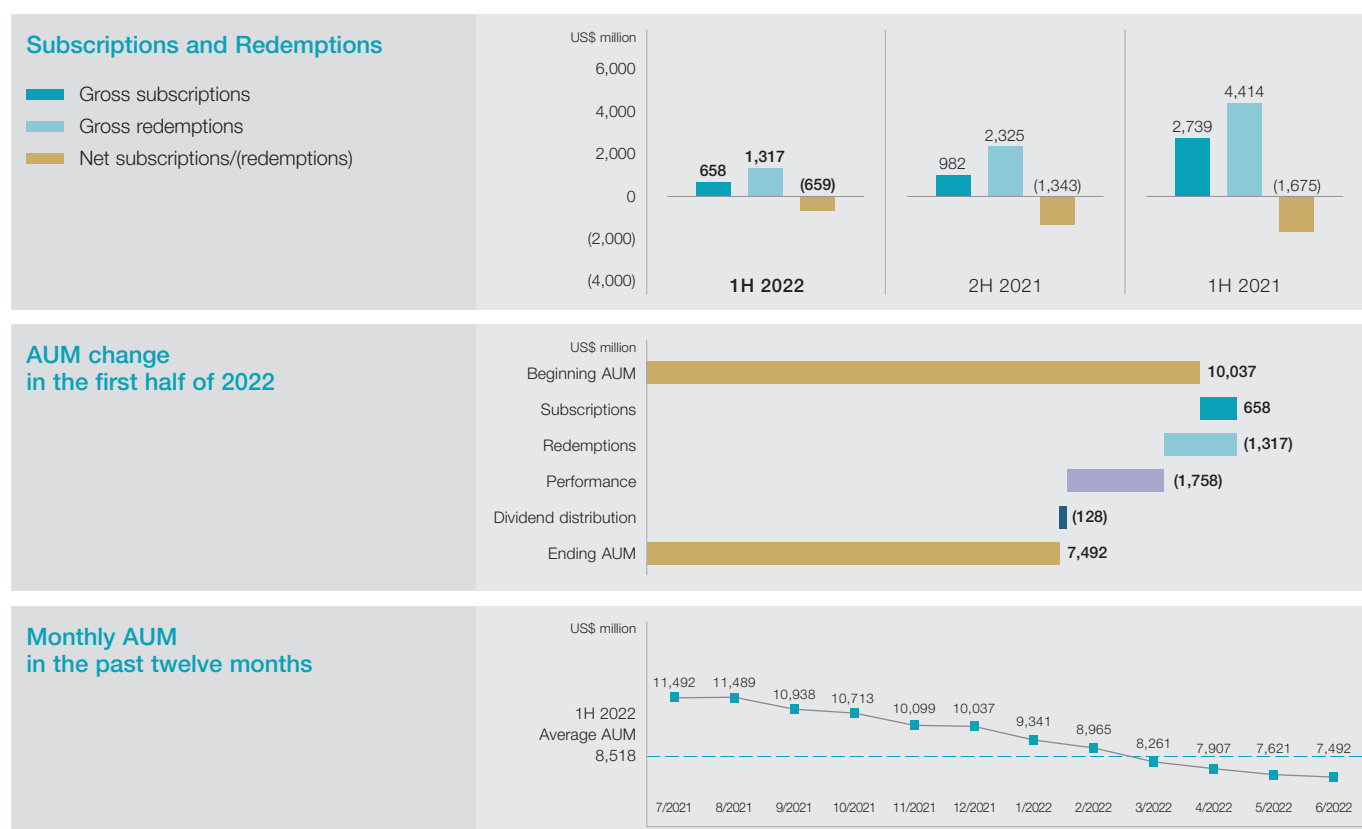
Assets Under Management (“AUM”)

AUM and return

The Group’s AUM stood at US\$7,492 million at the end of June 2022 (31 December 2021: US\$10,037 million). The decline was mainly attributable to the negative fund returns of US\$1,758 million and a net redemption of US\$659 million in the first half of 2022 driven by unfavorable market conditions and also rising interest rates.

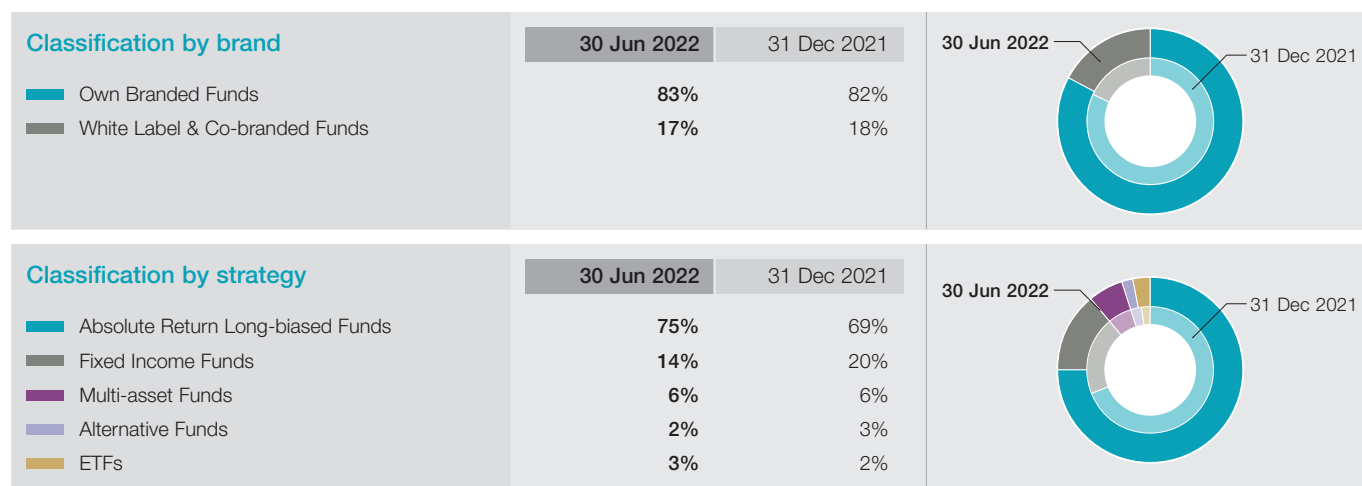
Overall fund performance¹, calculated as the asset-weighted average return of funds under management, was a decline of 17.9% in the period under review. Among our funds, the Value Partners High-Dividend Stocks Fund² and the Value Partners Classic Fund³ fell 14.3% and 21.8%, respectively, during the period.

In the first half of 2022, gross subscriptions decreased to US\$658 million from US\$982 million in the second half of 2021. Gross redemptions for the first half of 2022 decreased to US\$1,317 million from US\$2,325 million in the second half of 2021 with a net redemption of US\$659 million (2H 2021: US\$1,343 million).



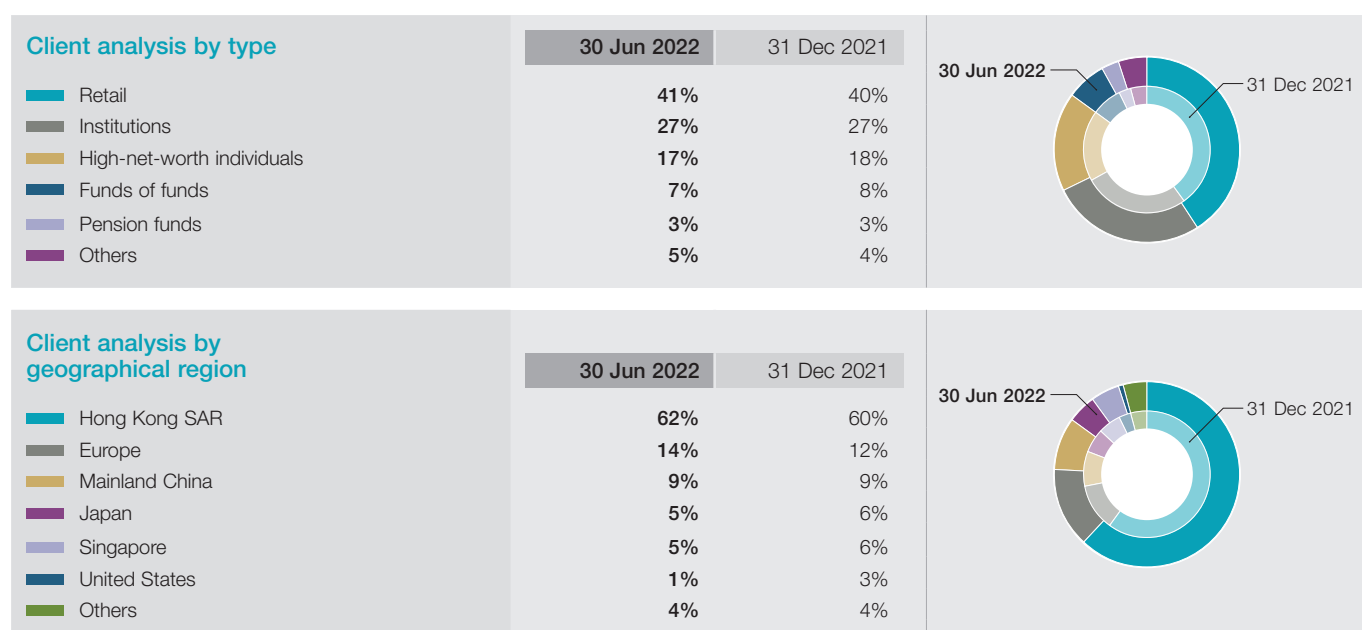
AUM by category

The charts below show breakdowns of the Group's AUM as at 30 June 2022 using two classifiers: brand and strategy. Own Branded Funds (83%) remained the biggest contributor to the Group's AUM. By strategy, Absolute Return Long-biased Funds (75%) continued to represent the largest share of the Group's AUM, followed by Fixed Income Funds (14%), 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 59% of total AUM (31 December 2021: 60%). Meanwhile, retail clients contributed 41% of total AUM (31 December 2021: 40%). In terms of geographic location, Hong Kong clients continued to be the largest segment, contributing 62% of the Group's AUM (31 December 2021: 60%). There was a notable rise in the share of AUM attributable to clients in Europe, which increased to 14% (31 December 2021: 12%) due to the increased subscription in a Chinese equity mandate from a European client. The share of AUM contributed by clients in mainland China remained stable at 9% (31 December 2021: 9%).

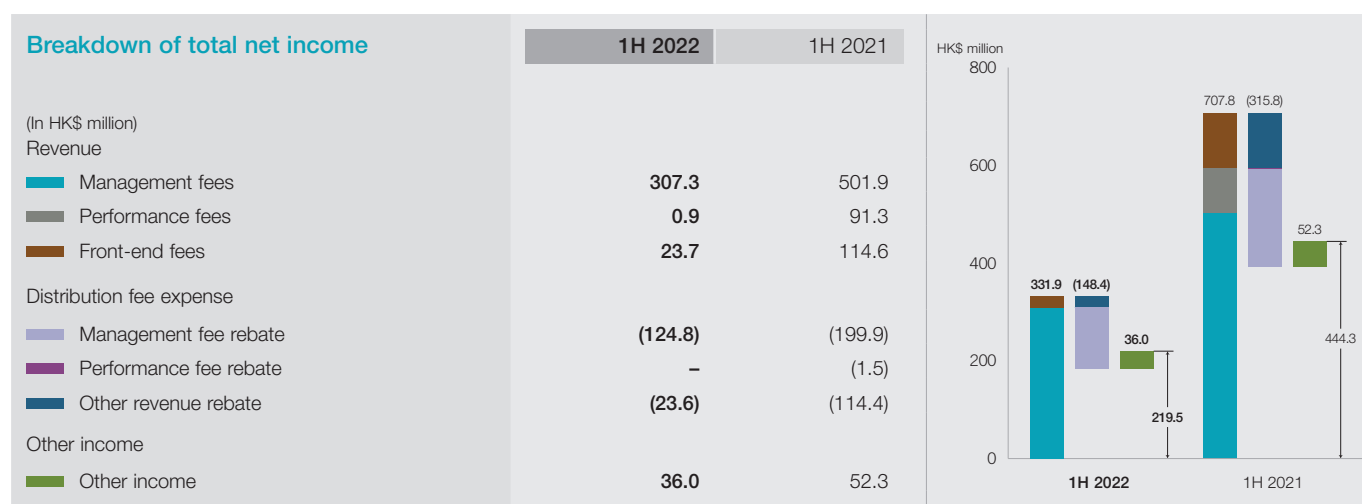


Summary of results

Key financial highlights for the reporting period are as follows:

(In HK\$ million)	1H 2022	1H 2021	% Change
Total revenue	331.9	707.8	-53.1%
Gross management fees	307.3	501.9	-38.8%
Gross performance fees	0.9	91.3	-99.0%
Operating (loss)/profit (before other gains/losses)	(44.9)	193.4	-123.2%
(Loss)/profit attributable to owners of the Company	(428.6)	209.8	-304.3%
Basic (loss)/earnings per share (HK cents)	(23.2)	11.3	-305.3%
Diluted (loss)/earnings per share (HK cents)	(23.2)	11.2	-307.1%
Interim dividend per share (HK cents)	Nil	Nil	

Revenue and fee margin



The Group's loss attributable to owners of the Company amounted to HK\$428.6 million for the six months ended 30 June 2022 (1H 2021 profit: 209.8 million). Gross management fees, the Group's largest revenue contributor, decreased to HK\$307.3 million (1H 2021: HK\$501.9 million) with the decrease in the Group's AUM.

During the period, our annualized gross management fee margin decreased to 95 basis points (1H 2021: 98 basis points) due to higher AUM portion with a lower management fee margin compared to the first half of 2021. Our annualized net management fee margin was narrowed down to 57 basis points (1H 2021: 59 basis points), while our management fee rebates for distribution channels decreased to HK\$124.8 million (1H 2021: HK\$199.9 million).

Gross performance fees, another source of revenue, decreased to HK\$0.9 million (1H 2021: HK\$91.3 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\$36.0 million (1H 2021: HK\$52.3 million).

Other gains or losses

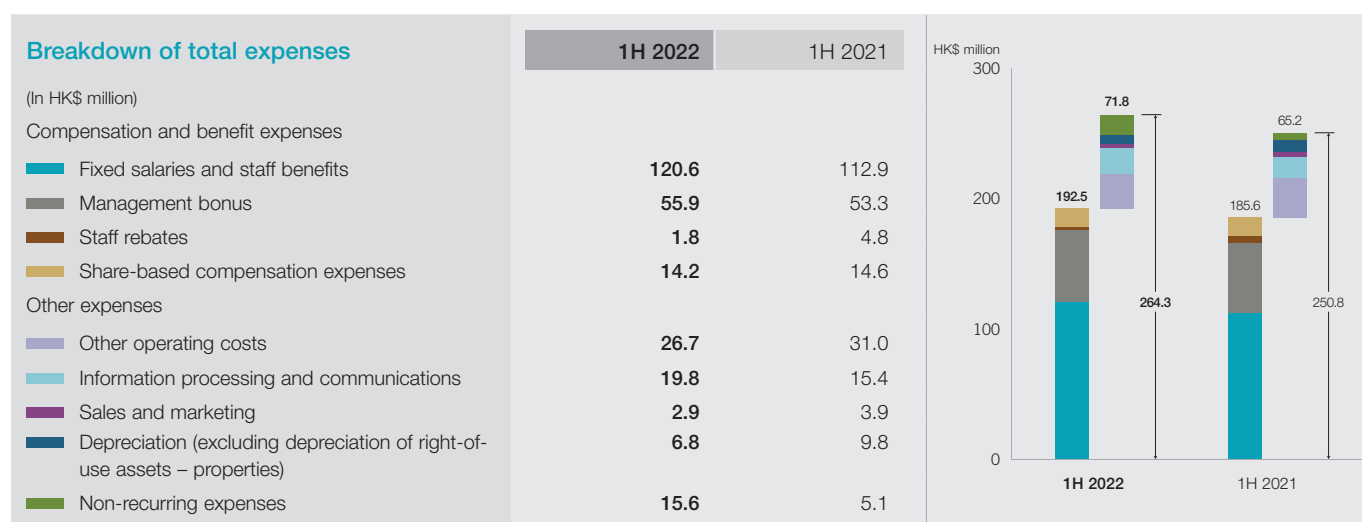
(In HK\$ million)	1H 2022	1H 2021
Net (losses)/gains on investments		
Realized gains on financial assets at fair value through profit or loss	239.9	3.6
Net unrealized (losses)/gains on financial assets at fair value through profit or loss	(562.4)	29.4
Net change in unrealized gains of an investment property	14.8	11.9
Net foreign exchange losses	(71.6)	(11.2)
Other (losses)/gains – net	(379.3)	33.7

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 market-to-market losses of the Group's seed capital investments given the current challenging market environment faced by all asset managers.

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 2022, the Real Estate Partnership held three 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 (As at 31 December 2021, the Real Estate Partnership held three logistics centers located in Japan and a commercial property project located in Australia through two joint ventures in which the Group had 50% and 15% equity interest, respectively.) The Group's share of gains amounted to HK\$1.9 million (1H 2021: HK\$16.7 million), which was attributable to the rental income and fair value gain of the properties for the six months ended 30 June 2022.

Cost management



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 on key strategic growth areas in order to bolster our competitive advantage in the longer term.

Compensation and benefit expenses

During the period, salaries and staff benefits (excluding bonus) increased by HK\$7.7 million to HK\$120.6 million (1H 2021: HK\$112.9 million). Management bonus for the period amounted to HK\$55.9 million (1H 2021: HK\$53.3 million) which was mainly resulted from the realized gain from the Group's investments in the Real Estate Partnership. Given the net loss for the period of the Group, the Board of Director would reassess the management bonus provision by end of 2022 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\$1.8 million (1H 2021: HK\$4.8 million).

During the period, the Group recorded expenses of HK\$14.2 million (1H 2021: HK\$14.6 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\$46.5 million for the period (1H 2021: HK\$46.4 million), while sales and marketing expenses decreased to HK\$2.9 million (1H 2021: 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. As at 30 June 2022, the Group's balance sheet and cash flow positions remained strong, with a net cash balance of HK\$1,603.6 million. Other than relevant borrowings pledged with property asset by the Real Estate Partnership of HK\$77.1 million (31 December 2021: HK\$82.6 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 11.0 times.

Capital structure

As at 30 June 2022, the Group's shareholders' equity and total number of shares issued were HK\$4,649.2 million and 1.84 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: 2017: +32.9%; 2018: -14.2%; 2019: +14.9%; 2020: +13.9%; 2021: +3.5%; 2022 (Year to date as at 30 June): -14.3%.*
3. *Annual calendar returns of Value Partners Classic Fund (A Units) over the past five years: 2017: +44.9%; 2018: -23.1%; 2019: +32.4%; 2020: +37.6%; 2021: -6.6%; 2022 (Year to date as at 30 June): -21.8%.*

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 2022 (six months ended 30 June 2021: Nil).

Foreign exchange

As at 30 June 2022, other than the Renminbi-denominated bank deposits of approximately HK\$458 million and the Australian-dollar-denominated bank deposits of approximately HK\$652 million (30 June 2021: HK\$1,083 million and HK\$76 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 2022, the Group employed 164 staff (30 June 2021: 177) in Hong Kong SAR, 43 staff (30 June 2021: 39) in Shanghai, 3 staff (30 June 2021: 5) in Shenzhen, 4 staff (30 June 2021: 5) in Singapore, 2 staff (30 June 2021: 2) in London and 6 staff (30 June 2021: 6) in Malaysia. Remuneration packages that take into account of business performance, market practices and competitive market conditions are offered to employees in compensation for their contributions. In line with the Group's emphasis on recognition for performance and human capital retention, the Group rewards its employees with year-end discretionary bonus which is linked to the Group's level of profits for that financial year.

Purchase, sale or redemption of the Company's securities

The Company purchased a total of 12,433,000 shares on the Stock Exchange during the six months ended 30 June 2022 and the aggregate consideration paid was about HK\$37,591,000. As at 30 June 2022, the total number of shares in issue was 1,837,549,831. 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 2022.

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 2022.

Independent review of interim results

The unaudited interim results of the Group for the six months ended 30 June 2022 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 2022.

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 2022.

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 2022

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.